



**JINHUI SHIPPING
AND TRANSPORTATION LIMITED**

2022
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

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

Ng Ki Hung Frankie

Ho Suk Lin Cathy

Non-executive Directors

Tsui Che Yin Frank

William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

REMUNERATION COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

COMPANY SECRETARY

Ho Suk Lin Cathy

AUDITOR

Grant Thornton Hong Kong Limited

Certified Public Accountants

SHARE LISTING

The Company's shares are listed on the
Oslo Stock Exchange (Oslo Børs)

(stock code: JIN)

SHARE REGISTRARS

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Nordea Bank Abp, Filial i Norge

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0107 Oslo, Norway

REGISTERED OFFICE

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Hamilton HM 11

Bermuda

CORRESPONDENCE ADDRESS

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Yardley Commercial Building

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WEBSITE

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Shipping and Transportation Limited** for the financial year 2022.

2022 was overall a good year for shipping, with the freight environment being steadily driven by a general robust demand for commodities worldwide. Dry bulk shipping market showed a strong sign of rebound amid global economic recovery. With the recovery of the pandemic across different countries around the world and the gradual release from lock-downs, there was a strong rebound of market freight rates driven by robust demand for dry bulk commodities, limited supply of vessels and COVID-19 related congestion, despite the simultaneous occurrence of multiple geo-political issues. However, market freight rates were under pressure during second half of 2022, primarily driven by the interest rate outlook which translates to increasing borrowing costs and correction of risk assets values, as well as a general expectation of a slower global economic growth going forward given geopolitical conflicts at multi frontiers.

Revenue for the year 2022 increased 16% to US\$152,466,000, comparing to US\$131,069,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily time charter equivalent rate earned by the Group's fleet decreased to US\$18,813 for the year 2022 as compared to US\$19,233 for the year 2021. The Company recorded a consolidated net loss of US\$7,113,000 for the year 2022, which included a net impairment loss of US\$49,326,000 on owned vessels, as compared to the consolidated net profit of US\$194,197,000 which included a reversal of impairment loss of US\$133,606,000 on owned vessels for the year 2021. Basic loss per share for the year was US\$0.065 as compared to basic earnings per share of US\$1.777 for the year 2021.

During the year, the Group entered into agreements to acquire three vessels and took delivery of five vessels including two vessels which were committed to acquire in December 2021. We considered acquiring additional vessels could allow the Group to generate more operating income and cashflow from the core shipping business and increase the returns of the Company in the future. In addition, the Group entered into a charterparty with a third party during the year in respect of leasing of a vessel for a term of seven years. The Group also entered into agreements to dispose of five vessels during the year. We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal or acquisition of vessels, and will make such decisions on an ad hoc basis to maintain high financial flexibility and operational competitiveness. At the same time, we remain alert to the increasing frequent economic, geo-political, or other unforeseen surprises that can trigger volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. In face of the increasing uncertainties from the external environment, the Group will continue to stay alert to any unforeseen changes to the market and carry out any investment decisions cautiously, with a view to create sustainable return to shareholders in long term. As at 31 December 2022, the Group owned twenty four grabs fitted Supramaxes and had one chartered-in Panamax.

The Board recommended the payment of a final dividend of US\$0.04 per share for the year ended 31 December 2022 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.



Chairman's Statement

We continue to maintain a healthy financial position under the existing challenging environment. The Board will continuously review the dividend policy going forward, with the aim of returning steady capital to shareholders should the Company's financial position and future strategy allow.

On behalf of the Board of Directors of the Company, I would like to first express our heartfelt appreciation to our seafarers who have continued to remain professional under an extremely challenging environment, as well as all customers and stakeholders for their ongoing support. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner. I would also like to take this opportunity to express my gratitude to my colleagues on the Board for their valuable contribution and to the staff for their hard work, commitment and dedication throughout the year.

Ng Siu Fai
Chairman

17 March 2023

Strategies and Business Profile

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

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

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

STRATEGIES

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

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

The objectives of the Company are set out in its Memorandum of Association, which include the businesses of, inter alia:

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



Strategies and Business Profile

SHIPPING BUSINESS

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

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

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

It is the Group's policy to comply with all applicable environmental rules and regulations in its shipping operations 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. CII has already come into force 1 January 2023. CII is an annual carbon rating for every vessel, measuring the efficiency in terms of grams of carbon dioxide emitted per cargo-carrying capacity and nautical mile. From 1 January 2023 onwards, the Group will choose to use AER to replace EEOI for carbon intensity reporting. Jinhui Shipping is well prepared and ready for all changes, heading to the target of decarbonization.

Strategies and Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2022, the Group had twenty four owned vessels and 553 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
JIN HENG	Supramax	2014	Jiangsu Hantong	63,518
JIN PING	Supramax	2014	Jiangsu Hantong	63,485
JIN CHAO	Supramax	2014	Jiangsu Hantong	63,469
JIN XIANG	Supramax	2012	Oshima	61,414
JIN HONG	Supramax	2011	Oshima	61,414
JIN RONG	Supramax	2008	Tsuneishi	58,729
JIN SUI	Supramax	2008	Shanghai Shipyard	56,968
JIN TONG	Supramax	2008	Shanghai Shipyard	56,952
JIN YUE	Supramax	2010	Shanghai Shipyard	56,934
JIN GANG	Supramax	2009	Shanghai Shipyard	56,927
JIN AO	Supramax	2010	Shanghai Shipyard	56,920
JIN JI	Supramax	2009	Shanghai Shipyard	56,913
JIN WAN	Supramax	2009	Shanghai Shipyard	56,897
JIN JUN	Supramax	2009	Shanghai Shipyard	56,887
JIN MAO	Supramax	2012	Jiangsu Hantong	56,469
JIN BI	Supramax	2012	Jiangsu Hantong	56,361
JIN AN	Supramax	2007	Kawasaki	55,866
JIN XING	Supramax	2007	Oshima	55,496
JIN YI	Supramax	2007	Oshima	55,496
JIN YUAN	Supramax	2007	Oshima	55,496
JIN SHUN	Supramax	2007	Shanghai Shipyard	53,350
JIN FENG	Supramax	2004	Oshima	52,686
JIN QUAN	Supramax	2006	Tsuneishi	52,525
JIN SHENG	Supramax	2006	IHI	52,050
				1,373,222

Chartered-in Vessel

As at 31 December 2022, the Group had one chartered-in vessel.

Name	Type	Built	Size (dwt)	Charter-in date	Expiry
TAHO CIRCULAR *	Panamax	2022	84,484	Jun 2022	Feb 2029

* Industry called this new design as Kamsarmax

Highlights

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

Loading Ports Analysis

	2022	2021
<i>(Expressed as a percentage of revenue)</i>	%	%
Asia excluding China	83.2	89.0
Australia	7.8	5.8
China	7.0	1.5
North America	1.0	3.1
Europe	1.0	0.6
	100.0	100.0

Discharging Ports Analysis

	2022	2021
<i>(Expressed as a percentage of revenue)</i>	%	%
China	79.9	87.5
Asia excluding China	20.1	10.9
North America	–	1.6
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2022		2021	
	Metric Tons <i>(in '000)</i>	%	Metric Tons <i>(in '000)</i>	%
Minerals	12,047	81.1	8,971	86.1
Coal	1,768	11.9	1,083	10.4
Steel products	940	6.3	364	3.5
Agricultural products	97	0.7	–	–
	14,852	100.0	10,418	100.0

KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

	2022	2021
	US\$	US\$
Average daily time charter equivalent rate ¹	18,813	19,233
Daily vessel running cost ²	5,656	4,624
Daily vessel depreciation ³	4,074	2,587
Daily vessel finance cost ⁴	155	161
	9,885	7,372
Average utilization rate ⁵	96%	96%

As at 31 December 2022, the Group had twenty-four owned vessels and one chartered-in vessel. Revenue for the year 2022 increased 16% to US\$152,466,000, comparing to US\$131,069,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily time charter equivalent rate earned by the Group's fleet decreased 2% to US\$18,813 for the year 2022 as compared to US\$19,233 for the year 2021. Daily vessel running cost increased to US\$5,656 for the year 2022 as compared to US\$4,624 for the year 2021 due to the increased crew costs and other pandemic related manning expenses. Daily vessel depreciation increased to US\$4,074 for the year 2022 as compared to US\$2,587 for the year 2021 mainly due to the combination effects on the increase in carrying amounts of the owned vessels after the recognition of the reversal of impairment loss on owned vessels in 2021, the delivery of acquired owned vessels and the increment in capitalized drydocking costs incurred under the regular drydocking schedule. Daily vessel finance cost decreased 4% from US\$161 for the year 2021 to US\$155 for the year 2022 due to the repayment of vessel mortgage loans as compared with that of the year 2021. Fleet utilization rate was 96% for both years of 2022 and 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Notes:

1. Average daily time charter equivalent rate is calculated as the time charter revenue, and voyage revenue less voyage expenses divided by the number of available days in the year.
2. Daily vessel running cost is calculated as the aggregate of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' miscellaneous expenses divided by ownership days in the year.
3. Daily vessel depreciation is calculated as the aggregate of vessels' depreciation charge divided by ownership days in the year.
4. Daily vessel finance cost is calculated as the aggregate of vessels' finance costs divided by ownership days in the year.
5. Average utilization rate is calculated as the number of operating days divided by the number of available days in the year.

