JINHUI

JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137

ANNUAL REPORT **2015**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ho Suk Lin

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

SHARE LISTING

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Commerzbank Aktiengesellschaft
Credit Suisse AG
HSH Nordbank AG
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation

SHARE REGISTRAR

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

REGISTERED OFFICE

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

CONTACTS

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WEBSITE

www.jinhuiship.com

Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2015.

RESULTS

The Group's revenue for the year was HK$799,038,000 whereas HK$1,309,920,000 was reported for the year 2014. The net loss attributable to shareholders of the Company for the year was HK$1,683,183,000 as compared to a net loss of HK$379,923,000 for the year 2014. The considerable consolidated net loss for the year 2015 was primarily attributable to the recognition of substantial impairment losses on certain owned dry bulk vessels and goodwill of HK$2,535,083,000 and HK$39,040,000 respectively and the reduction in hire and freight revenue earned by the Group's fleet in prevailing weak freight market environment. The consolidated net loss for the year 2015 was also attributable to a net loss on investment portfolio of HK$166,785,000 and the recognition of loss of HK$22,698,000 on write-off of vessel under construction upon entering into a deed of novation in May 2015 to cease a vessel construction commitment in order to reduce future capital expenditure during an extremely challenging operating environment.

On 1 June 2015, the Group announced to dispose the trading business by selling its entire 75% equity interest in Yee Lee Technology Company Limited ("YLTCL") at a consideration of HK$32,000,000, and YLTCL and its subsidiaries ("YL Group") had ceased to be treated as subsidiaries of the Company upon completion of the disposal in June 2015. The disposal allowed the Group be better focus and concentrated its resources on shipping business in the prevailing tough operating environment and allowed the management to consider other business which could bring synergy to its shipping business in future.

Basic loss per share was HK$3.174 for the year as compared to basic loss per share of HK$0.716 for the year 2014.

DIVIDENDS

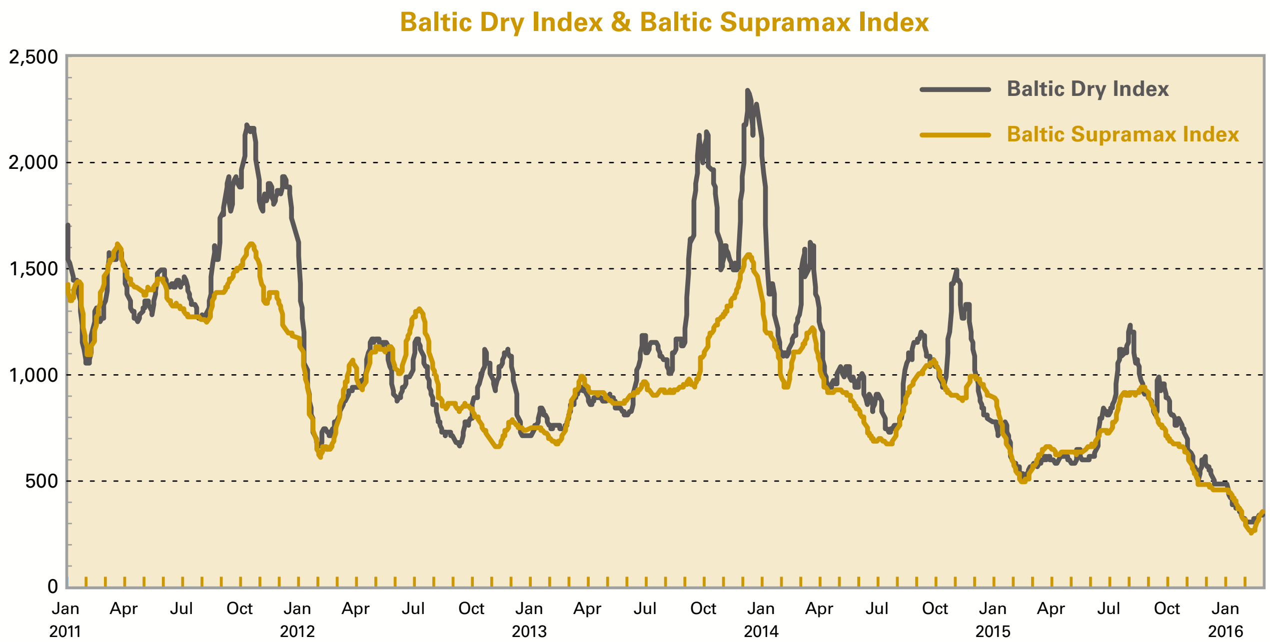
The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2015. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2015.

Chairman's Statement

BUSINESS REVIEW

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

Dry bulk shipping market faced severe challenges in year 2015. The languid dry bulk shipping market continued to be affected by the weak demand growth due to the slowdown of Chinese coal and iron ore imports and an oversupply of bulk carriers in the market. Baltic Dry Index, as well as Baltic Supramax Index had plunged once again to new record lows in 2015 following a slump in market freight rates of different kinds of vessels. With increasing demolitions and slowing new tonnage supply, the market sentiment improved slightly in mid of the year. However, the dry bulk shipping market experienced a drastic confidence crisis in the final months stimulated by the reverse of the U.S. interest rate cycle marking the end of the quantitative easing era; the deeper-than expected slowdown of the China's economic growth; ambiguous currency policies with competitive devaluation between different central banks; and a meltdown in commodities prices from metals to oil all occurring more or less simultaneously. The slowdown of dry bulk commodities import demand from the emerging countries, particularly China, and the oversupply of tonnage remained as key hurdles to the long-awaited cyclical upturn in the market with confidence in world trade reaching an all-time low driving market into chaos in the final months.



Source: Bloomberg

BUSINESS REVIEW *(Continued)*

Revenue from chartering freight and hire for the year dropped vigorously by 35% from HK$1,031,541,000 in 2014 to HK$673,163,000 in 2015 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. Segment loss from chartering freight and hire of HK$2,836,554,000 for the year 2015 was primarily attributable to the recognition of a non-cash impairment loss of HK$2,535,083,000 on owned vessels and the reduction in hire and freight revenue earned by the Group's fleet in prevailing weak freight market environment.

The average daily time charter equivalent rate earned by the Group's fleet dropped to US$6,412 for the year 2015 as compared to US$9,234 for the year 2014 when certain charter contracts were entered into with charterers at relatively low freight rates at spot market.

At end of 2015, the management cautiously reviewed the fundamentals in dry bulk shipping market and considered the low freight rate environment shall persist for a longer time than previously expected and the timing of the rebalancing of demand and supply of tonnage is expected to be hard to ascertain, and unlikely to materialize in the near term. As a result, the management considered that impairment indication of the Group's fleet existed at end of 2015 due to the tuning of expectation on the pace of recovery and the change of the long term fundamentals of the global economic and the dry bulk shipping industry outlook.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain owned vessels' recoverable amounts which were determined based on value in use, were significantly less than their respective carrying amounts. Accordingly, an impairment loss of HK$2,535,083,000 on owned vessels was recognized at end of 2015. For the year 2014, the Group recorded impairment loss of HK$394,570,000 on owned vessels. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

Other operating income from chartering freight and hire for the year 2015 mainly included settlement income of HK$183,271,000 from charterers in relation to repudiation claims. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

Shipping related expenses for the year 2015 dropped by 26% to HK$614,245,000 as compared to HK$835,371,000 for the year 2014 due to reduced voyage-related direct costs, including bunker expenses, when less voyage charters were engaged in current year. The decrease was also attributable to the reduction in vessel running cost under the Group's continuing effort on cost reduction strategy in order to remain competitive in the current tough market environment.

Other operating expenses from chartering freight and hire for the year 2015 included a loss of HK$22,698,000 on write-off of vessel under construction, being the forfeiture of deposit paid under the contract dated 10 April 2014 for the acquisition of a dry bulk carrier entered into between a subsidiary of the Company and a contractor. The subsidiary and the contractor entered into a deed of novation on 28 May 2015 and agreed to novate the subsidiary's rights and obligations under the said contract to a new incoming party, and the subsidiary agreed to the forfeiture of HK$22,698,000 already paid under the said contract. The Group would have the benefit of reducing future capital expenditure during an extremely challenging operating environment.

BUSINESS REVIEW *(Continued)*

Finance costs from chartering freight and hire for the year decreased by 13% from HK$42,311,000 in 2014 to HK$36,831,000 in 2015. The decrease was mainly attributable to the reduction in average outstanding loan principal under aggressive loan repayment schedules of the Group.

Other financial information. The unallocated corporate expenses increased to HK$239,580,000 for the year 2015, as comparing to HK$85,569,000 for the year 2014, due to the recognition of net loss on investment portfolio of HK$166,785,000. Such net loss included both realized loss on trading transactions and unrealized fair value loss on equity securities instruments which comprised mainly of major blue-chip stocks, constituent stocks of the Hang Seng Index, and large-cap or mid-cap Mainland companies listed in Hong Kong. The occurrence of the said loss coincided with the global stock markets sell off during the later months of 2015 where the main theme was risk off. For the year 2014, the Group recorded net loss on investment portfolio of HK$44,764,000.

Given the abovementioned impairment indication of owned dry bulk vessels existed and significant impairment loss on owned vessels was recognized at end of 2015, the management considered goodwill of HK$39,040,000 allocated to certain ship owning subsidiaries of Jinhui Shipping (that are principally engaged in the business of chartering freight and hire through their owned dry bulk vessels) as a cash generating unit might be impaired. Based on the impairment assessment, the carrying amount of the cash generating unit had been written down to its recoverable amount based on value in use and impairment loss was firstly allocated to reduce the carrying amount of goodwill. Accordingly, impairment loss of HK$39,040,000 on goodwill was recognized in the consolidated statement of profit or loss for the year ended 31 December 2015. This impairment loss on goodwill is not reversed in subsequent periods.

Trading – Disposal and discontinued operation. The Group operated its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited ("YLTCL"), a 75% indirectly owned subsidiary of the Company, and its subsidiaries ("YL Group"). On 1 June 2015, the Group announced to dispose the trading business by selling its entire 75% equity interest in YLTCL at a consideration of HK$32,000,000, and YL Group had ceased to be treated as subsidiaries of the Company upon completion of the disposal in June 2015. The loss from discontinued trading business for the year was HK$10,099,000 while the loss from discontinued trading business for the year 2014 was HK$4,552,000. The increase in segment loss from trading business was mainly due to the recognition of provision for warehouse reinstatement expense of HK$7.7 million in current year due to receiving a removal order from the Government of Hong Kong when the Government exercised its landlord's right to terminate the tenancy of the premises that YL Group has been using as the sole storage location of its trading goods in Hong Kong for decades. There was no such expense incurred in 2014. Gain on disposal of YLTCL of HK$23,000 was recognized upon the completion of disposal in June 2015 and was included in other operating income for the year.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. As at 31 December 2015, the total of the Group's equity and debt securities, bank balances and cash decreased to HK$992,890,000 (2014: HK$1,610,201,000). The Group's bank borrowings decreased to HK$2,476,367,000 (2014: HK$3,171,827,000), of which 26%, 18%, 49% and 7% are repayable respectively within one year, one to two years, two to five years and over five years. All bank borrowings were denominated in United States Dollars and were committed on floating rate basis.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, increased to 43% (2014: 24%) as at 31 December 2015. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2015, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK$4,645,051,000 (2014: HK$7,479,018,000), and deposits of HK$80,937,000 (2014: HK$176,411,000) placed with banks were pledged together with the assignment of thirty six (2014: thirty six) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of thirty (2014: thirty) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of owned vessels and vessels under construction was HK$84,163,000 (2014: HK$86,908,000), on other property, plant and equipment was HK$15,440,000 (2014: HK$7,807,000) and on investment properties was HK$3,508,000 (2014: HK$39,404,000).