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2022 US\$'000	2021 US\$'000	2020 US\$'000	2019 US\$'000	2018 US\$'000
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	152,466	131,069	47,118	63,160	76,113
Operating profit (loss)	(3,655)	196,136	(11,902)	8,818	11,874
Finance costs	(3,438)	(1,749)	(3,117)	(4,323)	(3,161)
Profit (Loss) before taxation	(7,093)	194,387	(15,019)	4,495	8,713
Taxation	(20)	(190)	(233)	–	–
Net profit (loss) for the year	(7,113)	194,197	(15,252)	4,495	8,713
Other comprehensive income (loss)	(2,899)	1,996	1,710	(233)	(281)
Total comprehensive income (loss) for the year attributable to shareholders of the Company	(10,012)	196,193	(13,542)	4,262	8,432
Earnings (Loss) per share – Basic and diluted	US\$(0.065)	US\$1.777	US\$(0.140)	US\$0.041	US\$0.080
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	450,708	434,131	262,446	283,113	247,458
Current assets	87,604	113,594	103,718	123,320	114,179
Total assets	538,312	547,725	366,164	406,433	361,637
Total equity	411,137	432,075	239,160	252,702	250,953
Non-current liabilities	73,724	39,943	51,789	64,869	65,677
Current liabilities	53,451	75,707	75,215	88,862	45,007
Total equity and liabilities	538,312	547,725	366,164	406,433	361,637
Other Financial Information					
Gearing ratio	5%	4%	15%	14%	0.65%

Shareholders' Diary

Annual general meeting	24 May 2023
Ex dividend date for final dividend 2022	25 May 2023
Payment of final dividend 2022	On or about 16 June 2023
Announcement for the first quarter results 2023	31 May 2023*
Announcement for the second quarter results 2023	31 August 2023*
Announcement for the third quarter results 2023	30 November 2023*
Announcement for the fourth quarter results 2023	29 February 2024*

* *Subject to change*



Corporate Governance Report

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

SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT

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

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

Pursuant to Section 4.4 of the Oslo Rule Book II – Issuer Rules, companies listed on the Oslo Stock Exchange (Oslo Børs) must publish a comprehensive report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report must cover every section of the Norwegian Code of Practice for Corporate Governance (the "Norwegian Code of Practice") and must include the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

Jinhui Shipping has applied the principles as set out in the Norwegian Code of Practice as its corporate governance structure. The Company gives an annual review of the corporate governance report which covers every section for its compliance with the Norwegian Code of Practice, and explains the deviations with selected alternative approaches on pages 15 to 31 with the numbers refer to the section's numerical order of the Norwegian Code of Practice.

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

The Norwegian Code of Practice, which was revised and published on 14 October 2021 is available on the Norwegian Corporate Governance Board website (www.nues.no) and the Oslo Rule Book II – Issuer Rules is available on Oslo Børs Euronext website (www.euronext.com/en/markets/oslo).

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

Corporate Governance Report

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

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

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

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

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

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

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

The Board adopted the Company's Bye-Laws 36 to 52 as its prevailing board instructions of procedures which laid down general powers, proceedings and administrative procedures of the directors of the Company.

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



Corporate Governance Report

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

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

Pursuant to the Company's Bye-Law 36, the Directors shall be elected or appointed in the first place at the statutory meeting of members and thereafter in accordance with Bye-Law 38 and shall hold office until the next appointment of Directors or until their successors are elected or appointed.

Bye-Law 38 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

There are also provisions in Bye-Law 40 and Bye-Law 41 in relation to the removal of Directors and the disqualification of Directors.

7. Mandate that gives the Board the right to issue new shares and provision in the Company's Bye-Laws that gives the Board the right to decide on share repurchases

There is an existing general mandate in place that gives the Board the power to issue, allot and dispose of shares of the Company not exceeding the aggregate of 30% of the issued share capital of the Company on the date of the resolution. This general mandate was granted to the Board in the Company's annual general meeting held on 20 May 2022 and is valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. The provision in the Company's Bye-Law 2 giving the Board the right to issue new shares.

The provision in the Company's Bye-Law 3 giving the Board the right to purchase its shares as the Board shall think fit. In view of the increasingly volatile nature of today's financial markets, the Board shall make timely decision on the purchase of its shares according to the then prevailing market conditions to generate the most value for shareholders of the Company.

Corporate Governance Report

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

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

Section 1 Implementation and reporting on corporate governance

Jinhui Shipping has applied and followed the principles as set out in the Norwegian Code of Practice. The corporate governance report of 2022 covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and the explanation of the reasons for the deviations.

Section 2 Business

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

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

The Group's main objectives, strategies and risk profiles for our businesses are discussed in "Strategies and Business Profile" on pages 5 to 7 and in the section of Risk Management in "Directors' Report" on pages 57 to 59.

The Company has promulgated a set of Company Code, which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. The Company Code also includes corporate social responsibility guidelines and ethical guidelines and is prepared and updated by referencing to the principles set out in the Norwegian Code of Practice and other applicable rules and regulations. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the Norwegian Code of Practice and ultimately ensuring high transparency and accountability to the Company's shareholders. The directors and employees of Jinhui Shipping are subject to a range of rules laid down by legislation and regulations, as well as the Company Code and rules and ethical values and guidelines described in the staff handbooks. Section 3-3c of the Norwegian Accounting Act is relevant for Norwegian companies and also for third country issuers that have taxable operations in Norway. The Company did not present social responsibility statement as required under Section 3-3c of the Norwegian Accounting Act as the Company is incorporated in Bermuda and does not have any taxable operations in Norway. Nevertheless, we include the Company's principles on material social responsibility matters related to external environment, working environment, and employees' right and equal treatment in the Directors' report. We also commit to conduct our business in a responsible, ethical and lawful manner and complied applicable rules and regulations in our business practices.

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



Corporate Governance Report

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

Section 3 Equity and dividends

Equity

Jinhui Shipping's capital adequacy is kept under constant review in relation to its objectives, strategies and risk profile. As at 31 December 2022, the Group's total equity was US\$411,137,000, accounting for 76% of its consolidated total assets. The Board considers the present equity structure to be satisfactory.

Dividend policy

The Company may declare and distribute dividends to the shareholders of the Company. Our policy aims to provide stable and consistent dividends with steady growth when supported by our earnings whilst ensuring that sufficient financial resources can be maintained to fund our business growth. In addition, the amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. As dry bulk shipping market is cyclic and volatile, it's particularly challenging to establish a clear and predictable dividend policy. There can be no assurance that a dividend will be proposed or declared in any given year.

The Board has resolved to recommend the payment of a final dividend of US\$0.04 per share for the year ended 31 December 2022 and such dividend, if approved by the shareholders at the forthcoming annual general meeting scheduled on 24 May 2023, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Euronext Securities Oslo, the Norwegian Central Securities Depository, at the close of business on 26 May 2023. The Company's shares listed on the Oslo Stock Exchange will be traded including dividend up until and including 24 May 2023. The ex dividend date is 25 May 2023 and the dividend will be paid on or about 16 June 2023.

On 24 August 2022, the Board resolved to pay an interim dividend of US\$0.03 per share to the shareholders of the Company. The interim dividend was paid to the shareholders of the Company on 20 September 2022. The proposed final dividend as mentioned above, if approved, will bring the total dividends for 2022 to US\$0.07 per share.

Corporate Governance Report

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

Section 3 Equity and dividends *(Continued)*

Increase in share capital

At the 2022 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to increase not exceeding the aggregate of 30% of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being issued under this authorization in 2022.

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

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

Purchase of own shares

The provision in the Company's Bye-Law 3 giving the Board the right to purchase its shares as the Board shall think fit. In view of the increasingly volatile nature of today's financial markets, the Board shall make timely decision on the purchase of its shares according to the then prevailing market conditions to generate the most value for shareholders of the Company.

Section 4 Equal treatment of shareholders

Equal treatment of shareholders

Jinhui Shipping has one class of shares in issue. All shares have equal voting rights. There are provisions in the Company's Bye-Law 4 in relation to shareholder's voting rights.

Share issues

According to the Company's Bye-Law 4.3, the shareholders shall have the first and preferential right to subscribe for and be allotted any shares of the Company proposed to be issued in proportion to the number of shares held by them, unless the Company by special resolution otherwise decides to waive the shareholders' preferential rights in respect of a particular issue of shares or generally for any period not exceeding five years.

In the event of an increase in share capital where the Board resolves to carry out an increase in share capital on the basis of a mandate granted to the Board that waives the pre-emption rights of existing shareholders, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. No shares were being issued in 2022.



Corporate Governance Report

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

Section 4 Equal treatment of shareholders *(Continued)*

Transactions in its own shares

Jinhui Shipping's shares are liquid. In the event the Company carries out transactions in its own shares, it would only carry out such transactions either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company would consider other ways to ensure equal treatment of all shareholders. No transactions in shares were being carried out by the Company in 2022.

Section 5 Shares and negotiability

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

In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 11 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

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

Corporate Governance Report

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

Section 6 General meetings

Attendance by shareholders

The Company provides detailed procedures and comprehensive information are distributed to shareholders to allow shareholders to form the view on all matters to be considered at the general meeting. Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. Electronic meeting is not applicable as it would be contrary to the Bye-Laws of the Company. All shareholders who are registered in the Euronext Securities Oslo, the Norwegian Central Securities Depository, will receive notification of the general meeting. The notice of calling general meeting and the supporting information, including the procedures for representation at the meeting through a proxy, the deadline for registering the intention to attend the general meeting, the information for each resolution to be considered at the general meeting and for each of the candidates nominated for election, are published on the Company's website no later than 21 days prior to the date of the general meeting.

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

The annual general meeting approves the annual financial statements, the Directors' report and the Independent Auditor's report and any dividend proposed by the Board. The annual general meeting also approves the remuneration of members of the Board and consider the guideline for the remuneration of the executive personnel of the Company, as well as fix the remuneration of the auditor. The meeting agenda may also include authorisation to purchase own shares, increase the share capital, or any other matters listed in the notice of the general meeting. Minutes from annual general meetings will be made available on Company's website immediately after the annual general meeting.

In order to comply with the requirements of the Registration Agreement dated 30 September 1994 between the Company and Nordea Bank, and Bermuda law, all of the shares of the Company registered in the Euronext Securities Oslo are registered on the register of shareholders of the Company in the name of Nordea Bank. Nordea Bank alone will be entitled to attend and vote at general meetings in respect of shares so held. Nordea Bank has agreed that whenever it receives a notice that a shareholders' meeting of the Company is called, it shall dispatch to each beneficial owner of the shares registered in the Euronext Securities Oslo (or its nominee), a copy of the notice. Nordea Bank has also agreed not to attend or vote at any such meeting other than in accordance with proxies from shareholders registered in the Euronext Securities Oslo. In order to vote through Nordea Bank at annual or special general meetings, shareholders must have registered their shareholdings in the Euronext Securities Oslo (usually registration of shares takes 2 business days) and have deposited a valid proxy form at Nordea Bank not less than 48 hours before the time appointed for holding the general meeting.



Corporate Governance Report

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

Section 6 General meetings *(Continued)*

Attendance by shareholders *(Continued)*

Effective from 1 March 2022, the European Central Securities Depository Regulation (“CSDR”) has been implemented into Norwegian law through provisions in the Norwegian Central Securities Depository Act, whereas there is a transitional period for companies to become compliant with the new CSDR regime which ends on 31 December 2022. The Company takes advantage of the transitional period to update its register of members to reflect that Nordea Bank continues to hold the Company’s ordinary shares as nominees on behalf of Euronext Securities Oslo; and in September 2022, the Company has updated the primary registration of ordinary shares from Nordea Bank to the beneficial holders thereof, and appointed the Euronext Securities Oslo as a branch register of the Company for the purposes of the Companies Act 1981 of Bermuda, the Company is compliant with the new CSDR regime.

Participation by shareholders in absentia

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

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

Attendance by the board of directors and auditor

The Chairman attends and chairs the general meetings. Other members of the Board are entitled to attend the general meetings, and the external auditor is present at the annual general meeting. The 2023 Annual General Meeting is scheduled on 24 May 2023. Notice of 2023 Annual General Meeting will be published on the website of the Company and the NewsWeb of the Oslo Stock Exchange (Oslo Børs) and will be dispatched to shareholders of the Company in late April 2023.

Corporate Governance Report

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

Section 6 General meetings *(Continued)*

Chairman of the general meetings

According to Bye-Law 27 of the Company, every general meeting of the Company should be chaired by the president of the Company or the Chairman, or in his absence, another Director.

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

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

Section 7 Nomination committee

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

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

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

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

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

Corporate Governance Report

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

Section 8 Board of Directors: composition and independence

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

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

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

Bye-Law 38 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As at date of this annual report, directors who hold office of the Company are listed below:

Executive Directors

Ng Siu Fai ¹, *Chairman*

Ng Kam Wah Thomas ¹, *Managing Director and Deputy Chairman*

Ng Ki Hung Frankie ¹

Ho Suk Lin Cathy ¹

Non-executive Directors

Tsui Che Yin Frank ²

William Yau ²

Corporate Governance Report

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

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

Notes:

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

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

Dry bulk shipping is a highly specialized industry and requires executives with substantial amount of industry experience to fully comprehend and to monitor the performance of the Group. The Chairman and the Managing Director have extensive experience and knowledge in dry bulk shipping business and their duties for overseeing the functioning of the Board and all aspects of the Group's operations are clearly beneficial to the Group. Despite the executive directors being executive personnel of the Group and performing executive management function in day-to-day operations, the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and the other two executive directors are with extensive experiences in shipping business and management. In addition, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board member, or its close associates, has a particular interest. The Company believes the current board composition is sufficient to represent the interests of all shareholders and this will not impair the balance of power and authority between the Board and the management of the Company. The directors, including the non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. The biographical details of the directors of the Company are set out in "Board of Directors and Executive Personnel" on pages 32 and 33.

Board meetings attendance

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. In 2022, the Board held twelve meetings. The attendance record of each member of the Board is set out below:

Executive Directors	Attendance
Ng Siu Fai	12
Ng Kam Wah Thomas	12
Ng Ki Hung Frankie	12
Ho Suk Lin Cathy	12
Non-executive Directors	
Tsui Che Yin Frank	12
William Yau	12



Corporate Governance Report

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

Section 9 The work of the Board of Directors

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

Transactions with close associates

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

Board committees

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

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

Corporate Governance Report

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

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

Audit Committee

The Audit Committee was established on 17 March 2006. The members of Audit Committee comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Audit Committee) and Mr. William Yau. The primary duties of the Audit Committee include review and monitor the Group's financial reporting, compliance with legal and regulatory requirements, the nature and scope of audit review as well as the effectiveness of the systems of risk management and internal control. 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 has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the Company's half-yearly and annual reports before submission to the Board. The Group's annual consolidated financial statements for the year ended 31 December 2022 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.

During the year, five meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2021 with external auditor and also the activities of the Group's risk management and internal control functions and the interim results of 2022.

Remuneration Committee

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

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

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



Corporate Governance Report

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

Section 10 Risk management and internal control

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

The Board, through the assistance of Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls. In particular, the adequacy of resources, qualifications and experience of staff, training programs and budget of the Group's accounting and financial reporting functions are reviewed. The annual review also covered the Group's significant and emerging risks in shipping business; the quality of management's ongoing monitoring of risks and of the internal control systems; the extent and frequency of communication of monitoring results to the Audit Committee and the Board; whether there is any significant control failings or weaknesses identified and the effectiveness of the Group's processes for financial reporting and relevant legislation and regulations compliance. For the year 2022, the review of the effectiveness of the Group's risk management and internal control systems has been conducted and certain key internal control systems have been independently reviewed by Grant Thornton Hong Kong Limited during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented. The findings are reported subsequently at Board meetings to enable the Board to assess the Group's risk management and internal control system and the Board is satisfied that such systems are effective and adequate and appropriate actions have been taken.

The risk management and internal control systems and accounting system of the Group are designed to identify and evaluate the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines, including guidelines for corporate social responsibility.

Corporate Governance Report

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

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

The Group has a defined organizational structure with clearly defined lines of responsibility and authority. Each business unit / department is accountable for its daily operations and is required to report to executive directors on a regular basis. Policies and procedures are set for each business unit / department, which includes approvals, authorization, verification, recommendations, performance reviews, assets security and segregation of duties. The key control procedures include establishing and maintaining effective policies to ensure proper management of risks to which the Group are exposed and taking appropriate and timely action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. At least twice a year, the management will report to the Audit Committee on the effectiveness of risk management and internal control systems. The Audit Committee review how management designs, implements and monitors risk management and internal control procedures, findings and recommendations and follow-up procedures on the annual assessment; and the Audit Committee will report on the overall effectiveness of the risk management and internal control systems to the Board annually. The Group's risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the relevant legislation and regulations. Based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being, when necessary, the Audit Committee under the Board would carry out the internal audit function and for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group. Details of the Group's risk management policies are set out in "Directors' Report" on pages 57 to 59 and note 39 to the consolidated financial statements on pages 129 to 137.

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

Directors' fees represent remuneration to members for holding capacity as directors of the Company and are determined based on the responsibility and expertise of the members, time commitment and the complexity of the Company's activities and do not link to the Company's performance. Directors' other emoluments represent remuneration to executive directors for being executive personnel of the Group and performing executive management functions in day-to-day operations and their other emoluments are determined based on guideline for the remuneration of the executive personnel. The remuneration guideline contributes to the business strategy, long-term interests and sustainability of the Company. The guideline is also included in the Company's upcoming Notice of 2023 Annual General Meeting for shareholders' consideration.

Corporate Governance Report

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

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

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

(a) Fixed remuneration component

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

(b) Variable remuneration component

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

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

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

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

Corporate Governance Report

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

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

(b) Variable remuneration component *(Continued)*

As mentioned in section 8, executive directors are performing executive personnel function, they received remuneration for additional duties as member of the Board. The Remuneration Committee has been established to assist the Board in developing and administering a fair procedure for determining on the specific remuneration packages of all executive directors and executive personnel of the Company. At the meeting held on 28 February 2023, the Remuneration Committee reviewed and made recommendations to the Board on the fees of the executive directors, other emoluments of the individual executive directors and executive personnel for the year 2022, and made recommendations to the Board on the remuneration packages of the individual executive directors and executive personnel for the year 2023 as well as fees for non-executive directors. Each component of remuneration to members of the Board are disclosed to the full board and approved by the Remuneration Committee and the Board. Details of the fees and other emoluments of the directors of the Company for the year 2022 are set out in note 13 to the consolidated financial statements.

Section 13 Information and communications

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

Financial reporting

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

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

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



Corporate Governance Report

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

Section 13 Information and communications *(Continued)*

Other market information

Jinhui Shipping maintains the company's website to disseminate information electronically on a timely basis and has established guidelines for open communication of market information to market participants other than through general meeting. The Company also publishes major events such as annual general meeting, annual and quarterly reports, financial calendar, public conference call, dividend payment and other material transactions through website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange (Oslo Børs) at www.newsweb.no.

In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

Section 14 Take-overs

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

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

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

Corporate Governance Report

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

Section 15 Auditor

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

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

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

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

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

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

In the forthcoming general meeting, the Board will report the remuneration paid to auditor including the details of the fee paid for audit services and any fees paid for other specific assignments. In 2022, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were US\$210,000 and US\$8,000 respectively. Fees paid for other services mainly included fees for tax compliance services of US\$4,000 and review of internal control systems of US\$4,000. The auditor's remuneration excluded VAT as the external auditor performed its services in Hong Kong, where no VAT being imposed.