As at 31 December 2015, there was no capital expenditure commitments contracted by the Group but not provided for. As at 31 December 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$204,282,000, representing the Group's outstanding capital expenditure commitments to acquire one newbuilding at contract price of US$29,100,000 (approximately HK$226,980,000) under the contract dated 10 April 2014 entered into between a subsidiary of the Company and a contractor. On 28 May 2015, the subsidiary and the contractor entered into a deed of novation. Upon signing the deed of novation, the parties agreed to novate the subsidiary's rights and obligations under the said contract to a new incoming party, which is an independent third party and the subsidiary agreed to the forfeiture of HK$22,698,000 already paid under the said contract.

Chairman's Statement

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.

As at 31 December 2015, the Group had 75 (2014: 109) full-time employees. The number of employees reduced to 75 upon the disposal of trading business during the year. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

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

WORKING ENVIRONMENT

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

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

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

EXTERNAL ENVIRONMENT ISSUES

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

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

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

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

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

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

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

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

Carbon Dioxide emission reduction – since February 2013 the Group has adopted the Ship Energy Efficiency Management Plan ("SEEMP"), a plan that individual vessel can follow and improve each vessel's energy efficiency through a series of procedures and efforts. Implementing of SEEMP will contribute towards reducing fuel consumption and carbon emission which influence the global environment. In 2015, targeted Carbon Dioxide emission had been reduced by two percent of the 2014 emission figure. In 2015, Vessels' Energy Efficiency Operating Indicator is about 10 to 15 grammes CO2/MT.Mile.

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

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

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

RISK MANAGEMENT

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

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

Market risk. Market risk is the risk of operational loss or financial loss due to adverse changes in the market exposure. It also includes the adverse change of value of a financial instrument or portfolio of financial instruments when there are changes in market factors such as underlying interest rates, exchange rates, equity securities prices, debt securities prices or in the volatility of these factors. The Group's major market risk exposures on financial instruments mainly arise from bank borrowings committed on floating rate basis, and investments in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 37 to the consolidated financial statements.

RISK MANAGEMENT *(Continued)*

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

Liquidity risk. Liquidity risk is the risk that the Group fails to meet its obligations associated with its financial liabilities. The Group takes conservative treasury policies to maintain sufficient cash reserves, readily realizable marketable equity and debt securities and obtain credit facilities from well-known financial institutions. The management actively involves in treasury management to ensure adequate cash flows to meet the expected liquidity requirements, working capital and capital expenditures needs. With the dry bulk market being extremely challenging, preserving optimal liquidity is of pinnacle importance. The Group will be working closely with lenders to devise ways to maximize liquidity position in case of the challenging freight environment will continue for longer than expected. A new undrawn credit facility of HK$120,000,000 backed by the Group's property assets has also been arranged in early 2016.

RISK FACTORS

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

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

Chairman's Statement

OUTLOOK

We expected the 2015 dry bulk shipping market would be a tough market, it has turned out to be unprecedentedly tough and now an outright confidence crisis. Freight rate is now below vessel operating expenses, asset prices have gone in a downward spiral given the lack of confidence. We believe the current market cannot be sustainable for all ship owners. So far a number of established shipping companies are already in financial distress, with some others seeking renegotiations of long term charter rates with owners in order to save liquidity. On the supply capacity front, more shipyards are expected to run into financial distress given buyers have insufficient liquidity to pay the instalments and shipyards also run out of capital. Lenders are doing their best to avoid new exposure to new shipping financing against such backdrop.

Currently, a number of factors continue to hinder the dry bulk market recovery: (1) slower demand growth in key dry bulk commodities importing activities from China due to economic slowdown, with a weak demand growth largely due to the continued slowdown in Chinese coal and iron ore imports which together represent a large proportion of overall dry bulk trade; (2) a much lower oil price which discourages slow steaming and effectively releasing further supply to the market; (3) the meltdown of commodity prices which means operators find it is hard to make profit in trades; and (4) the irrational ordering of newbuildings in the past two years.

On a positive note, this 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 seems to come to a halt. In fact, given the reality of the prevailing tough trading environment, delays, conversions, cancellations, and shipyard defaults are leading to much fewer actual deliveries than previously scheduled. Owners are running out of liquidity and lenders are certainly avoiding new additional exposure to the sector.

We continue to see uncertainties with respect to the global economic outlook, particularly the freight market as well as the financial, commodity and currency markets. This will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts. Looking ahead, we will continue to focus on the basics: maintain a strong financial position with an emphasis on liquidity and are discussing with our lenders seeking their support to maximize our liquidity position, with the objective to be one of the survivors coming out of the current crisis and remain as one of the preferred vessel providers in the dry bulk shipping market. We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive beyond the current crisis. 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.

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 11 March 2016

Strategies and Business Profile

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

STRATEGIES

The Group's fleet comprise principally of Supramax class vessels, a larger and more efficient Handymax design that enjoys increasing demand from customers around the world. The Group will focus on maintaining a strong financial position and moderate leverage, and seek to be a preferred vessel provider for customers.

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

SHIPPING BUSINESS

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 54.77% owned subsidiary of the Company as at date of this annual report.

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

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

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

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

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2015, the Group had thirty six owned vessels and 797 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

Highlights

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

Loading Ports Analysis

(Expressed as a percentage of revenue for chartering freight and hire)	2015 %	2014 %
Asia excluding China	41.8	41.6
China	22.6	14.2
Australia	16.3	26.1
Europe	6.2	1.5
North America	6.1	7.8
South America	3.9	4.4
Africa	1.8	4.1
Others	1.3	0.3
	100.0	100.0

Discharging Ports Analysis

(Expressed as a percentage of revenue for chartering freight and hire)	2015 %	2014 %
China	56.1	70.0
Asia excluding China	37.2	25.7
Europe	2.9	1.3
North America	1.0	1.8
South America	1.0	0.4
Africa	0.9	–
Others	0.9	0.8
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2015		2014	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	11,620	61.3	11,922	63.3
Steel products	3,684	19.5	3,010	16.0
Coal	2,266	12.0	2,452	13.0
Agricultural products	681	3.6	899	4.8
Cement	573	3.0	510	2.7
Fertilizer	78	0.4	29	0.2
Alumina	40	0.2	–	–
	18,942	100.0	18,822	100.0

KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

	2015	2014
	HK$'000	*HK$'000*
Daily time charter equivalent rate [1]	**50**	72
Daily vessel running cost [2]	**32**	39
Daily vessel depreciation [3]	**31**	33
Daily vessel finance cost [4]	**3**	3
	66	75
Average utilization rate [5]	**98%**	96%

The Group's fleet comprised of thirty six dry bulk vessels for both years 2014 and 2015. Daily time charter equivalent rate dropped 31% to US$6,412 (approximately HK$50,000) for the year 2015 as compared to US$9,234 (approximately HK$72,000) for the year 2014 in the prevailing weak dry bulk shipping market. Daily vessel running cost dropped 19% from US$5,051 (approximately HK$39,000) for the year 2014 to US$4,072 (approximately HK$32,000) for the year 2015. The decrease was attributable to the Group's continuing effort on cost reduction strategy in order to remain competitive in the current tough market environment. Daily vessel depreciation and finance cost were both on a downward trend while the fleet utilization rate was 98% for the year 2015.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue and fleet utilization rate and we will keep costs in check to enhance our margins beyond the current crisis.

Notes:

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

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

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

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

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

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue					
– Continuing operation	**673,163**	1,031,541	1,696,516	1,825,477	2,380,529
– Discontinued operation	**125,875**	278,379	255,684	278,948	403,763
	799,038	1,309,920	1,952,200	2,104,425	2,784,292
Net profit (loss) for the year					
– Continuing operation	**(3,011,850)**	(682,700)	209,073	282,309	472,240
– Discontinued operation	**(10,099)**	(4,552)	1,523	(2,891)	5,449
	(3,021,949)	(687,252)	210,596	279,418	477,689
Other comprehensive income (loss)	**33,746**	(1,200)	(600)	400	4,980
Total comprehensive income (loss) for the year	**(2,988,203)**	(688,452)	209,996	279,818	482,669
Total comprehensive income (loss) for the year attributable to:					
Shareholders of the Company	**(1,649,437)**	(381,123)	120,158	155,165	264,165
Non-controlling interests	**(1,338,766)**	(307,329)	89,838	124,653	218,504
	(2,988,203)	(688,452)	209,996	279,818	482,669

Other Financial Information

	2015	2014	2013	2012	2011
Basic earnings (loss) per share					
– Continuing operation	**HK$(3.160)**	HK$(0.710)	HK$0.225	HK$0.296	HK$0.481
– Discontinued operation	**HK$(0.014)**	HK$(0.006)	HK$0.003	HK$(0.004)	HK$0.008
	HK$(3.174)	HK$(0.716)	HK$0.228	HK$0.292	HK$0.489

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**4,922,107**	7,800,363	8,511,796	9,594,795	9,128,843
Current assets	**1,229,210**	2,069,398	2,808,239	2,333,029	2,636,743
Current liabilities	**(873,452)**	(778,501)	(1,042,212)	(1,154,583)	(1,114,016)
Non-current liabilities	**(1,826,303)**	(2,641,376)	(3,139,487)	(3,844,901)	(4,003,048)
Net assets	**3,451,562**	6,449,884	7,138,336	6,928,340	6,648,522
Issued capital	**381,639**	381,639	53,029	53,029	53,029
Reserves	**1,597,789**	3,247,226	3,956,959	3,836,801	3,681,636
Equity attributable to shareholders of the Company	**1,979,428**	3,628,865	4,009,988	3,889,830	3,734,665
Non-controlling interests	**1,472,134**	2,821,019	3,128,348	3,038,510	2,913,857
Total equity	**3,451,562**	6,449,884	7,138,336	6,928,340	6,648,522
Other Financial Information					
Gearing ratio	**43%**	24%	31%	40%	37%

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

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

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

The Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, with deviations explained in this corporate governance report.