Board of Directors and Executive Personnel

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 66. Appointed as a Director of the Company since 1994. As one of the two founders of the Group in 1987, Mr. Ng was appointed as the chairman of Jinhui Holdings, the Company's holding company, in 1991. His responsibility is to formulate strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

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

Aged 60. Appointed as a Director of the Company since 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings since 1991. He is responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 69. Appointed as a Director of the Company since 1994 and a director of Jinhui Holdings since 1991. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin Cathy, *Executive Director*

Aged 59. Appointed as a Director and the Company Secretary of the Company since 1994 and a director of Jinhui Holdings since 1993. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS *(Continued)*

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

Aged 65. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 1994. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui is an independent non-executive director of Melco International Development Limited listed in Hong Kong. Mr. Tsui graduated with a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and with a Law Degree from the University of London. He holds a Doctoral Degree in Business Administration from The University of Newcastle, Australia.

Mr. William Yau, *Non-executive Director*

Aged 55. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 2004. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited, and a supervisor of Fujian Shishi Rural Commercial Bank Co., Ltd. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

EXECUTIVE PERSONNEL

Mr. Ching Wei Man Raymond, *Vice President*

Aged 48. Joined the Group in 2004 as Vice President, and is responsible for overseeing various activities for the Group, with particular focus in shipping related investments, corporate finance matters, investor relations, and new business development. Mr. Ching has extensive experience in shipping investments and in finance. Prior to joining the Group, he worked for a number of years in the investment banking division for a major US bank. Mr. Ching holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

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

Aged 70. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.



Directors' Report

The Directors present their report and the audited consolidated financial statements of Jinhui Shipping and its subsidiaries for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year 2022 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 69.

The Board has resolved to recommend the payment of a final dividend of US\$0.04 per share for the year ended 31 December 2022 and such dividend, if approved by the shareholders at the forthcoming annual general meeting scheduled on 24 May 2023, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Euronext Securities Oslo, the Norwegian Central Securities Depository, at the close of business on 26 May 2023. The Company's shares listed on the Oslo Stock Exchange will be traded including dividend up until and including 24 May 2023. The ex dividend date is 25 May 2023 and the dividend will be paid on or about 16 June 2023.

On 24 August 2022, the Board resolved to pay an interim dividend of US\$0.03 per share to the shareholders of the Company. The interim dividend was paid to the shareholders of the Company on 20 September 2022. The proposed final dividend as mentioned above, if approved, will bring the total dividends for 2022 to US\$0.07 per share.

ALLOCATION OF NET LOSS

The Board has proposed the net loss of the Group for the year 2022 amounting to US\$7,113,000 to be allocated as a deduction from retained profits.

RESERVES

Details of movements in reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" on page 72.

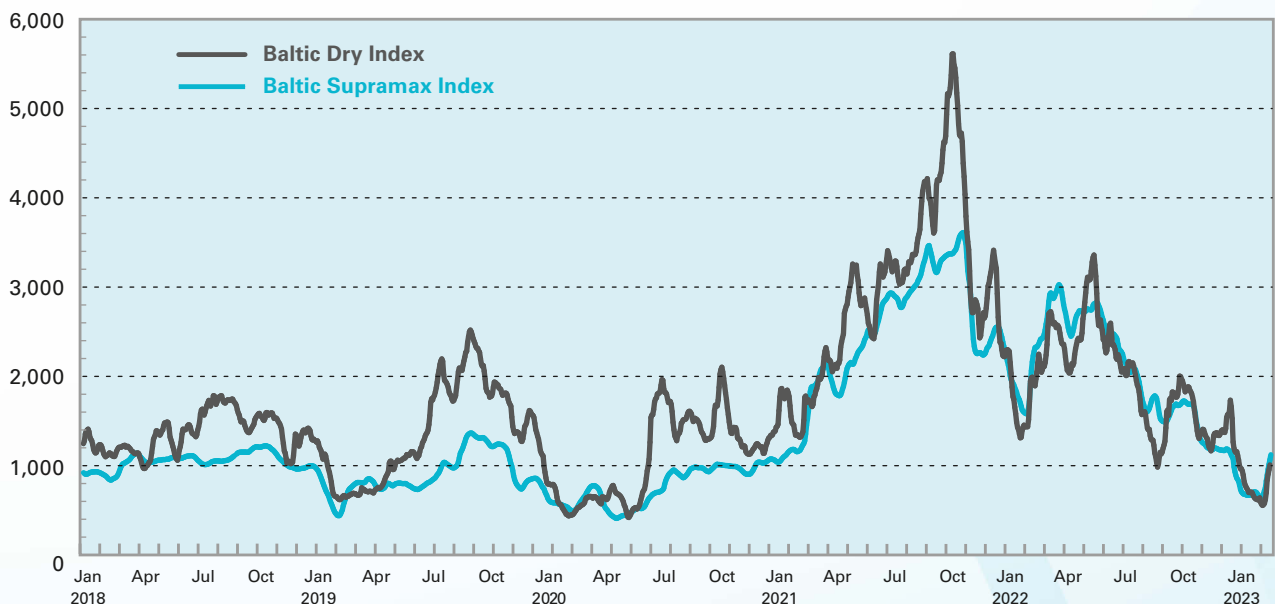
DIVIDEND POLICY

The Company may declare and distribute dividends to the shareholders of the Company. Our policy aims to provide stable and consistent dividends with steady growth when supported by our earnings whilst ensuring that sufficient financial resources can be maintained to fund our business growth. In addition, the amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. As dry bulk shipping market is cyclic and volatile, it's particularly challenging to establish a clear and predictable dividend policy. There can be no assurance that a dividend will be proposed or declared in any given year.

BUSINESS REVIEW

Year 2022 was a challenging year for dry bulk shipping market. In the first half of 2022, dry bulk shipping market showed strong sign of rebound amid global economic recovery. With the recovery of the pandemic across different countries around the world and the gradual release from lock-downs, there was a strong rebound of market freight rates driven by robust demand for dry bulk commodities, limited supply of vessels and COVID-19 related congestion, despite the simultaneous occurrence of multiple geo-political issues. Dry bulk shipping market sentiment was changed during the second half of 2022. The freight rates had been softened gradually since the third quarter of 2022 due to the increase in interest rates imposed by various central banks, higher inflation, congestion related to COVID-19 ease globally, ongoing of multiple geo-political issues. Dry bulk shipping market endured a slump during the fourth quarter of 2022. The demand for dry bulk commodities was weak due to the slowdown of global economic growth as a result of high inflation and increase in interest rates, the COVID-19 related issues as well as multiple geo-political issues that dampened economic activities globally. A further downward correction in the market freight rates was continued in the fourth quarter of 2022. Baltic Dry Index opened at 2,217 points in January and rose to the peak at 3,369 points in May and closed at 1,515 points by the end of December 2022. The average of Baltic Dry Index for the year 2022 was 1,934 points, which compares to 2,943 points in 2021.

Baltic Dry Index & Baltic Supramax Index



Source: Bloomberg

Directors' Report

BUSINESS REVIEW *(Continued)*

Average daily time charter equivalent rates	2022	2021
	US\$	US\$
Post-Panamax / Panamax fleet	20,180	19,116
Supramax fleet	18,681	19,247
In average	18,813	19,233

As at 31 December 2022, the Group had twenty four owned vessels and one chartered-in vessel. The Group's revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract. Revenue for the year 2022 increased 16% to US\$152,466,000, comparing to US\$131,069,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily time charter equivalent rate earned by the Group's fleet decreased 2% to US\$18,813 for the year 2022 as compared to US\$19,233 for the year 2021. The Company recorded a consolidated net loss of US\$7,113,000 for the year 2022, which included a net impairment loss of US\$49,326,000 on owned vessels, as compared to the consolidated net profit of US\$194,197,000 which included a reversal of impairment loss of US\$133,606,000 on owned vessels for the year 2021. Basic loss per share for the year was US\$0.065 as compared to basic earnings per share of US\$1.777 for the year 2021.

Revenue of US\$58,439,000, US\$38,867,000 and US\$21,929,000 were derived from three charterers that contributed 38%, 25% and 14% respectively to the Group's revenue for the year 2022. Management has a credit policy in place for approving the credit limits to charterers and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. For trade receivables from customers, credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount. The management consider that the credit risks inherent in the Group's outstanding trade receivables within one year past due was immaterial.

BUSINESS REVIEW (Continued)

Key Performance Indicators for Shipping Business	2022	2021
	US\$	US\$
Average daily time charter equivalent rate	18,813	19,233
Daily vessel running cost	5,656	4,624
Daily vessel depreciation	4,074	2,587
Daily vessel finance cost	155	161
	9,885	7,372
Average utilization rate	96%	96%

Daily vessel running cost increased to US\$5,656 for the year 2022 as compared to US\$4,624 for the year 2021 due to the increased crew costs and other pandemic related manning expenses. Daily vessel depreciation increased to US\$4,074 for the year 2022 as compared to US\$2,587 for the year 2021 mainly due to the combination effects on the increase in carrying amounts of the owned vessels after the recognition of the reversal of impairment loss on owned vessels in 2021, the delivery of acquired owned vessels and the increment in capitalized drydocking costs incurred under the regular drydocking schedule. Daily vessel finance cost decreased 4% from US\$161 for the year 2021 to US\$155 for the year 2022 due to the repayment of vessel mortgage loans as compared with that of the year 2021. Fleet utilization rate was 96% for both the years of 2022 and 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

As at 31 December 2022, the Group had twenty four owned vessels and one chartered-in vessel as follows:

	Number of vessels		Total
	Owned	Chartered-in	
Panamax fleet	–	1	1
Supramax fleet	24	–	24
Total fleet	24	1	25



Directors' Report

BUSINESS REVIEW *(Continued)*

In order to remain competitive in the market, the management considered to fine tune the quality of the Group's fleet. During the year, the Group entered into agreements to dispose, acquire and charter-in vessels with a view to maintain a high financial flexibility and operational competitiveness.

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a consideration of US\$17,250,000 and the total consideration of the two vessels is US\$34,500,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. Both vessels were delivered to the Group during the first quarter of 2022.

During the first quarter of 2022, the Group entered into two agreements to dispose of two Supramaxes of deadweight 53,806 and 50,259 metric tons respectively at total consideration of US\$17,750,000. Both vessels were delivered to the purchasers at end of March 2022.

On 28 March 2022, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 63,485 metric tons at a purchase price of US\$25,500,000, which was delivered to the Group at end of July 2022.

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022.

On 9 September 2022, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a purchase price of US\$25,375,000 and the total purchase price of the two vessels is US\$50,750,000. The first vessel is deadweight 63,518 metric tons and the second vessel is deadweight 63,469 metric tons. Both vessels were delivered to the Group during the fourth quarter of 2022.

During the fourth quarter of 2022, the Group entered into three agreements to dispose of two Post-Panamaxes of deadweight 93,204 and 93,279 metric tons respectively and one Supramax of deadweight 52,050 metric tons at total consideration of US\$47,800,000. These vessels were delivered to the purchasers during the quarter.

We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal, acquisition or charter-in of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

FINANCIAL REVIEW

Revenue and operating loss. Revenue for the year 2022 increased 16% to US\$152,466,000, comparing to US\$131,069,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily time charter equivalent rate earned by the Group's fleet decreased 2% to US\$18,813 for the year 2022 as compared to US\$19,233 for the year 2021.

The Company recorded a consolidated operating profit before depreciation and amortization of US\$36,215,000 for the year 2022, which included a net impairment loss of US\$49,326,000 on owned vessels, comparing to a consolidated operating profit before depreciation and amortization of US\$214,984,000 for the year 2021, which included a reversal of impairment loss of US\$133,606,000 on owned vessels. The consolidated net loss for the year 2022 was US\$7,113,000, whereas a consolidated net profit of US\$194,197,000 was reported for the year 2021. Basic loss per share for the year was US\$0.065 as compared to basic earnings per share of US\$1.777 for the year 2021.

Net gain on disposal of owned vessels. During the year, the Group entered into five agreements to dispose of two Post-Panamaxes and three Supramaxes at total consideration of US\$65,550,000 with the total net gain of US\$5,636,000 was recognized on completion of the disposal of these vessels in the year.

Other operating income. Other operating income increased from US\$12,616,000 for the year 2021 to US\$15,419,000 for the current year mainly due to the write-back of other payables of US\$5,167,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year. Other operating income for the year 2022 also included dividend income of US\$2,624,000 on investment in listed equity securities and a net gain of US\$2,352,000 on bunker arising from shipping operations while the dividend income of US\$1,541,000 on investment in listed equity securities and a net gain of US\$4,294,000 on bunker arising from shipping operations were recorded in 2021.

Interest income. Interest income decreased from US\$2,980,000 for the year 2021 to US\$1,064,000 for the year 2022 mainly due to a drop in interest income from loan receivables as certain borrowers chose to early repay respective loans in 2021 and 2022.



Directors' Report

FINANCIAL REVIEW *(Continued)*

Impairment loss on owned vessels, net. Due to subdued macroeconomic conditions in the second half of 2022, dry bulk shipping market suffered a slump particularly in the fourth quarter of 2022. The market freight rates continued to decline. This inevitably introduced volatility to the Group's business performance, as well as the carrying value of the Group's shipping assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2022.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain of the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2022. Accordingly, a net impairment loss of US\$49,326,000 on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use and fair value less cost of disposal of the Group's owned vessels. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group. Whereas, due to dry bulk shipping market had strengthened remarkably in 2021, the Group recognized a total reversal of impairment loss on owned vessels of US\$133,606,000.

Shipping related expenses. Shipping related expenses mainly comprised of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' expenses. Shipping related expenses increased from US\$43,524,000 for the year 2021 to US\$66,793,000 for the current year mainly due to the inflation and the increase in number of owned vessels that led to an increase in shipping related expenses for the year. The Group's daily vessel running cost increased to US\$5,656 for the year 2022 as compared to US\$4,624 for the year 2021 due to the increased crew costs and other pandemic related manning expenses. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Other operating expenses. Other operating expenses increased to US\$8,583,000 for the year 2022, comparing to US\$8,366,000 for the year 2021 due to the Group recorded a net loss of US\$2,510,000 on financial assets at fair value through profit or loss and a fair value loss on investment properties of US\$935,000 for the current year, while a net loss of US\$2,570,000 on financial assets at fair value through profit or loss and a fair value loss on investment properties of US\$1,334,000 were recorded in 2021. Other operating expenses for the year 2022 also included directors' fee of US\$777,000, professional fee of US\$849,000, auditor's remuneration related to audit services of US\$210,000 and remaining are various office administrative expenses.

Depreciation and amortization. Depreciation and amortization increased from US\$18,848,000 for the year 2021 to US\$39,870,000 for the year 2022. The Group's daily vessel depreciation increased to US\$4,074 for the year 2022 as compared to US\$2,587 for the year 2021 mainly due to the combination effects on the increase in carrying amounts of the owned vessels after the recognition of the reversal of impairment loss on owned vessels in 2021, the delivery of acquired owned vessels and the increment in capitalized drydocking costs incurred under the regular drydocking schedule. Depreciation and amortization for the current year also included the recognition of depreciation on right-of-use assets of US\$2,743,000.

FINANCIAL REVIEW *(Continued)*

Finance costs. Finance costs increased from US\$1,749,000 for the year 2021 to US\$3,438,000 for the year 2022. The increase was mainly attributable to the rising interest rate and the drawdown of new secured bank loans as compared with that of the year 2021.

Financial assets at fair value through profit or loss. As at 31 December 2022, the Group's portfolio of investment in financial assets at fair value through profit or loss was US\$29,227,000 (2021: US\$43,387,000), in which US\$26,812,000 (2021: US\$40,193,000) was investment in listed equity securities, US\$1,339,000 (2021: US\$2,886,000) was investment in listed and unlisted debt securities and US\$1,076,000 (2021: US\$308,000) was investment in investment funds.

During the year, the Group's net loss on financial assets at fair value through profit or loss was US\$2,510,000 (2021: US\$2,570,000), comprised of a realized gain of US\$1,493,000 (2021: US\$2,755,000) upon disposal of certain equity and debt securities during the year, and an unrealized fair value loss of US\$4,003,000 (2021: US\$5,325,000) on financial assets at fair value through profit or loss for the year. The aggregate interest income and dividend income from financial assets was US\$3,688,000 (2021: US\$4,521,000).

Investment properties. As at 31 December 2022, the Group's investment properties were stated at fair value of US\$27,210,000 (2021: US\$28,145,000) 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.

Right-of-use assets and lease liabilities. During the year, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022. In accordance with IFRS 16 and HKFRS 16 Leases, the Group recognized the value of the right-of-use assets which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the charterparty and corresponding lease liabilities was also recognized in the consolidated statement of financial position. The Directors consider that the lease of a Panamax newbuilding represents an opportunity for the Group to increase the carrying capacity with a modern ship at a reasonable price via means other than outright acquisition of vessels, improving the fleet profile of the Group with minimal immediate capital expenditure, bring chartering freight and hire income to the Group and enhance the Group's income and cashflow from core shipping business.

As at 31 December 2022, the carrying amounts of the right-of-use assets and the lease liabilities were US\$28,997,000 (2021: nil) and US\$29,337,000 (2021: nil) respectively. During the year, the total cash outflow for the lease was US\$3,106,000 (2021: nil).

Directors' Report

FINANCIAL REVIEW *(Continued)*

Loan receivables. As at 31 December 2022, the Group's loan receivables of US\$1,342,000 (2021: US\$568,000) which arise from co-investment, are unsecured and denominated in United States Dollars and has no fixed repayment terms. Whereas, the loan receivables that arise from asset-based financing which are denominated in United States Dollars and secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers, were early repaid in full by the borrowers during the year and such repayments led to a decrease in loan receivables. At the reporting date, no loan receivables arise from asset-based financing (2021: US\$8,668,000) was recorded.

At the reporting date, the loan receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, collection statistics and the net asset value of the co-investment, and are not considered as impaired. The carrying amount of the loan receivables is considered to be a reasonable approximation of its fair value.

Trade and other payables. As at 31 December 2022, the Group's trade and other payables was US\$14,833,000 (2021: US\$22,923,000), including trade payables of US\$171,000 (2021: US\$156,000), accrued charges of US\$1,662,000 (2021: US\$1,122,000), taxation payable of US\$nil (2021: US\$30,000) and other payables of US\$13,000,000 (2021: US\$21,615,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of US\$10,078,000 (2021: US\$18,431,000) for owned vessels, hire receipt in advance of US\$874,000 (2021: US\$1,354,000) from charterers, loan interest payables of US\$172,000 (2021: US\$126,000) and accrued employee benefits payables of US\$1,710,000 (2021: US\$1,551,000). The decrease in payables related to vessel running cost and ship operating expenses was mainly due to the write-back of other payables of US\$5,167,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year.

Liquidity, financial resources and capital structure. As at 31 December 2022, the Group maintained positive working capital position of US\$34,153,000 (2021: US\$37,887,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to US\$61,504,000 (2021: US\$76,407,000). During the year, cash generated from operations before changes in working capital was US\$75,567,000 (2021: US\$76,136,000) and the net cash generated from operating activities after working capital changes was US\$88,339,000 (2021: US\$91,447,000). The changes in working capital are mainly attributable to the decrease in equity and debt securities, and decrease in loan receivables due to certain borrowers chose to early repay respective loans in full in the year.