DIRECTORS

The Board

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

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

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

DIRECTORS *(Continued)*

The Board *(Continued)*

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

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

The Board meets regularly over the Company's affairs and operations. The attendance records of each member of the Board and board committees at meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee held in 2015, and the 2015 Annual General Meeting are set out below:

	Number of meetings attended / held for the year 2015				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2015 Annual General Meeting**
Executive Directors					
Ng Siu Fai, *Chairman*	8/8	–	–	–	1/1
Ng Kam Wah Thomas, *Managing Director*	8/8	–	–	–	0/1
Ng Ki Hung Frankie	8/8	–	–	–	1/1
Ho Suk Lin	8/8	–	–	–	1/1
Independent Non-executive Directors					
Cui Jianhua	7/8	3/3	1/1	1/1	1/1
Tsui Che Yin Frank	7/8	3/3	1/1	1/1	1/1
William Yau	7/8	3/3	1/1	1/1	1/1

DIRECTORS *(Continued)*

Chairman and Chief Executive

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

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

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

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

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

The Chairman ensures that all Directors are properly briefed on the issues arising at the Board meetings and all Directors receive adequate, complete and reliable information. Throughout the year, the Chairman provides leadership for the Board; ensures that the Board and board committees function effectively and perform their responsibilities; ensures that good corporate governance practices and procedures are established; and ensures necessary steps are taken to provide effective communication with shareholders. The Board believes that Mr. Ng Siu Fai's appointment to the post of Chairman is beneficial to the business prospects and management of the Company.

DIRECTORS *(Continued)*

Board composition

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

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

Biographical details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are set out on pages 33 and 34.

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

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

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

Appointments and re-election of directors

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

DIRECTORS *(Continued)*

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

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

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

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

Re-election of independent non-executive directors

Mr. Tsui Che Yin Frank has served as an independent non-executive director since 1994. As Mr. Tsui has served the Company for more than nine years, and he was subject to re-election as an independent non-executive director at the 2015 Annual General Meeting, the Board assessed and considered that Mr. Tsui's independence was not affected by his long service with the Company. Mr. Tsui met the independence guideline as set out in Rule 3.13 of the Listing Rules. He has been independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. His further appointment which was subject to a separate resolution had been approved by Shareholders at the 2015 Annual General Meeting held on 18 May 2015.

DIRECTORS *(Continued)*

Nomination Committee

The Nomination Committee was established on 1 January 2013, currently comprising three independent non-executive directors, Mr. Cui Jianhua (chairman of Nomination Committee), Mr. Tsui Che Yin Frank and Mr. William Yau. The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee shall meet at least once a year. The Nomination Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

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

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

Responsibilities of directors

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

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

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

DIRECTORS *(Continued)*

Securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the year ended 31 December 2015.

Supply of and access to information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration Committee *(Continued)*

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

During the year, the Remuneration Committee held a meeting to review and assess the management's remuneration proposals with reference to the corporate goals and objectives, and to make recommendations to the Board regarding the remuneration to individual executive directors and senior management. Details of the emoluments of the Directors and remuneration to senior management by band for the year are set out in note 11 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

The Directors are responsible for preparing the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern. A statement by the auditor of the Company about auditor's responsibility on the consolidated financial statements of the Group is set out in "Independent Auditor's Report" on pages 44 and 45.

Internal controls

It is the Board's responsibility to maintain sound and effective internal controls to safeguard shareholders' investment and Company's assets.

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal controls *(Continued)*

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. 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 Audit Committee, has conducted an annual review of the effectiveness of the Group's internal control systems, covering all material financial, operational and compliance controls and risk management functions. In particular, the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting function are reviewed. The Board is satisfied that such systems are effective and appropriate actions have been taken.

The Board considers that the Company has complied with the requirements under the Listing Rules regarding the internal controls, and will continue to review, revise and strengthen its internal controls from time to time so that practical and effective systems are implemented.

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 "Chairman's Statement" on pages 10 and 11 and note 37 to the consolidated financial statements on pages 97 to 102.

Audit Committee

The Audit Committee was established on 22 September 1998, currently comprises of three independent non-executive directors, Mr. Tsui Che Yin Frank (chairman of Audit Committee), Mr. Cui Jianhua and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the 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. The Audit Committee shall meet at least twice a year. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee *(Continued)*

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

During the year, the Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual reports before submission to the Board. The Audit Committee held three meetings in 2015. The Group's annual consolidated financial statements for the year ended 31 December 2015 and interim consolidated financial statements for the period ended 30 June 2015 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

DELEGATION BY THE BOARD

Management functions

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

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

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

The list of executive directors and senior management and their biographical details are set out on pages 33 and 34.

DELEGATION BY THE BOARD *(Continued)*

Board committees

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

Corporate governance functions

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

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

COMMUNICATION WITH SHAREHOLDERS

Effective communication

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

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

The 2016 Annual General Meeting of the Company will be held on Thursday, 12 May 2016. Notice of the Annual General Meeting will be published at least twenty clear business days before the meeting on the websites of Hong Kong Exchanges and Clearing Limited and the Company, and will be despatched to shareholders of the Company in due course.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Effective communication *(Continued)*

The register of members of the Company will be closed from Tuesday, 10 May 2016 to Thursday, 12 May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2016 Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 May 2016.

Voting by poll

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

COMPANY SECRETARY

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

AUDITOR'S REMUNERATION

The performance of the auditor of the Company during the year has been reviewed by the Audit Committee. In 2015, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were HK$1,600,000 and HK$334,000 respectively. The other services mainly include interim review, tax compliance services and review of internal control systems.

SHAREHOLDERS' RIGHT

Procedures for shareholders to call a general meeting

For shareholder(s) of the Company who wish to call a general meeting, the shareholder(s) is / are requested to follow the requirements and procedures as set out in Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

SHAREHOLDERS' RIGHT *(Continued)*

Procedures for shareholders to call a general meeting *(Continued)*

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

Pursuant to Section 567 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Directors must call a general meeting within twenty one days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than twenty eight days after the date of the notice convening the meeting. If the Directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), but the meeting must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call a general meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the Directors duly to call a general meeting.

Procedures for shareholders to circulate a resolution for annual general meeting

For shareholder(s) of the Company who wish to make a request to circulate a resolution for an annual general meeting, the shareholder(s) is / are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Shareholder(s) can make a request to circulate a resolution for an annual general meeting pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) if: (a) they represent at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least fifty shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

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

Shareholders' enquiries

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

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 59. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

Mr. Ng Kam Wah Thomas, *Managing Director*

Aged 53. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 62. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade. He is currently an independent non-executive director of Flat Glass Group Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 6865).

Ms. Ho Suk Lin, *Executive Director*

Aged 52. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of 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.

Mr. Cui Jianhua, *Independent Non-executive Director*

Aged 61. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco International Co. Ltd. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

Board of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Mr. Tsui Che Yin Frank, *Independent Non-executive Director*
Aged 58. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. 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, *Independent Non-executive Director*
Aged 48. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited. Mr. Yau also serves as director of Fujian Shishi Rural Commercial Bank Co., Ltd. and the Hong Kong Island Social Services Charitable Foundation Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*
Aged 41. 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 62. 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 63. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Jinhui Holdings and its subsidiaries for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering, ship owning and trading and the particulars of the principal subsidiaries are set out in note 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year, except for the Group discontinued and disposed of its entire trading business in June 2015. Further discussion and analysis as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business and the key performance indicators, can be found in "Chairman's Statement" on pages 3 to 13 and "Highlights" on pages 16 to 19 of this Annual Report. This discussion forms part of this Directors' Report.

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the financial position of the Group as at 31 December 2015 are set out in the consolidated financial statements on pages 46 to 112.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2015. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2015.

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" on page 50.

Directors' Report

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$265,858,000 (2014: HK$289,879,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 18 and 19.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment, and investment properties of the Group during the year are set out in note 17 and note 18 to the consolidated financial statements respectively.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2015 are set out in note 27 to the consolidated financial statements.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the top five largest customers in aggregate and the single largest customer of the Group accounted for approximately 46% and 14% respectively of the total revenue of the Group for the year.

Purchases attributable to the top five largest suppliers in aggregate and the single largest supplier of the Group accounted for approximately 70% and 30% respectively of the total purchases of the Group for the year.

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK$50,000.

RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution provident fund scheme and a mandatory provident fund scheme for employees in Hong Kong. Particulars of these schemes are set out in note 4.23 to the consolidated 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.

DIRECTORS

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

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

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

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

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

Brief biographical details of the Directors and senior management are set out in "Board of Directors and Senior Management" on pages 33 and 34.

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

Directors' Report

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2015, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

(i) Directors' interests in shares of the Company

	Number of shares in the Company held and capacity				Percentage of total issued shares of
Name	**Beneficial owner**	**Interest of spouse**	**Beneficiary of trust**	**Total**	**the Company**
Ng Siu Fai	19,917,000	15,140,000	342,209,280 *Note*	377,266,280	71.15%
Ng Kam Wah Thomas	5,909,000	–	342,209,280 *Note*	348,118,280	65.65%
Ng Ki Hung Frankie	3,000,000	–	342,209,280 *Note*	345,209,280	65.10%
Ho Suk Lin	3,850,000	–	–	3,850,000	0.73%
Cui Jianhua	960,000	–	–	960,000	0.18%
Tsui Che Yin Frank	1,000,000	–	–	1,000,000	0.19%
William Yau	441,000	–	–	441,000	0.08%

Note: As at 31 December 2015, 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 the Company (representing approximately 64.53% of the total issued shares of the Company). 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY, ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

(ii) Directors' interests in associated corporation

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

As at 31 December 2015, 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 Jinhui Shipping (representing approximately 54.77% of the total issued shares of Jinhui Shipping) held by the Company and 500,000 shares of Jinhui Shipping (representing approximately 0.59% of the total issued shares of Jinhui Shipping) held by Fairline through their beneficial interests in the Company and Fairline respectively.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

EQUITY-LINKED AGREEMENTS

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

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

Details of share options under the Share Option Scheme in 2015 were as follows:

Name	Date of grant	Exercise price per share *HK$*	Exercisable period	Number of outstanding options as at 1 January and 31 December 2015
Ng Siu Fai	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
Ng Kam Wah Thomas	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
Ng Ki Hung Frankie	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
				9,552,000

Notes:

1. No share option was granted, exercised, cancelled or lapsed during the year.
2. The Share Option Scheme was valid and effective for a period of ten years commencing on 18 November 2004 up to 17 November 2014. The outstanding options remain in full force and effect within the exercisable period.
3. The exercise price of HK$1.57 per share was determined by the higher of (i) the closing price per share of the Company on the date of grant of options on 29 June 2006; and (ii) the average closing price per share of the Company for the five business days immediately preceding the date of grant of options on 29 June 2006.
4. As at the date of grant of options on 29 June 2006, the closing price per share of the Company was HK$1.57.
5. The closing price per share of the Company as at 31 December 2015 was HK$1.05.
6. As at 31 December 2015, the total number of shares available for issue of the outstanding options under the Share Option Scheme was 9,552,000, which represented 1.80% of the issued shares of the Company.