The Group's total secured bank loans decreased from US\$92,578,000 as at 31 December 2021 to US\$82,838,000 as at 31 December 2022, of which 41%, 19% and 40% are repayable respectively within one year, one to two years and two to five years. During the year, the Group had drawn new revolving loans and term loan of US\$66,859,000 (2021: US\$12,556,000) and repaid US\$76,599,000 (2021: US\$28,323,000). The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loans and property mortgage loans that were denominated in Hong Kong Dollars and United States Dollars. All bank borrowings were committed on floating rate basis.

FINANCIAL REVIEW *(Continued)*

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, slightly increased to 5% (2021: 4%) as at 31 December 2022. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 31 December 2022, the Group is able to service its debt obligations, including principal and interest payments.

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

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

Operating activities – Cash flows arising from operating activities are primarily derived from the principal revenue producing activities of the Group. The Group's net cash from operating activities for the year was US\$88,339,000 (2021: US\$91,447,000). Net cash from operating activities was determined by adjusting non-cash items such as depreciation and amortization, provisions and impairment losses; change in fair value of non-financial assets; changes in operating assets and liabilities consist of inventories, receivables and payables, and financial assets at fair value through profit or loss; and all other items for which the cash effects were included in investing or financing activities, such as net gain or loss on disposal of property, plant and equipment, dividend income and interest income; and including interest expenses paid during the year.

Investing activities – Cash flows arising from investing activities are primarily derived from cash proceeds or cash expenditures that result in a change in recognized assets in the consolidated statement of financial position which are not included in cash and cash equivalents. The Group's net cash used in investing activities for the year was US\$72,405,000 (2021: US\$70,146,000). Net cash used in investing activities mainly included interest received, dividend income received and cash payments or receipts in acquisition or disposal of property, plant and equipment during the year.

Financing activities – Cash flows arising from financing activities are primarily derived from cash proceeds or cash expenditures that result in changes in equity and subordinated liabilities. The Group's net cash used in financing activities for the year was US\$15,909,000 (2021: US\$21,411,000). Cash outflows from financing activities mainly due to repayment of various secured bank loans, payment of principal and interests of lease liabilities and dividends paid to shareholders of the Company whereas cash inflows from financing activities represented the new secured revolving bank loans and term loan during the year.

Cash and cash equivalents – Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the reporting date, the Group's cash and cash equivalents was US\$33,353,000 (2021: US\$33,328,000).



Directors' Report

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2022, the Group's property, plant and equipment with an aggregate net book value of US\$218,172,000 (2021: US\$308,566,000), investment properties with an aggregate carrying amount of US\$22,064,000 (2021: US\$22,873,000), financial assets at fair value through profit or loss of US\$16,845,000 (2021: US\$22,170,000) and deposits of US\$444,000 (2021: US\$8,307,000) placed with banks were pledged together with the assignment of fourteen (2021: nineteen) subsidiaries' income to secure credit facilities utilized by the Group. An assignment of two subsidiaries' loan receivables of US\$4,668,000 was also pledged as at 31 December 2021. In addition, shares of eight (2021: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was US\$140,482,000 (2021: US\$81,231,000) and on other property, plant and equipment was US\$121,000 (2021: US\$66,000).

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property"), pursuant to, which the Co-investor committed to acquire non-voting participating class A shares of Dual Bliss Limited ("Dual Bliss") of US\$10,000,000. Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000 (2021: US\$372,000).

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a consideration of US\$17,250,000 and the total consideration of the two vessels is US\$34,500,000. Both vessels were delivered to the Group during the first quarter of 2022. As at 31 December 2021, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$372,000 (2021: US\$34,872,000).

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

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

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

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 38 to the consolidated financial statements.

EVENTS AFTER THE REPORTING DATE

There was no significant events occurred after the reporting date and up to the date of this report.

GOING CONCERN

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 had been audited by Grant Thornton Hong Kong Limited. A resolution for the re-appointment of Grant Thornton Hong Kong Limited as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

EMPLOYEES

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



Directors' Report

EMPLOYEES *(Continued)*

The Group pursues a policy of gender equality. Workload and working hours depend on positions while promotion and recruitment depend on performance and experience. As at 31 December 2022, the Group had 65 (2021: 64) full-time employees, of whom 35 (2021: 34) employees were male and 30 (2021: 30) employees were female. As at 31 December 2022, the Board consists of six members, of whom five members are male and one member is female.

Employment and labour standards. To promote a high-quality and diverse workforce, the Group provided equal opportunities to its employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. The Group's staff handbook is designed to communicate important laws and work ethics surrounding employment, benefits and welfare, training and development, occupational health and safety, and code of conduct guidelines. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect employees from unfair or inconsistent treatment and discrimination at work.

Procedures regarding recruitment, promotion and salary review are carefully reviewed with due consideration to avoid gender discrimination. The Group aims to ensure equal opportunities and rights in workplace. In addition to basic salary, the Group offers various performance bonus, employee allowances, overtime payment to compensate and reward performing employees. The Group maintains a good relationship with its employees and seafarers and has not experienced any disruption of its operation as a result of industrial disputes.

The Group does not tolerate any use of child or forced labour. During recruitment, human resources department will verify the personal information of candidates according to the requirements of the Company's policies and procedures and check their identity cards to verify their age in order to avoid child labour. Prior to commencement of employment, employees are provided with key information, such as job duties and working hours of the position concerned, and the employment conditions are in line with the terms in the employment contract to prevent any forced labour. Furthermore, our staff undergoing unfair treatment can report through our whistle blowing policy.

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.

All employment of the Group is complied with particular local labour legislations and there was no reported incident of non-compliance or grievances in relation to human rights or labour practices standards and regulations that would have a material or significant impact on the Group during the reporting period.

RESEARCH AND DEVELOPMENT

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

WORKING ENVIRONMENT

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

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

Health and safety. In order to foster the environmentally friendly practices in our vessels, we follow an internal safety management manual, which defines our objectives and commitments in complying with all applicable national and international rules and regulations, code and guidelines and standards recommended by IMO, flag states and other maritime industry organizations. These codes and guidelines and standards, together with our safety manual have been kept ashore and on our fleet and strictly followed by our team.

For the purpose 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. The Group is committed to preventing any work-related injury to its employees, and has complied with relevant laws and regulations to provide a safe working environment and protecting employees from occupational hazards. During the years 2022 and 2021 there were no work-related fatalities.

In order to deal with the outbreak of the COVID-19, the Group has implemented several measures including but not limited to requiring daily health declaration to prevent the spread of virus and all staff to take body temperature before entering the office area. In order to encourage employees to receive vaccination of COVID-19, the Group offered vaccination leave for those Hong Kong office employees who took the vaccination of COVID-19. As the COVID-19 situation persists in 2022, we implemented special and flexible working hours arrangements and encouraged employees to work from home.

During the year, absence due to sickness was 0.6% (2021: 0.6%) of the total hours worked by employees. Work-related injuries or accidents was 0.6% (2021: 0.2%) of employees of the Group. During the year, the Group was not aware of any non-compliance to health and safety related rules and regulations.



Directors' Report

WORKING ENVIRONMENT *(Continued)*

Development and training. The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Hence, it is firmly believed that it is necessary to improve employees' professional standards continuously through training. We encourage and support all employees taking training courses and workshops that are relevant to their job duties to enrich their knowledge and perspective in discharging their duties.

Management and senior staff had access to a variety of training activities, including attending seminars, workshops and conferences and receiving regulatory updates relevant to their business and duties, anti-corruption practices as well as their directors' duties and responsibilities when acting as directors. They received sufficient internal and external training to better equip themselves to fulfil their roles in supporting the Group.

We ensure all seafarers 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. In order to reduce the number of incidents that may happen or minimize the level of accident on vessel, we arranged emergency drill for seafarers to deal with unexpected situations. We also hold emergency personnel training. Anti-piracy drill will also be performed periodically for our seafarers for the proper procedure when there is pirate attack happened.

EXTERNAL ENVIRONMENT ISSUES

We are committed to operate our business in an environmentally and socially responsible manner. The Board has overall responsibility for the long term sustainability and environmental, social and governance strategies which support growth and enhance value for the business and our stakeholders, as well as contribution to the environment and the community growing. When setting the standards, we consider the needs and requirements of the business, our stakeholders and relevant guidelines. We discuss and review the risks and opportunities, performance, progress, goals and targets regularly to monitor our environmental, social and governance performance, related issues and potential risks.

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 seafarers 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. 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.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

CO₂ and GHG Emissions

Target 70% Reduction On Carbon Intensity Emission By 2050 Compared 2008
Target 50% Reduction On GHG Emission By 2050 Compared 2008

The Initial International Maritime Organization (“IMO”) Strategy on the reduction of Carbon Dioxide (“CO₂”) and greenhouse gas (“GHG”) emissions from ships, is the framework through which the IMO aims to reduce GHG emissions from international maritime shipping. The strategy incorporates quantitative carbon intensity and GHG reduction targets for the international shipping sector by at least 40% reduction in carbon intensity by 2030 and pursuing efforts towards a 70% reduction by 2050, both compared to 2008 levels.

COP27 was held in November 2022, the message from COP27 is clear for decarbonization. A joint statement was signed by various related marine participants, committed to the rapid adoption of green hydrogen-based fuels this decade, to get on track for full decarbonization by 2050.

We support the IMO’s 2023 and 2050 targets as well as COP27. We aim to reduce our AER which is approved by the IMO. In the short term, we aim at a 15% reduction of AER by 2026 and a 30% reduction by 2030, compared to 2019.

Acting as a participant in the marine market, we always concern the issue of increasing GHG emissions and consumption of fossil fuels. We owned a modern and high-quality fleet of dry bulk carriers and as at 31 December 2022, the Group had twenty four owned vessels which are all grabs fitted Supramaxes. We ensure our owned fleet be equipped with proven green and energy efficient equipment and technologies to minimize the emission of toxic pollutants.