EQUITY-LINKED AGREEMENTS *(Continued)*

Directors' interests in underlying shares of the Company (rights to acquire shares of the Company under the Share Option Scheme) ***(Continued)***

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

LOANS TO OFFICERS

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

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

As at 31 December 2015, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executives of the Company) had interests representing 5% or more of the issued share capital of the Company:

Long positions

Name of shareholders	Capacity	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	Beneficial owner	342,209,280	–	64.53%
Wong Yee Man Gloria	Beneficial owner and interest of spouse	377,266,280 *Note 1*	–	71.15%
	Interest of spouse	–	3,184,000 *Note 2*	0.60%

Notes:

1. The interest in shares includes 15,140,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 362,126,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 3,184,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 31 December 2015, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for directors' and senior management's liabilities in respect of legal actions against its directors and senior management arising from corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) throughout the year and remained in force up to the date of this report.

AUDITOR

The consolidated financial statements for the years ended 31 December 2013, 2014 and 2015 had been audited by Grant Thornton Hong Kong Limited. An ordinary resolution for the re-appointment of Grant Thornton Hong Kong Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting, subject to shareholders' approval.

CORPORATE GOVERNANCE

Jinhui Holdings recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2015 was set out in "Corporate Governance Report" on pages 20 to 32, which covered the required report contents as set out in Appendix 14 of the Listing Rules with the description of our conformance throughout the year and provided explanation of the reasons for the deviations.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 11 March 2016

Independent Auditor's Report

Grant Thornton
致同

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

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") and its subsidiaries set out on pages 46 to 112, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

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 the 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

11 March 2016

Kwong Kam Wing Kelvin
Practising Certificate No.: P05373

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 HK$'000	2014 (Restated) HK$'000
CONTINUING OPERATION			
Revenue	8	**673,163**	1,031,541
Other operating income	9	**266,100**	167,019
Interest income		**32,741**	43,739
Shipping related expenses		**(614,245)**	(835,371)
Staff costs	10	**(88,325)**	(89,609)
Impairment loss on owned vessels	17	**(2,535,083)**	(394,570)
Impairment loss on goodwill	19	**(39,040)**	–
Other operating expenses		**(242,875)**	(112,047)
Operating loss before depreciation and amortization	12	**(2,547,564)**	(189,298)
Depreciation and amortization		**(426,319)**	(450,919)
Operating loss		**(2,973,883)**	(640,217)
Finance costs	13	**(37,967)**	(42,483)
Loss before taxation		**(3,011,850)**	(682,700)
Taxation	14	**–**	–
Loss for the year from continuing operation		**(3,011,850)**	(682,700)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	6(a)	**(10,099)**	(4,552)
Loss for the year		**(3,021,949)**	(687,252)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties upon disposal of subsidiaries	18	**30,746**	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets from continuing operation		**3,000**	(1,200)
Total comprehensive loss for the year		**(2,988,203)**	(688,452)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 HK$'000	2014 (Restated) HK$'000
Loss for the year attributable to:			
Shareholders of the Company			
– Continuing operation		**(1,675,672)**	(376,659)
– Discontinued operation		**(7,511)**	(3,264)
		(1,683,183)	(379,923)
Non-controlling interests			
– Continuing operation		**(1,336,178)**	(306,041)
– Discontinued operation		**(2,588)**	(1,288)
		(1,338,766)	(307,329)
		(3,021,949)	(687,252)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company			
– Continuing operation		**(1,641,926)**	(377,859)
– Discontinued operation		**(7,511)**	(3,264)
		(1,649,437)	(381,123)
Non-controlling interests			
– Continuing operation		**(1,336,178)**	(306,041)
– Discontinued operation		**(2,588)**	(1,288)
		(1,338,766)	(307,329)
		(2,988,203)	(688,452)
Loss per share	*16*		
Basic and diluted			
– Continuing operation		**HK$(3.160)**	HK$(0.710)
– Discontinued operation		**HK$(0.014)**	HK$(0.006)
		HK$(3.174)	HK$(0.716)

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**4,702,753**	7,595,913
Investment properties	18	**192,870**	141,860
Goodwill	19	**–**	39,040
Available-for-sale financial assets	20	**25,209**	22,111
Intangible assets	21	**1,275**	1,439
		4,922,107	7,800,363
Current assets			
Inventories	22	**14,947**	49,427
Trade and other receivables	23	**140,436**	233,359
Financial assets at fair value through profit or loss	24	**715,674**	1,048,218
Pledged deposits	35	**80,937**	176,411
Bank balances and cash	25	**277,216**	561,983
		1,229,210	2,069,398
Current liabilities			
Trade and other payables	26	**223,388**	247,590
Current taxation		**–**	460
Secured bank loans	27	**650,064**	530,451
		873,452	778,501
Net current assets		**355,758**	1,290,897
Total assets less current liabilities		**5,277,865**	9,091,260
Non-current liabilities			
Secured bank loans	27	**1,826,303**	2,641,376
Net assets		**3,451,562**	6,449,884

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*28*	**381,639**	381,639
Reserves	*29*	**1,597,789**	3,247,226
		1,979,428	3,628,865
Non-controlling interests		**1,472,134**	2,821,019
Total equity		**3,451,562**	6,449,884

Approved and authorized for issue by the Board of Directors on 11 March 2016

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to shareholders of the Company									
	Issued capital	Share premium	Capital redemption reserve	Other asset revaluation reserve	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Subtotal	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	53,029	324,590	4,020	4,777	26,259	13,195	3,584,118	4,009,988	3,128,348	7,138,336
Transfer on 3 March 2014 upon adoption of the Companies Ordinance *(Note 28)*	328,610	(324,590)	(4,020)	–	–	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	(379,923)	(379,923)	(307,329)	(687,252)
Other comprehensive loss for the year	–	–	–	–	–	(1,200)	–	(1,200)	–	(1,200)
Total comprehensive loss for the year	–	–	–	–	–	(1,200)	(379,923)	(381,123)	(307,329)	(688,452)
At 31 December 2014	381,639	–	–	4,777	26,259	11,995	3,204,195	3,628,865	2,821,019	6,449,884
At 1 January 2015	381,639	–	–	4,777	26,259	11,995	3,204,195	3,628,865	2,821,019	6,449,884
Net loss for the year	–	–	–	–	–	–	(1,683,183)	(1,683,183)	(1,338,766)	(3,021,949)
Other comprehensive income for the year	–	–	–	30,746	–	3,000	–	33,746	–	33,746
Total comprehensive loss for the year	–	–	–	30,746	–	3,000	(1,683,183)	(1,649,437)	(1,338,766)	(2,988,203)
Disposal of subsidiaries *(Note 6c)*	–	–	–	–	–	–	–	–	(10,119)	(10,119)
At 31 December 2015	**381,639**	**–**	**–**	**35,523**	**26,259**	**14,995**	**1,521,012**	**1,979,428**	**1,472,134**	**3,451,562**

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	31	**354,530**	309,235
Interest paid		**(38,581)**	(43,769)
PRC Corporate Income Tax paid		**(576)**	(372)
Net cash from operating activities		**315,373**	265,094
INVESTING ACTIVITIES			
Interest received		**35,576**	42,672
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**112,379**	(112,379)
Dividend income received		**16,192**	15,685
Net cash inflow from disposal of subsidiaries	6(c)	**18,699**	–
Purchase of property, plant and equipment		**(99,453)**	(94,715)
Purchase of investment properties		**(3,508)**	(39,404)
Proceeds from disposal of assets held for sale		**–**	436,800
Net cash from investing activities		**79,885**	248,659
FINANCING ACTIVITIES			
New secured bank loans		**13,124**	32,320
Repayment of secured bank loans		**(676,244)**	(737,734)
Decrease in pledged deposits		**95,474**	7,489
Net cash used in financing activities		**(567,646)**	(697,925)
Net decrease in cash and cash equivalents		**(172,388)**	(184,172)
Cash and cash equivalents at 1 January		**449,604**	633,776
Cash and cash equivalents at 31 December	25	**277,216**	449,604

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

1. GENERAL INFORMATION

Jinhui Holdings Company Limited is a limited liability company incorporated and domiciled in Hong Kong. The registered office of the Company is disclosed in the "Directors' Report" on page 35. The Company's shares are listed on the Hong Kong Stock Exchange.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering, ship owning and trading. Ship chartering and ship owning businesses are carried out internationally, and trading business is principally carried out in Hong Kong. During the year, the Group discontinued and disposed of its entire trading business, details of which are set out in note 6.

The ultimate holding company of the Company is Fairline Consultants Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the Board on 11 March 2016.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition, the requirements of Part 9 "Accounts and Audit" of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRS

In current year, the Group has applied for the first time, the following amendments and interpretations to HKFRS issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2015.

Amendments to HKFRS	Annual Improvements to HKFRS 2010-2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRS 2011-2013 Cycle

The adoption of these amendments to the HKFRS do not have any material impact on the consolidated financial statements.

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

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

Amendments to HKAS 1	Disclosure Initiative [1]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKFRS	Annual Improvements to HKFRS 2012 to 2014 Cycle [1]

Notes:

1. Effective for annual periods beginning on or after 1 January 2016
2. 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 but are not yet in the position to conclude its impact on the Group's consolidated financial statements. Certain other new standards and interpretations have also been issued but are not yet effective and are not expected to have material impact on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

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

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

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

4.2 Basis of consolidation

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

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

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

4.3 Subsidiaries

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

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

4.4 Non-controlling interests

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

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

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

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

4.5 Foreign currency translation

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

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

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

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

4.6 Revenue recognition

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

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.

Sale of goods from trading business comprises the aggregate of the invoiced value of goods sold and is recognized upon transfer of the significant risks and rewards of ownership to the customers when the goods are delivered and the titles have been passed.

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

4.7 Borrowing costs

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

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

4.8 Income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

4.8 Income tax *(Continued)*

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

4.9 Property, plant and equipment

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

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

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

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.

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

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

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

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

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

4.9 Property, plant and equipment *(Continued)*

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

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

Leasehold land and buildings	over the shorter of unexpired term of lease or 3% per annum
Plant and machinery	20% 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.

4.10 Investment properties

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

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

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

Gain or loss arising from either 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less impairment loss. Goodwill is allocated to cash generating units, and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

4.12 Intangible assets

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

Club entrance fee	36 years
Berth license	10 years

Amortization commences when the intangible assets are available for use.

4.13 Impairment of non-financial assets

Property, plant and equipment, goodwill and intangible assets are subject to impairment testing. Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment 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. Goodwill in particular is allocated to those cash generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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

4.13 Impairment of non-financial assets *(Continued)*

Impairment loss recognized for cash generating unit, to which goodwill has been allocated, is firstly allocated to reduce the carrying amount of goodwill. Any remaining impairment loss recognized is allocated to reduce the carrying amounts of the other 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 on goodwill is not reversed in subsequent periods.

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

4.14 Inventories

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

4.15 Financial assets

Financial assets are recognized when, 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.

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

4.15 Financial assets *(Continued)*

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.

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.

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

4.15 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

4.16 Discontinued operation

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

4.17 Financial liabilities

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

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

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

4.17 Financial liabilities *(Continued)*

Borrowings

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

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

4.18 Fair value measurement

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

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

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

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

4.19 Financial guarantee issued

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

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

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

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

4.20 Cash and cash equivalents

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

4.21 Share capital

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

4.22 Employee share-based compensation

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

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

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

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

4.23 Employee benefits

Retirement benefits schemes

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

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

4.23 Employee benefits *(Continued)*

Retirement benefits schemes (Continued)

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

Short term employee benefits

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

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

4.24 Leases

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

Classification of assets leased to the Group

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

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

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

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

4.24 Leases *(Continued)*

Operating lease (as lessee)

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

Assets leased out under operating leases (as lessor)

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

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

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

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

4.25 Provisions and contingent liabilities

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

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

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

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

4.26 Related parties

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

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

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

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

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

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

4.27 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The Group has identified reportable segments as chartering freight and hire, and trading.

Segment results represented operating results of each reportable segment without allocation of interest income, unallocated other operating income, unallocated corporate expenses, and taxation. All assets are allocated to reportable segments other than pledged deposits, bank balances and cash and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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 or liabilities within the next financial year are discussed below:

Impairment of owned vessels

The Group operated a fleet of dry bulk carriers comprised principally of Supramax class vessels. Dry bulk shipping market in 2015 had experienced the most challenging period unseen in the past three decades with the sharp decline in both ship market values and freight rates more than would be expected in the last few months of 2015. At end of 2015, the management cautiously reviewed the fundamentals in dry bulk shipping market and considered the low freight rate environment shall persist for a longer time than previously expected and the timing of the rebalancing of demand and supply of tonnage is expected to be hard to ascertain, and unlikely to materialize in the near term. As a result, the management considered that impairment indication of the Group's fleet existed at end of 2015 due to the tuning of expectation on the pace of recovery and the change of the long term fundamentals of the global economic and the dry bulk shipping industry outlook.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain owned vessels' recoverable amounts were significantly less than their respective carrying amounts. Based on the results of the impairment assessment on owned vessels at the reporting date, the carrying amounts of certain owned vessels exceeded their respective recoverable amounts of HK$4,302,386,000 which were determined based on value in use. The value in use calculation of owned vessels was appraised by an independent qualified appraisal firm. Accordingly, an impairment loss of HK$2,535,083,000 on owned vessels was recognized at end of 2015. For the year 2014, the Group recorded an impairment loss of HK$394,570,000 on certain owned vessels with recoverable amounts of HK$3,022,718,000 which were determined based on value in use. Changes in circumstances may result in revisions to estimates of recoverable amounts of owned vessels and to the conclusion as to whether an indication of impairment of owned vessels exists.

Impairment of goodwill

Goodwill arose from deemed acquisition of additional interests in Jinhui Shipping, a subsidiary of the Company, in 2004. For the purpose of impairment testing, goodwill has been allocated to certain ship owning subsidiaries of Jinhui Shipping (that are principally engaged in the business of chartering freight and hire through their owned dry bulk vessels) as a CGU and is tested for impairment annually. Given the abovementioned impairment indicators of owned dry bulk vessels existed and significant impairment loss on owned vessels was recognized at end of 2015, the management considered indication of impairment of goodwill existed simultaneously.

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

Impairment of goodwill (Continued)

With due considerations of the impairment indication, goodwill of HK$39,040,000 allocated to certain ship owning subsidiaries of Jinhui Shipping (that are principally engaged in the business of chartering freight and hire through their owned dry bulk vessels) as a CGU might be impaired. The recoverable amount of the CGU has been determined based on value in use of the CGU. Based on the results of the impairment assessment on owned vessels and goodwill at the reporting date, the carrying amounts of relevant owned vessels and the CGU of which goodwill has been allocated exceeded their respective recoverable amounts and impairment loss was firstly allocated to reduce the carrying amount of goodwill. Accordingly, impairment loss of HK$39,040,000 on goodwill was recognized in the consolidated statement of profit or loss for the year ended 31 December 2015. This impairment loss on goodwill is not reversed in subsequent periods.

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

The Group has to make estimation and assumptions in the area of impairment test on owned vessels and goodwill. The recoverable amounts of relevant owned vessels and the CGU have been determined based on value in use calculations. The value in use of owned vessels and the CGU is estimated based on estimated future cash flows projections from the continuous use of such vessels. Key assumptions applied in value in use calculation mainly included discount rate and hire rates earned by each vessel as the value in use is most sensitive to the changes in these two factors. Other assumptions included utilization rate, which is assumed to be 95% in all subsequent years (2014: 95% in the first three years and 97% in all subsequent years); and vessels are expected to have useful life of 25 (2014: 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. Key assumptions applied to the first five-year period in the estimated future cash flows projections from the continuous use of such vessels and cash flows beyond the five-year period are extrapolated using the zero growth rate.

The hire rates applied to value in use calculation on owned vessels and the CGU for the years of 2014 and 2015 were based on management's best estimation, 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. No growth in hire rates is assumed for cash flows beyond the five-year period. The estimated hire rates in subsequent years do 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 value in use calculation on owned vessels and the CGU was 9.09% (2014: 9.75%), which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets.

Sensitivity of value in use calculation in impairment assessment of owned vessels and goodwill

With all other variables remaining constant, it was estimated that a decrease of 5% (2014: 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 HK$402,037,000 (2014: HK$434,613,000) and the carrying amount of the Group's owned vessels would decrease by 8.9% (2014: 5.9%) and the impairment loss of HK$39,040,000 (2014: nil) on goodwill would remain unchanged for the year ended 31 December 2015.

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

Sensitivity of value in use calculation in impairment assessment of owned vessels and goodwill (Continued)

With all other variables remaining constant, it was estimated that an increase of 5% (2014: 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 HK$137,940,000 (2014: HK$190,316,000) and the carrying amount of the Group's owned vessels would decrease by 3.0% (2014: 2.6%) and the impairment loss of HK$39,040,000 (2014: nil) on goodwill would remain unchanged for the year ended 31 December 2015.

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 trade receivables

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

6. DISPOSAL GROUP AND DISCONTINUED OPERATION

The Group operated its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited ("YLTCL"), a 75% indirectly owned subsidiary of the Company, and its subsidiaries ("YL Group"). On 1 June 2015, Pantow Profits Limited (the "Vendor"), a wholly-owned subsidiary of the Company, and Asiawide Profits Limited (the "Purchaser"), a connected person at the subsidiary level of the Company, entered into an agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 3,000,000 issued shares of YLTCL held by the Vendor, representing 75% equity interest in YLTCL at a consideration of HK$32,000,000 (the "Disposal"). Upon completion of the Disposal on 15 June 2015, the Company, through the Vendor had disposed of its entire 75% equity interest in YLTCL. YL Group had ceased to be treated as subsidiaries of the Company. The Disposal allowed the Group be better focus and concentrated its resources on shipping business in the prevailing tough operating environment and allowed the management to consider other business which could bring synergy to its shipping business in future. Upon completion of the Disposal, the Group's leasehold land and buildings previously occupied by YL Group had been reclassified to investment properties, change in fair value of the investment properties at the date of transfer of HK$30,746,000 was recognized to other asset revaluation reserve.

The operating results of the disposed trading business for current year (prior to the completion of the Disposal) have been presented as discontinued operation in these consolidated financial statements. The presentation of comparative financial information in respect of the year ended 31 December 2014 has been restated to conform with current year's presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

6. DISPOSAL GROUP AND DISCONTINUED OPERATION *(Continued)*

(a) Loss for the year from discontinued operation

The analysis of the loss from discontinued trading business, presented as discontinued operation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" is as follows:

	Note	2015 HK$'000	2014 (Restated) HK$'000
DISCONTINUED OPERATION			
Revenue	8	**125,875**	278,379
Other operating income		**634**	1,711
Interest income		**10**	67
Cost of trading goods sold		**(121,402)**	(263,791)
Staff costs	10	**(3,367)**	(9,501)
Other operating expenses		**(11,359)**	(10,274)
Operating loss before depreciation and amortization	12	**(9,609)**	(3,409)
Depreciation and amortization		**(29)**	(103)
Operating loss		**(9,638)**	(3,512)
Finance costs	13	**(180)**	(413)
Loss before taxation		**(9,818)**	(3,925)
Taxation	14	**(281)**	(627)
Loss for the year from discontinued operation		**(10,099)**	(4,552)
Loss for the year attributable to:			
Shareholders of the Company		**(7,511)**	(3,264)
Non-controlling interests		**(2,588)**	(1,288)
		(10,099)	(4,552)

(b) Analysis of the cash flows from discontinued operation:

	2015 HK$'000	2014 HK$'000
DISCONTINUED OPERATION		
Net cash from (used in) operating activities	**7,479**	(4,340)
Net cash from (used in) investing activities	**10**	(153)
Net cash inflow (outflow) from discontinued operation	**7,489**	(4,493)

6. DISPOSAL GROUP AND DISCONTINUED OPERATION *(Continued)*

(c) Notes to consolidated statement of cash flows – Net cash inflow from disposal of YL Group:

	2015
	HK$'000
Net assets disposed of as at the date of disposal:	
Property, plant and equipment	**214**
Inventories	**21,454**
Trade and other receivables	**66,787**
Bank balances and cash	**13,301**
Trade and other payables	**(27,161)**
Current taxation	**(165)**
Secured bank loans	**(32,334)**
	42,096
Non-controlling interests	**(10,119)**
	31,977
Gain on disposal of subsidiaries	**23**
Total consideration	**32,000**
Satisfied by:	
Cash	**32,000**
Analysis of net cash flow arising from the disposal:	
Cash consideration	**32,000**
Bank balances and cash disposed of	**(13,301)**
Net cash inflow from disposal of subsidiaries	**18,699**

7. SEGMENT INFORMATION

The Group is principally engaged in the businesses of ship chartering and ship owning, and trading of chemical and industrial raw materials and the management has regarded these two businesses as the operating segments to be reported to the chief operating decision maker. During the year, the Group disposed its entire trading business and this segment has been presented as discontinued operation in note 6.