Change to AER

From 1 January 2023 onwards, the Group will choose to use AER to replace EEOI for carbon intensity reporting. Below showing the EEOI and related index of the Group for the years 2022 and 2021:

EEOI

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

2022: the average EEOI of the fleet is about 12.8 grammes CO₂ / MT.Mile

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

Directors' Report

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

The EEOI of 2022 is about 0.4 grammes decreased from the EEOI of 2021, representing a decrease of 3% as compared to 2021.

The fuel oil consumption and the corresponding CO₂ emission are the index of showing GHG measurement in tonnes and intensity of the fleet are as follows:

Fuel oil consumption:

2022: Fuel oil consumption – 105,910 tonnes

2021: Fuel oil consumption – 81,088 tonnes

Corresponding CO₂ emission:

2022: CO₂ emission – 330,551 tonnes

2021: CO₂ emission – 252,959 tonnes

The expansion of fleet size in the year 2022 resulted in increased fuel oil consumption by the fleet vessels and correspondingly higher CO₂ emission for the year 2022.

Achieve decarbonization

In order to meet the short term and long term target of decarbonization, a mix of design, technical, operational measures and innovative measures are through below (A) to (E):

(A) EEXI

Target All Fleet Vessels Comply EEXI By 2023

(B) EEDI

Target Future New Join Vessels Comply EEDI

The IMO's Marine Environment Protection Committee ("MEPC") has published a review on the quality of marine fuels supplied ("MEPC 76"). Subject to the adoption of MEPC 76 in June 2022, the attained EEXI is required to be calculated and verified by Class American Bureau of Shipping for every vessel and the requirement will enter into force in 2023.

Our fleet have been evaluated by Class American Bureau of Shipping by end of 2022. A series of modification on the main and auxiliary machinery will be made to meet with the EEXI requirement accordingly. In order to fill the gap between the existing EEXI and the required EEXI, we choose to implement Engine Power Limitation. With Engine Makers evaluation has been made to fleet vessel, engines and respective power limitation will be effective with individually designed power limitation devices. In the year 2022, the Group acquired three vessels which are already in compliance with EEDI which is the index for newbuilding ship energy efficiency.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

(C) CII

Target Rated C Or Above For All Vessels By 2023

CII is an annual carbon rating from A to E for each vessel. The rating measures how efficiently a vessel transports goods and is given in grams of CO₂ emitted per cargo-carrying capacity and nautical mile. CII has already come into force 1 January 2023 and our fleet has joined the Data Collection and Reporting System since 2019, data are analyzed and verified by American Bureau of Shipping. Rating evaluation will be available by the end of 2023 and we aim at achieve rated C or above for the fleet on the CII.

(D) SEEMP

SEEMP is a plan approved by American Bureau of Shipping certified in compliance to IMO Resolutions. Our vessels adopted IMO Data Collection System on fuel consumption to allow us monitor and improve fuel efficiency and to mitigate emissions. The Group implemented initial SEEMP in 2013, adopted SEEMP Part II in 2021 and SEEMP Part III in 2022.

SEEMP improves each vessel's energy efficiency through a series of procedures and efforts. We take below steps:

- (i) Planning
- (ii) Implementation
- (iii) Monitoring
- (iv) Self-evaluation and Improvement

(E) For newbuilding projects, we may choose the most energy efficient design and will include the possibility of using dual fuel engines.

Low sulphur oil

Target Minimum 2% Reduction Compare With Previous Year

Since 2020, our vessels have switched over to 0.5% low sulphur content heavy fuel oil according to IMO 2020 Sulphur Cap requirement.

New requirements for China Emission Control Areas ("ECA") in Chinese territorial waters as announced by the Chinese Ministry of Transport came into effect on 1 January 2019. When our vessels enter regional emission control areas, we switched to 0.1% ultra-low sulphur content fuel oil to minimize fuel consumption and emission. As our fleet vessels trade more into ECA, our consumption of 0.1% ultra-low sulphur content fuel oil increased in 2022.

Fuel oil consumption:

2022: 0.5% low sulphur content heavy fuel oil consumption – 98,197 tonnes

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

2022: 0.1% ultra-low sulphur content fuel oil consumption – 7,713 tonnes

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

Directors' Report

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

Hazardous waste and non-hazardous produced

Target Zero Hazardous & Non-Hazardous Waste

Waste from our vessels included garbage and food waste which are trivial and not hazardous. These wastes are disposed of by incineration, shore collection and other means according to MARPOL Annex V and local requirements. We were committed to operate our vessels in compliance with MARPOL regulations pertaining to hazardous ozone depleting substances; and there was no material marine waste discharge or environment pollution incidents happened in the years 2022 and 2021.

Garbage and waste management plan

Target <1.5m³ Garbage Disposed Per Vessel / Month

The Group also implements garbage and waste management plan for all vessels. All vessels are equipped with colored recycle trashes for garbage sorting. It is aimed to dispose garbage and waste in a diversified way ashore. The purpose is not only to reduce the level of waste but also have economic benefits to the Group. The less garbage disposed; the less wastage charged by each local port when the ship reach that port for discharge.

Water consumption

Target <3 Tonnes Per Vessel Per Day By 2030

Fresh water consumption for the use of boiler, machinery cooling and deck and hold cleaning is produced from the vessel's own desalination plants on board and running on waste heat of engines. This reduces the need to source fresh water from ashore and less consume of natural water. Fresh water is consumed for drinking, cooking and other domestic purposes. Water consumption reduced from 7 tonnes per vessel per day in 2021 to 6 tonnes of water per vessel per day in 2022.

2022: Water consumption – 66,000 tonnes

2021: Water consumption – 49,000 tonnes

The increase in water consumption of our fleet vessels for the year 2022 was mainly attributable to the expansion of fleet size during the year.

Ballast water management

Target All Vessels Installed BWTS By 2023

Target Zero Failure In The Ballast Water Record Book

Ballast water is essential for safe and efficient modern shipping operations, it may pose serious ecological, economic and health problems due to the multitude of marine species carried in ships' ballast water. These include bacteria, microbes, small invertebrates, eggs, cysts and larvae of various species. The Group started the investing project and installing BWTS to our fleet in 2021. We implemented ballast water management with clearly stated instructions for dealing with ballast water in different situations and ensure the ballast water management plans are carried out to the standards set out by IMO. Over 80% of our vessels are equipped with BWTS at the end of year 2022, and the rest is going to finish the installation scheduled in the year of 2023.

Climate change

We understand climate change affects our business and operations, hence it is crucial for the Group to react to prevent the risks associated with the climate change. To enable a comprehensive review of the climate risks and opportunities, the Group conducted a climate risk assessment and scenario analysis. We diversified climate-related risks into physical risks and transition risks.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

Physical risks

Acute risk – long term The increased frequency and severity of extreme weather such as typhoons, cold waves, sea level rise and increasing tropical cyclones can disrupt the Group's operations by damaging the fleet, power grid, and communication infrastructures, and injuring employees during their work, leading to reduced capacity and decreased in productivity, or expose the Group to risks associated with non-performance and delayed performance. These risks affect the operational ability of the organization resulting in both reputational damage and direct loss of revenue.

To minimize the potential risks and hazards, the Group has obtained typhoon-related information by applying high-altitude, ground and global meteorological network and other high technologies. Captains were assigned as the first responsible person of vessel safety who has the right to decide what reaction to take to avoid or facing the extreme events. Captains shall also organize all seafarers to acquire knowledge of possible threats in order to better protect life and vessels.

Transition risks

Policy and legal risk – short to medium term The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, the Group acknowledges the increasing requirements of climate-related information disclosures.

The Group's compliance cost may increase as a result of stricter environmental laws and regulations, and stricter environmental laws and regulations may expose the Group to higher risks of claims and lawsuits.

Market and reputational risk – short to medium term Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, non-compliance fines or reputational risks due to delayed response.

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



Directors' 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
- Mr. Ng Kam Wah Thomas
- Mr. Ng Ki Hung Frankie
- Ms. Ho Suk Lin Cathy

Non-executive Directors:

- Mr. Tsui Che Yin Frank
- Mr. William Yau

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

Brief biographical details of the Directors and executive personnel are set out in "Board of Directors and Executive Personnel" on pages 32 and 33.

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.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(i) As at 31 December 2022, directors' interests in shares of the Company were as follows:

Name	Number of shares in the Company held and capacity			Total
	Beneficial owner	Interest of spouse	Interest in corporation	
Ng Siu Fai	4,141,830	1,079,196	407,858 <i>Note 1</i>	5,628,884
Ng Kam Wah Thomas	864,900	–	260,000 <i>Note 2</i>	1,124,900

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 407,858 shares of the Company through his 51% interests in Fairline Consultants Limited.

In addition, another beneficial owner of 49% interests in Fairline Consultants Limited, being a close associate of Mr. Ng Siu Fai, is also the beneficial owner of 1,400,389 shares of the Company as at 31 December 2022.
2. Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of the Company through his wholly owned company, Timberfield Limited.

Directors' Report

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

(ii) Directors' interests in shares of Jinhui Holdings

Jinhui Holdings, the controlling shareholder of the Company, held 60,841,240 shares of the Company representing approximately 55.69% of the Company's issued shares as at 31 December 2022.

Name	Number of shares in Jinhui Holdings held and capacity			Total
	Beneficial owner	Interest of spouse	Interest in corporation	
Ng Siu Fai	24,725,000	15,140,000	205,325,568 <i>Note 1</i>	245,190,568
Ng Kam Wah Thomas	5,909,000	–	136,883,712 <i>Note 2</i>	142,792,712
Ng Ki Hung Frankie	3,000,000	–	–	3,000,000
Ho Suk Lin Cathy	3,850,000	–	–	3,850,000
Tsui Che Yin Frank	1,000,000	–	–	1,000,000
William Yau	441,000	–	–	441,000

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 205,325,568 shares of Jinhui Holdings held by his 51% owned company, Fairline Consultants Limited.
2. Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of Jinhui Holdings held by his wholly owned company, Timberfield Limited.
3. The number of issued shares of Jinhui Holdings as at 31 December 2022 was 530,289,480 shares.