7. SEGMENT INFORMATION *(Continued)*

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

	Continuing operation	Discontinued operation	
	Chartering freight and hire	Trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2015			
Segment revenue	673,163	125,875	799,038
Segment results	(2,836,554)	(9,828)	(2,846,382)
Unallocated income and expenses			
Interest income			32,751
Unallocated other operating income			31,543
Unallocated corporate expenses			(239,580)
Loss before taxation			(3,021,668)
Taxation			(281)
Loss for the year			(3,021,949)
As at 31 December 2015			
Segment assets	4,642,314	–	4,642,314
Unallocated assets			
Pledged deposits			80,937
Bank balances and cash			277,216
Other current assets			760,674
Other non-current assets			390,176
Total assets			6,151,317
Segment liabilities	2,689,977	–	2,689,977
Unallocated liabilities			
Other current liabilities			9,778
Total liabilities			2,699,755

7. SEGMENT INFORMATION *(Continued)*

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

7. SEGMENT INFORMATION *(Continued)*

Segment results represented operating results of each reportable segment without allocation of interest income, unallocated other operating income, unallocated corporate expenses, and taxation. All assets are allocated to reportable segments other than pledged deposits, bank balances and cash and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

	Continuing operation	**Discontinued operation**		
	Chartering freight and hire	**Trading**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Other segment information				
2015				
Depreciation and amortization	**412,738**	**29**	**13,581**	**426,348**
Finance costs	**36,831**	**180**	**1,136**	**38,147**
Impairment loss on owned vessels	**2,535,083**	**–**	**–**	**2,535,083**
Impairment loss on trade and other receivables	**5,471**	**–**	**–**	**5,471**
Capital expenditures	**84,163**	**–**	**18,948**	**103,111**
2014				
Depreciation and amortization	436,261	103	14,658	451,022
Finance costs	42,311	413	172	42,896
Impairment loss on owned vessels	394,570	–	–	394,570
Reversal of impairment loss on trade receivables	5,021	–	–	5,021
Capital expenditures	86,912	152	47,055	134,119

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

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

8. REVENUE

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

	2015	2014
		(Restated)
	HK$'000	*HK$'000*
CONTINUING OPERATION		
Chartering freight and hire income:		
Hire income under time charters from owned vessels	**557,521**	759,247
Hire income under time charters from chartered-in vessel	–	2,759
Freight income under voyage charters	**115,642**	269,535
	673,163	1,031,541
DISCONTINUED OPERATION		
Sale of goods	**125,875**	278,379
	799,038	1,309,920

Information about major charterers

Revenue of HK$111,706,000 and HK$102,715,000 were derived from two charterers that contributed 14% and 13% respectively to the Group's revenue for the year 2015. During year 2014, revenue of HK$221,601,000 and HK$130,501,000 were derived from two charterers that contributed 17% and 10% respectively to the Group's revenue for the year 2014.

9. OTHER OPERATING INCOME

Other operating income for the year 2015 mainly included settlement income of HK$183,271,000 from charterers in relation to repudiation claims.

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

10. STAFF COSTS

	2015	2014 (Restated)
	HK$'000	*HK$'000*
CONTINUING OPERATION		
Salaries and other benefits	**84,053**	86,354
Contributions to retirement benefits schemes	**4,272**	3,255
	88,325	89,609
DISCONTINUED OPERATION		
Salaries and other benefits	**3,132**	8,889
Contributions to retirement benefits schemes	**235**	612
	3,367	9,501
	91,692	99,110

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Emoluments of the Directors, including the chief executives [1] of the Company for the years 2014 and 2015 are set out below:

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Contributions to retirement benefits schemes *HK$'000*	Total *HK$'000*
2015					
Executive Directors					
Ng Siu Fai	**1,933**	**23,366**	**1,560**	**1,325**	**28,184**
Ng Kam Wah Thomas	**1,933**	**23,160**	**1,560**	**1,325**	**27,978**
Ng Ki Hung Frankie	**1,326**	**2,424**	**292**	**72**	**4,114**
Ho Suk Lin	**468**	**1,685**	**278**	**97**	**2,528**
Independent Non-executive Directors					
Cui Jianhua	**212**	**–**	**–**	**–**	**212**
Tsui Che Yin Frank	**441**	**–**	**–**	**–**	**441**
William Yau	**372**	**–**	**–**	**–**	**372**
	6,685	**50,635**	**3,690**	**2,819**	**63,829**
2014					
Executive Directors					
Ng Siu Fai	1,933	16,220	9,240	893	28,286
Ng Kam Wah Thomas	1,933	15,960	9,240	893	28,026
Ng Ki Hung Frankie	1,326	2,303	440	65	4,134
Ho Suk Lin	468	1,572	420	90	2,550
Independent Non-executive Directors					
Cui Jianhua	212	–	–	–	212
Tsui Che Yin Frank	441	–	–	–	441
William Yau	372	–	–	–	372
	6,685	36,055	19,340	1,941	64,021

Note:

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

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

(b) Details of remuneration to senior management

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

	Number of individuals	
	2015	2014
HK$0 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	4	5

(c) The five highest paid individuals

The five highest paid individuals included four (2014: four) Directors whose details of emoluments are presented on page 78. Emoluments of the remaining one (2014: one) highest paid individual fall within the band from HK$2,000,001 to HK$2,500,000 and his aggregate emoluments were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	**2,124**	2,304
Contributions to retirement benefits schemes	**34**	34
	2,158	2,338

12. OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	2015	2014 (Restated)
	HK$'000	HK$'000
CONTINUING OPERATION		
Auditor's remuneration	**1,934**	1,975
Hire payments under time charters	**–**	9,009
Operating lease payments in respect of premises	**1,078**	1,099
Net loss on financial assets at fair value through profit or loss		
Realized loss (gain) on financial assets at fair value through profit or loss	**48,612**	(2,382)
Unrealized loss on financial assets at fair value through profit or loss	**118,173**	47,146
Interest income in respect of:		
Financial assets at fair value through profit or loss	**(25,360)**	(35,397)
Deposits with banks and other financial institutions	**(7,381)**	(8,342)
Dividend income	**(18,283)**	(16,803)
Loss on write-off of vessel under construction	**22,698**	–
Net loss (gain) on disposal / write-off of property, plant and equipment	**(150)**	36
Net gain on disposal of assets held for sale	**–**	(4,368)
Change in fair value of investment properties	**(8,172)**	(1,276)
Gain on disposal of subsidiaries	**(23)**	–
Impairment loss (Reversal of impairment loss) on trade and other receivables	**5,471**	(5,021)
Net exchange loss	**2,849**	3,543
Gross rental income from operating leases on investment properties	**(4,482)**	(2,783)
Outgoings in respect of investment properties	**250**	116
Bad debts written off	**282**	178
DISCONTINUED OPERATION		
Auditor's remuneration	**–**	75
Cost of inventories	**121,402**	263,791
Operating lease payments in respect of premises	**1,372**	3,278
Interest income	**(10)**	(67)
Net exchange loss (gain)	**(32)**	838

13. FINANCE COSTS

	2015	2014 (Restated)
	HK$'000	*HK$'000*
CONTINUING OPERATION		
Interest on secured bank loans and overdrafts	**37,967**	42,483
DISCONTINUED OPERATION		
Interest on secured bank loans and overdrafts	**180**	413
	38,147	42,896

14. TAXATION

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

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

	2015	2014 (Restated)
	HK$'000	*HK$'000*
CONTINUING OPERATION		
Hong Kong Profits Tax – current year	**–**	–
DISCONTINUED OPERATION		
PRC Corporate Income Tax – current year	**281**	627
	281	627

14. TAXATION *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	**(3,021,668)**	(686,625)
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(41,838)**	(15,605)
Non-deductible expenses	**13,354**	8,934
Tax exempt revenue	**(5,827)**	(6,764)
Unrecognized tax losses	**36,208**	14,701
Unrecognized temporary differences	**(1,230)**	(256)
Utilization of previously unrecognized tax losses	**(386)**	(383)
Taxation charge for the year	**281**	627
Represented by:		
Continuing operation	**–**	–
Discontinued operation	**281**	627
Taxation charge for the year	**281**	627

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

15. DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2015 (2014: nil).

16. LOSS PER SHARE

Basic and diluted loss per share from continuing operation were calculated on the loss from continuing operation attributable to shareholders of the Company of HK$1,675,672,000 for the year (2014: HK$376,659,000) and the weighted average number of 530,289,480 (2014: 530,289,480) ordinary shares in issue during the year.

Basic and diluted loss per share from discontinued operation were calculated on the loss from discontinued operation attributable to shareholders of the Company of HK$7,511,000 for the year (2014: HK$3,264,000) and the weighted average number of 530,289,480 (2014: 530,289,480) ordinary shares in issue during the year.

Diluted loss per share for the years 2014 and 2015 were the same as basic loss per share, the calculation did not assume the exercise of share options granted under the Company's share option scheme as it would have an anti-dilutive effect.

17. PROPERTY, PLANT AND EQUIPMENT

	Motor Vessels [1] and capitalized drydocking costs HK$'000	Vessels under construction HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, utility vessels, furniture and equipment HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2014	11,041,801	–	305,683	460	50,978	11,398,922
Additions	64,210	22,698	–	–	7,807	94,715
Disposals / write-off	(43,168)	–	–	–	(8,577)	(51,745)
At 31 December 2014	11,062,843	22,698	305,683	460	50,208	11,441,892
Reclassification to investment properties upon disposal of subsidiaries *(Note 18)*	–	–	(23,357)	–	–	(23,357)
Additions	84,163	–	–	–	15,440	99,603
Disposals / write-off	(72,066)	(22,698)	–	(460)	(3,193)	(98,417)
At 31 December 2015	**11,074,940**	**–**	**282,326**	**–**	**62,455**	**11,419,721**
Accumulated depreciation and impairment loss						
At 1 January 2014	2,879,834	–	129,824	460	42,143	3,052,261
Charge for the year	436,109	–	9,415	–	5,333	450,857
Eliminated on disposals / write-off	(43,168)	–	–	–	(8,541)	(51,709)
Impairment loss recognized [2]	394,570	–	–	–	–	394,570
At 31 December 2014	3,667,345	–	139,239	460	38,935	3,845,979
Reclassification to investment properties upon disposal of subsidiaries *(Note 18)*	–	–	(14,773)	–	–	(14,773)
Charge for the year	412,673	–	9,065	–	4,446	426,184
Eliminated on disposals / write-off	(72,066)	–	–	(460)	(2,979)	(75,505)
Impairment loss recognized [2]	2,535,083	–	–	–	–	2,535,083
At 31 December 2015	**6,543,035**	**–**	**133,531**	**–**	**40,402**	**6,716,968**
Net book value						
At 31 December 2015	**4,531,905**	**–**	**148,795**	**–**	**22,053**	**4,702,753**
At 31 December 2014	7,395,498	22,698	166,444	–	11,273	7,595,913

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

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

	Motor vessels and capitalized drydocking costs	Vessels under construction	Leasehold land and buildings	Plant and machinery	Leasehold improvement, utility vessels, furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015						
At cost	**11,074,940**	**–**	**229,326**	**–**	**62,455**	**11,366,721**
At professional valuation in 1994	**–**	**–**	**53,000**	**–**	**–**	**53,000**
	11,074,940	**–**	**282,326**	**–**	**62,455**	**11,419,721**
2014						
At cost	11,062,843	22,698	252,683	460	50,208	11,388,892
At professional valuation in 1994	–	–	53,000	–	–	53,000
	11,062,843	22,698	305,683	460	50,208	11,441,892

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and impairment loss, the carrying amount would have been HK$137,433,000 (2014: HK$153,918,000) at the reporting date.

Notes:

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

2. Impairment loss recognized:
   With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain owned vessels' recoverable amounts were significantly less than their respective carrying amounts. Based on the results of the impairment assessment on owned vessels at the reporting date, the carrying amounts of certain owned vessels exceeded their respective recoverable amounts of HK$4,302,386,000 which were determined based on value in use. The value in use calculation of owned vessels was appraised by an independent qualified appraisal firm. Accordingly, an impairment loss of HK$2,535,083,000 on owned vessels was recognized at end of 2015. For the year 2014, the Group recorded an impairment loss of HK$394,570,000 on certain owned vessels with recoverable amounts of HK$3,022,718,000 which were determined based on value in use. Details of the events that led to the recognition of the impairment loss, impairment indicators, key assumptions applied in value in use calculation, recoverable amounts of impaired assets, and the sensitivity analysis are provided in note 5.

18. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**141,860**	101,180
Additions	**3,508**	39,404
Reclassification from leasehold land and buildings upon disposal of subsidiaries *(Note 17)*	**8,584**	–
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties upon disposal of subsidiaries	**30,746**	–
Change in fair value	**8,172**	1,276
At 31 December	**192,870**	141,860

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

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

18. INVESTMENT PROPERTIES *(Continued)*

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

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2015	Range of unobservable inputs 2014	Relationship of significant unobservable inputs to fair value
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	**HK$12,000 – HK$24,000 per square feet**	HK$11,000 – HK$19,000 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	**HK$1,800,000 – HK$2,000,000 per car park**	HK$2,120,000 – HK$2,500,000 per car park	An increase in percentage of market unit sale rate per car park would result in an increase in fair value measurement of the car park by the same percentage increase, and vice versa

19. GOODWILL

	2015	2014
	HK$'000	*HK$'000*
Carrying amount		
At 1 January	**39,040**	39,040
Impairment loss recognized	**(39,040)**	–
At 31 December	**–**	39,040

Goodwill arose from deemed acquisition of additional interests in Jinhui Shipping, a subsidiary of the Company, in 2004. For the purpose of impairment testing, goodwill has been allocated to certain ship owning subsidiaries of Jinhui Shipping (that are principally engaged in the business of chartering freight and hire through their owned dry bulk vessels) as a CGU.

19. GOODWILL *(Continued)*

Given the abovementioned impairment indicators of owned dry bulk vessels existed and significant impairment loss on owned vessels was recognized at end of 2015 as mentioned in notes 5 and 17, the management considered indication of impairment of goodwill existed simultaneously. Based on the results of the impairment assessment on owned vessels and goodwill at the reporting date, the carrying amounts of relevant owned vessels and the CGU of which goodwill has been allocated exceeded their respective recoverable amounts based on value in use of relevant owned vessels and the CGU and impairment loss was firstly allocated to reduce the carrying amount of goodwill. Accordingly, impairment loss of HK$39,040,000 on goodwill was recognized in the consolidated statement of profit or loss for the year ended 31 December 2015. This impairment loss on goodwill is not reversed in subsequent periods. Details of relevant significant input in the calculation of the recoverable amount of the CGU to which goodwill is allocated are set out in note 5.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Unlisted club debentures, at fair value	**22,200**	19,200
Unlisted club membership, at fair value	**1,678**	1,580
Unlisted club membership, at cost	**1,331**	1,331
	25,209	22,111

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

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

21. INTANGIBLE ASSETS

	2015 HK$'000	2014 HK$'000
Club entrance fee and berth license		
Cost		
At 1 January and 31 December	**2,799**	2,799
Accumulated amortization		
At 1 January	**1,360**	1,195
Charge for the year	**164**	165
At 31 December	**1,524**	1,360
Net book value		
At 31 December	**1,275**	1,439

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Bunker stock and ship stores	**14,947**	19,127
Trading goods	**–**	30,300
	14,947	49,427

Inventories at the reporting date were carried at cost.

23. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**22,820**	70,232
Prepayments, deposits and other receivables	**117,616**	163,127
	140,436	233,359

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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 37(e).

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

	2015	2014
	HK$'000	HK$'000
Within 3 months	8,899	58,442
Over 3 months but within 6 months	2,634	4,972
Over 6 months but within 12 months	4,813	4,151
Over 12 months	6,474	2,667
	22,820	70,232

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:

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	4,012	39,065
Past due but not impaired		
Within 3 months past due	4,887	21,880
Over 3 months but within 6 months past due	2,634	2,470
Over 6 months but within 12 months past due	4,813	4,151
Over 12 months past due	6,474	2,666
	18,808	31,167
	22,820	70,232

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**123,273**	135,652
Impairment loss recognized	**8,342**	4,920
Reversal of impairment loss	**(2,871)**	(9,941)
Written off as uncollectible	**(8,776)**	(7,358)
At 31 December	**119,968**	123,273

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 HK$119,968,000 (2014: HK$123,273,000) 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 or trading customers 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 or trading customers.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	*HK$'000*
Held for trading or not qualifying as hedges		
Equity securities		
Listed in Hong Kong	**276,571**	361,727
Listed outside Hong Kong	**65,034**	94,229
	341,605	455,956
Debt securities		
Listed in Hong Kong	**328,498**	470,471
Listed outside Hong Kong	**45,571**	121,791
	374,069	592,262
	715,674	1,048,218

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

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

25. BANK BALANCES AND CASH

	2015	2014
	HK$'000	*HK$'000*
Bank deposits with three months or less to maturity when placed	**148,290**	249,442
Bank balances	**127,191**	198,118
Cash in hand	**1,735**	2,044
Cash and cash equivalents as stated in the consolidated statement of cash flows	**277,216**	449,604
Bank deposits with more than three months to maturity when placed	**–**	112,379
	277,216	561,983

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.

26. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**12,097**	22,046
Accrued charges and other payables	**211,291**	225,544
	223,388	247,590

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

26. TRADE AND OTHER PAYABLES *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**3,379**	5,898
Over 3 months but within 6 months	**1,096**	357
Over 6 months but within 12 months	**2,494**	448
Over 12 months	**5,128**	15,343
	12,097	22,046

27. SECURED BANK LOANS

	2015	2014
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**650,064**	530,451
In the second year	**444,034**	650,064
In the third to fifth year	**1,209,837**	1,347,088
Wholly repayable within five years	**2,303,935**	2,527,603
After the fifth year	**172,432**	644,224
Total secured bank loans	**2,476,367**	3,171,827
Less: Amount repayable within one year	**(650,064)**	(530,451)
Amount repayable after one year	**1,826,303**	2,641,376

27. SECURED BANK LOANS *(Continued)*

At the reporting date, secured bank loans included vessel mortgage loans of HK$2,476,367,000 (2014: HK$3,139,487,000) that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.88% to 2.62% (2014: 0.76% to 2.48%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 35.

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

28. SHARE CAPITAL

The Company's share capital is as follows:

	2015		2014	
	Number of ordinary shares	**Amount**	Number of ordinary shares	Amount
		HK$'000		*HK$'000*
Issued and fully paid:				
At 1 January	**530,289,480**	**381,639**	530,289,480	53,029
Transfer on 3 March 2014 upon adoption of the Companies Ordinance *(Note 29)*	**–**	**–**	–	328,610
At 31 December	**530,289,480**	**381,639**	530,289,480	381,639

29. RESERVES

Details of movements in reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 50.

Share premium and Capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and capital redemption reserve was governed by Section 48B and Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), on 3 March 2014 any amount standing to the credit of the company's share premium account and capital redemption reserve becomes part of the company's share capital, as such balances of share premium account of HK$324,590,000 and capital redemption reserve of HK$4,020,000 became part of the Company's share capital.

29. RESERVES *(Continued)*

Employee share-based compensation reserve

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

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.

30. EMPLOYEE SHARE-BASED COMPENSATION

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

Details of share options under the Share Option Scheme granted to Directors and movement in the number of outstanding share options in 2015 were as follows:

	Date of grant	Number of options granted	Value of options at grant dates *HK$'000*	Exercise price per share *HK$*	Exercisable period	Remaining contractual lives of outstanding share options	Number of outstanding options as at 1 January and 31 December 2015
Non-performance based options	29 June 2006	9,552,000	3,435	1.57	29 June 2006 to 28 June 2016	6 months	**9,552,000**

Notes:

1. No share option was granted, exercised, cancelled or lapsed during the year.

2. The Share Option Scheme was valid and effective for a period of ten years commencing on 18 November 2004 up to 17 November 2014. The outstanding options remain in full force and effect within the exercisable period.

3. The exercise price of HK$1.57 per share was determined by the higher of (i) the closing price per share of the Company on the date of grant of options on 29 June 2006; and (ii) the average closing price per share of the Company for the five business days immediately preceding the date of grant of options on 29 June 2006.

4. As at the date of grant of options on 29 June 2006, the closing price per share of the Company was HK$1.57.

5. The closing price per share of the Company as at 31 December 2015 was HK$1.05.

6. As at 31 December 2015, the total number of shares available for issue of the outstanding options under the Share Option Scheme was 9,552,000, which represented 1.80% of the issued shares of the Company.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation including discontinued operation	**(3,021,668)**	(686,625)
Adjustments for:		
Depreciation and amortization	**426,348**	451,022
Interest income	**(32,751)**	(43,806)
Interest expenses	**38,147**	42,896
Impairment loss on owned vessels	**2,535,083**	394,570
Impairment loss on goodwill	**39,040**	–
Impairment loss (Reversal of impairment loss) on trade and other receivables	**5,471**	(5,021)
Dividend income	**(18,283)**	(16,803)
Loss on write-off of vessel under construction	**22,698**	–
Net loss (gain) on disposal / write-off of property, plant and equipment	**(150)**	36
Net gain on disposal of assets held for sale	**–**	(4,368)
Change in fair value of investment properties	**(8,172)**	(1,276)
Gain on disposal of subsidiaries	**(23)**	–
Bad debts written off	**282**	178
Changes in working capital:		
Inventories	**13,026**	11,122
Trade and other receivables	**17,461**	228,718
Financial assets at fair value through profit or loss	**334,636**	(5,623)
Trade and other payables	**3,385**	(55,785)
Cash generated from operations	**354,530**	309,235

32. DEFERRED TAXATION

At the reporting date, deferred tax assets have not been recognized in respect of tax losses of HK$2,145,482,000 (2014: HK$1,937,822,000).

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.

33. FUTURE OPERATING LEASE ARRANGEMENTS

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

	2015	2014
	HK$'000	*HK$'000*
Within one year:		
Premises	**5,196**	2,957
Owned vessels	**541**	26,336
Others	**–**	60
	5,737	29,353
In the second to fifth year:		
Premises	**1,536**	1,288
	7,273	30,641

34. CAPITAL EXPENDITURE COMMITMENTS

At the reporting date, there was no capital expenditure commitments contracted by the Group but not provided for. As at 31 December 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$204,282,000, representing the Group's outstanding capital expenditure commitments to acquire one newbuilding at contract price of US$29,100,000 (approximately HK$226,980,000).

35. 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 and investment properties with an aggregate net book value of HK$4,645,051,000 (2014: HK$7,479,018,000);

(b) Deposits totalling HK$80,937,000 (2014: HK$176,411,000) of the Group placed with banks; and

(c) Assignment of thirty six (2014: thirty six) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of thirty (2014: thirty) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

36. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	**59,257**	61,726
Contributions to retirement benefits schemes	**2,919**	2,155
	62,176	63,881

37. FINANCIAL RISK MANAGEMENT AND POLICIES

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

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

(a) Categories of financial instruments

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

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale financial assets		
Unlisted club debentures, at fair value	**22,200**	19,200
Unlisted club membership, at fair value	**1,678**	1,580
Unlisted club membership, at cost	**1,331**	1,331
	25,209	22,111
Financial assets at fair value through profit or loss		
Equity securities	**341,605**	455,956
Debt securities	**374,069**	592,262
	715,674	1,048,218
Loans and receivables		
Trade and other receivables	**120,856**	195,593
Pledged deposits	**80,937**	176,411
Bank balances and cash	**277,216**	561,983
	479,009	933,987
	1,219,892	2,004,316
Financial liabilities		
Trade and other payables	**213,428**	228,710
Borrowings		
Secured bank loans	**2,476,367**	3,171,827
	2,689,795	3,400,537

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

(b) Interest rate risk

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

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

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 27.

Sensitivity analysis*

Based on the exposures to bank borrowings of HK$2,476,367,000 (2014: HK$3,171,827,000) at the reporting date, it was estimated that an increase of 110 (2014: 40) basis points in interest rate, with all other variables remaining constant, the Group's net loss would increase by approximately HK$27,240,000 (2014: HK$12,687,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 110 (2014: 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 Hong Kong Dollars and United States Dollars which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in debt securities denominated in Renminbi amounting to RMB2,048,000 and RMB34,074,000, approximately HK$2,418,000 and HK$40,212,000 (2014: RMB114,452,000 and RMB158,198,000, approximately HK$142,779,000 and HK$197,352,000) 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.*

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

(c) Foreign currency risk *(Continued)*

Sensitivity analysis*

At the reporting date, based on the total exposures to the bank deposits and debt securities denominated in Renminbi of RMB36,122,000, approximately HK$42,630,000 (2014: RMB272,650,000, approximately HK$340,131,000), it was estimated that a depreciation of 5% (2014: 5%) in exchange rate of Renminbi against Hong Kong Dollars would result in an increase to the Group's net loss by approximately HK$2,030,000 (2014: HK$16,197,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Renminbi against Hong Kong Dollars taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

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

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

The Group's portfolio of financial instruments that exposed to price risk at the reporting date is set out in note 24.

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% (2014: 10%), the Group's net loss would increase by approximately HK$34,160,000 (2014: HK$45,596,000).

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% (2014: 10%), the Group's net loss would increase by approximately HK$37,407,000 (2014: HK$59,226,000).

* *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.*

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

(e) Credit risk

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

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its contractual obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposures to credit risk mainly arises from granting credit to charterers or trading customers 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 credit terms given to trading customers vary based on the financial assessments and payment track records. General credit terms for trading customers range from 30 to 90 days following the month in which sales take place.

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

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.

37. 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	In the second year	In the third to fifth year	After the fifth year	Total undiscounted amount	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015						
Trade and other payables	**213,428**	**–**	**–**	**–**	**213,428**	**213,428**
Secured bank loans	**682,965**	**470,431**	**1,254,396**	**175,183**	**2,582,975**	**2,476,367**
	896,393	**470,431**	**1,254,396**	**175,183**	**2,796,403**	**2,689,795**
2014						
Trade and other payables	228,710	–	–	–	228,710	228,710
Secured bank loans	567,269	680,943	1,405,813	655,064	3,309,089	3,171,827
	795,979	680,943	1,405,813	655,064	3,537,799	3,400,537

38. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

(b) to provide adequate returns for shareholders;

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

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

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

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

	2015	2014
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**650,064**	530,451
Secured bank loans repayable after one year	**1,826,303**	2,641,376
Total secured bank loans	**2,476,367**	3,171,827
Less: Equity and debt securities	**(715,674)**	(1,048,218)
Less: Bank balances and cash	**(277,216)**	(561,983)
Net debts	**1,483,477**	1,561,626
Total equity	**3,451,562**	6,449,884
Gearing ratio	**43%**	24%

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

(a) Statement of financial position of the Company

	2015	2014
	HK$'000	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Available-for-sale financial assets	**15,500**	12,500
Investments in subsidiaries	**478,273**	478,273
	493,773	490,773
Current assets		
Trade and other receivables	**186**	186
Financial assets at fair value through profit or loss	**36,475**	15,976
Amount due from subsidiaries	**194,135**	243,091
Bank balances and cash	**9,791**	5,346
	240,587	264,599
Current liabilities		
Trade and other payables	**483**	474
Net current assets	**240,104**	264,125
Net assets	**733,877**	754,898
EQUITY		
Capital and reserves		
Issued capital	**381,639**	381,639
Reserves *(Note)*	**352,238**	373,259
Total equity	**733,877**	754,898

Note: At the reporting date, reserves of the Company available for distribution to shareholders amounted to HK$265,858,000 (2014: HK$289,879,000).

Approved and authorized for issue by the Board of Directors on 11 March 2016

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

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

(b) Statement of changes in equity of the Company

	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2014	53,029	324,590	4,020	43,660	9,000	323,766	758,065
Transfer on 3 March 2014 upon adoption of the Companies Ordinance *(Note 28)*	328,610	(324,590)	(4,020)	–	–	–	–
Net loss for the year	–	–	–	–	–	(1,667)	(1,667)
Other comprehensive loss for the year	–	–	–	–	(1,500)	–	(1,500)
Total comprehensive loss for the year	–	–	–	–	(1,500)	(1,667)	(3,167)
At 31 December 2014	381,639	–	–	43,660	7,500	322,099	754,898
At 1 January 2015	381,639	–	–	43,660	7,500	322,099	754,898
Net loss for the year	–	–	–	–	–	(24,021)	(24,021)
Other comprehensive income for the year	–	–	–	–	3,000	–	3,000
Total comprehensive loss for the year	–	–	–	–	3,000	(24,021)	(21,021)
At 31 December 2015	**381,639**	**–**	**–**	**43,660**	**10,500**	**298,078**	**733,877**

40. PRINCIPAL SUBSIDIARIES

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

	Jinhui Shipping Group		**YL Group***	
	2015	2014	**2015**	2014 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
NCI percentage	**45.23%**	45.23%	–	25%
Non-current assets	**4,742,104**	7,619,508	–	243
Current assets	**1,181,248**	1,941,038	–	102,875
Non-current liabilities	**(1,826,300)**	(2,641,376)	–	(13,000)
Current liabilities	**(872,477)**	(740,399)	–	(37,673)
Net assets	**3,224,575**	6,178,771	–	52,445
Carrying amount of NCI	**1,472,134**	2,807,904	–	13,115
Revenue	**673,163**	1,031,542	**125,875**	278,379
Net loss for the year	**(2,954,195)**	(676,634)	**(10,099)**	(4,552)
Total comprehensive loss for the year	**(2,954,195)**	(676,634)	**(10,099)**	(4,552)
Net loss for the year attributable to NCI	**(1,336,178)**	(306,042)	**(2,588)**	(1,288)
Net cash from (used in) operating activities	**333,138**	270,551	**7,479**	(4,340)
Net cash from (used in) investing activities	**62,603**	251,761	**10**	(153)
Net cash used in financing activities	**(567,637)**	(697,928)	–	–

* The consolidated financial statements of YL Group are not audited by Grant Thornton Hong Kong Limited. The Group's interest in YL Group had been disposed in June 2015 and the financial information disclosed above for the year 2015 represented the financial information of YL Group up to the date of disposal.

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 are as follows:

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	54.77%	54.77%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	54.77%	54.77%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	–	75%	Investment holding	Hong Kong
Incorporated in Hong Kong					
Carpa Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Exalten Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in Hong Kong ***(Continued)***					
Fair Fait International Limited	HK$2 divided into 2 ordinary shares	54.77%	54.77%	Property investment	Hong Kong
Fair Group International Limited	HK$10,000 divided into 10,000 ordinary shares	100%	100%	Property investment	Hong Kong
First Lion International Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK$5,000,000 divided into 5,000,000 ordinary shares	54.77%	54.77%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	HK$2 divided into 2 ordinary shares	100%	100%	Investment holding	Hong Kong
Keenfair Investment Limited	HK$2 divided into 2 ordinary shares	100%	100%	Investment trading	Hong Kong
Leadford Industries Limited	HK$2 divided into 2 ordinary shares	54.77%	54.77%	Property investment	Hong Kong
Linkford International Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Monocosmic Limited	HK$10,000 divided into 10,000 ordinary shares	54.77%	54.77%	Property investment	Hong Kong
Ringo Star Company Limited	HK$2 divided into 2 ordinary shares	54.77%	54.77%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	HK$5,000,000 divided into 50,000 ordinary shares	–	75%	Trading of chemical and industrial raw materials	Hong Kong

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Huafeng Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinchao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in the Republic of Panama ***(Continued)***					
Jincheng Maritime Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinmao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinmei Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinming Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2015	Attributable equity interest at 31/12/2014	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinxing Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyu Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

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

* *These companies had been disposed by the Group in June 2015 and their financial statements are not audited by Grant Thornton Hong Kong Limited.*

41. COMPARATIVE FIGURES

The presentation of comparative financial information in respect of the year ended 31 December 2014 has been restated to conform with current year's presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Glossary

This glossary contains the abbreviations and main terms used in the 2015 annual report.

Abbreviations / Main terms	Meanings in the annual report
Board	Board of Directors;
CGU	Cash generating unit;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;
Company / Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
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 the Company (representing approximately 64.53% of the total issued shares of the Company) and 500,000 shares of Jinhui Shipping (representing approximately 0.59% of the total issued shares of Jinhui Shipping) as at 31 December 2015;
Group	Company and its subsidiaries;
Handymax	A dry cargo vessel of deadweight approximately 45,000 metric tons;
Handysize	A dry cargo vessel of deadweight below 40,000 metric tons;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;

Glossary

Abbreviations / Main terms	Meanings in the annual report
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Shipping	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of the Company as at 31 December 2015, whose shares are listed on the Oslo Stock Exchange;
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Panamax	Vessel of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax	Vessel of deadweight approximately 90,000 metric tons to 100,000 metric tons;
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
Shareholder(s)	Shareholder(s) of the Company;
Share Option Scheme	A share option scheme adopted by the Company pursuant to a resolution passed on 18 November 2004;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Stock Exchange	The Stock Exchange of Hong Kong Limited;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
HK$	Hong Kong Dollars, the lawful currency of Hong Kong;
RMB	Renminbi, the lawful currency of the PRC; and
US$	United States Dollars, the lawful currency of the United States of America.