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

CORPORATE GOVERNANCE

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2022 was set out in "Corporate Governance Report" on pages 12 to 31, which covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and provided explanation of the reasons for the deviations. It also included the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

Restrictions in the Bye-Laws of the Company that may limit the rights to freely trade the shares. Jinhui Shipping's shares are freely traded in the Oslo Stock Exchange (Oslo Børs). The Company's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board. In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 11 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway. This type of restriction is common for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange (Oslo Børs).

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.

In order to remain competitive in the market, the management considered to fine tune the quality of the Group's fleet. During the year, the Group entered into agreements to dispose, acquire and charter-in vessels with a view to maintain a high financial flexibility and operational competitiveness.

During the first quarter of 2022, the Group entered into two agreements to dispose of two Supramaxes at total consideration of US\$17,750,000 and the disposal of these vessels was completed in the first quarter of 2022.



Directors' Report

RISK MANAGEMENT *(Continued)*

On 28 March 2022, the Group entered into an agreement in respect of the acquisition of a Supramax at a purchase price of US\$25,500,000, which was delivered to the Group at end of July 2022.

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022.

On 9 September 2022, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a purchase price of US\$25,375,000 and the total purchase price of the two vessels is US\$50,750,000. Both vessels were delivered to the Group during the fourth quarter of 2022.

During the fourth quarter of 2022, the Group entered into three agreements to dispose of two Post-Panamaxes and one Supramax at total consideration of US\$47,800,000, the disposal of these vessels was completed during the fourth quarter of 2022.

Total carrying capacity of the Group's owned vessels is 1,373,222 metric tons after the completion of the acquisition and disposal of the above vessels.

Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal, acquisition or charter-in of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

Market risk. Market risk is the risk of operational loss or financial loss due to adverse changes in the market exposure. It also includes the adverse change of value of a financial instrument or portfolio of financial instruments when there are changes in market factors such as underlying interest rates, exchange rates, equity securities prices, debt securities prices or in the volatility of these factors. The Group's major market risk exposures on financial instruments mainly arise from bank borrowings committed on floating rate basis, and investments in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 39 to the consolidated financial statements.

RISK MANAGEMENT *(Continued)*

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

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

We will continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets.

RISK FACTORS

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

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



Directors' Report

OUTLOOK

2022 was overall a good year for shipping, with the freight environment being steadily driven by a general robust demand for commodities worldwide. As discussed before, volatility is expected given any changes in monetary policies or material geo-political issues will affect business sentiment, or in some cases business practices or trade patterns will be affected. Shipping will not be shipping without a good dose of volatility. 2023 turns out to be very different so far.

There has been a general slowdown in economic activities since second half of 2022, primarily driven by the interest rate outlook which translates to increasing borrowing costs and correction of risk assets values, as well as a general expectation of a slower global economic growth going forward given geopolitical conflicts at multi frontiers. Freight rates of dry bulk shipping has been weakening as a result which has carried on since 2023 began.

When we look purely at the industry fundamentals, the supply of new vessels remain low. However, demand for commodities has become increasingly uncertain where worries over the economic growth in 2023 persistently linger over all industries. Transportation of certain commodities will undergo profound and complex changes given the variables that affect our business are a combination of industry specific, economical, as well as geopolitically driven.

With the expected global dry bulk fleet growth at historical lows, and with no consensus in the shipping with regards to the next generation engine design to reduce carbon emission, new vessel orders are expected to be few. Looking ahead, should signs of economic recovery gains momentum, our fleet will be well positioned to benefit.

We remain alert to the increasingly frequent economic, geo-political, or other unforeseen surprises that can trigger volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. In light of the expected slowdown in global economic growth as well as a weakening freight market, we have decided to revalue downwards the value of our fleet. We currently have no capital expenditure commitment in relation to newbuilding contracts, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

On behalf of the Board of Directors of the Company, I would like to first express our heartfelt appreciation to our seafarers who have continued to remain professional under an extremely challenging environment, as well as all customers and stakeholders for their ongoing support.

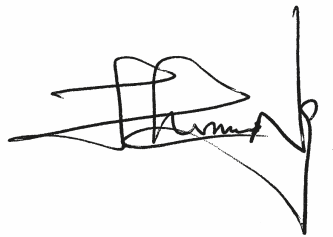
PUBLICATION OF FINANCIAL INFORMATION

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

17 March 2023



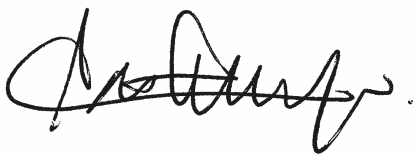
Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

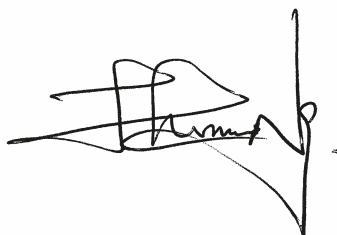
Responsibility Statement

We confirm, to the best of our knowledge, that the audited consolidated financial statements for the year from 1 January to 31 December 2022 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the Company, and that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group and the Company together with a description of the key principal risks and uncertainty factors that the Group and the Company face.

17 March 2023



Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director

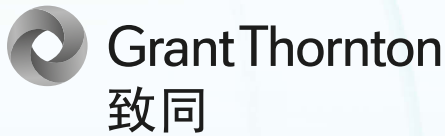


Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

Independent Auditor's Report



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

OPINION

We have audited the consolidated financial statements of Jinhui Shipping and Transportation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 69 to 145, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Carrying value of owned and leased vessels

The Key Audit Matters	How the matter was addressed in our audit
<p>Refer to notes 4.11, 5 and 19 to the consolidated financial statements.</p>	<p>Our audit procedures included:</p>
<p>The Group's carrying amount of motor vessels and capitalised drydocking costs included in property, plant and equipment and leased vessel included in right-of-use assets amounted to US\$375,335,000 and US\$28,997,000 respectively as at 31 December 2022 and a net impairment loss of US\$49,326,000 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year.</p>	<ul style="list-style-type: none">– evaluating the process of identifying indicators of potential impairment or reversal of impairment on owned vessels and right-of-use assets;– evaluating VIU calculation prepared by the management's expert including the methodology and assumptions adopted;– testing, on a sample basis, the mathematical accuracy of the VIU calculation;– assessing the reasonableness of the key assumptions including discount rate, hire rates, useful life and utilization rate by comparing the current year actual performance and prior year projections and by reference to the market and industry information;– involving our valuation specialists in assessing the appropriateness of the discount rate and hire rates;
<p>The Group assesses at each reporting date (i) whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of owned and leased vessels concerned; and (ii) whether there are indications that an impairment loss recognised in prior periods for owned vessels may no longer exist or may have decreased. Management has exercised judgement in assessing whether there is any objective evidence of impairment and reversal of impairment loss of such owned and leased vessels.</p>	

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Carrying value of owned and leased vessels *(Continued)*

The Key Audit Matters	How the matter was addressed in our audit
<p>Refer to notes 4.11, 5 and 19 to the consolidated financial statements.</p>	<p>Our audit procedures included:</p>
<p>The recoverable amounts of owned and leased vessels were determined based on higher of fair value less costs of disposal reference to market transactions, or the value in use ("VIU") calculation which is estimated based on the estimated future cash flows projections from the continuous use of such vessels. Independent qualified appraisal firms were engaged by management to appraise VIU calculation as the VIU calculation involves significant judgements and estimates about the future performance, key assumptions including discount rate, useful life, hire rates and utilisation rate of the owned and leased vessels and the fair value.</p>	<ul style="list-style-type: none">- evaluating the fair values estimated by the management's expert including the methodology and assumptions adopted;- involving our valuation specialist in assessing the reasonableness of fair values estimated; and- testing, on a sample basis, the mathematical accuracy of the impairment assessment with reference to the estimated recoverable amounts based on VIU calculation or fair value less costs of disposal.
<p>We focused on this area considering the significance of judgements and estimates and the financial impacts of the impairment assessment in respect of the Group's owned and leased vessels.</p>	<p>We obtained supportive evidence for the significant judgements and estimates in respect of VIU calculation and key assumptions applied in the estimated future cash flows projections and the estimation of fair value less cost of disposal.</p>



Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

(Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

17 March 2023

Chi-Kit Shaw

Practising Certificate No.: P04834

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Revenue	7	152,466	131,069
Net gain on disposal of owned vessels	8	5,636	–
Other operating income	9	15,419	12,616
Interest income	10	1,064	2,980
Reversal of impairment loss (Impairment loss) on owned vessels, net	11	(49,326)	133,606
Shipping related expenses		(66,793)	(43,524)
Staff costs	12	(13,668)	(13,397)
Other operating expenses		(8,583)	(8,366)
Operating profit before depreciation and amortization		36,215	214,984
Depreciation and amortization		(39,870)	(18,848)
Operating profit (loss)		(3,655)	196,136
Finance costs		(3,438)	(1,749)
Profit (Loss) before taxation		(7,093)	194,387
Taxation	16	(20)	(190)
Net profit (loss) for the year		(7,113)	194,197
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through OCI (non-recycling)		(2,861)	1,884
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		(38)	112
Total comprehensive income (loss) for the year attributable to shareholders of the Company		(10,012)	196,193
Earnings (Loss) per share	17		
– Basic and diluted		US\$(0.065)	US\$1.777

Consolidated Statement of Financial Position

As at 31 December 2022

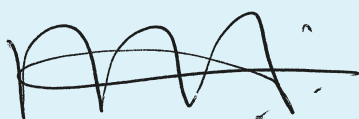
	Note	2022 US\$'000	2021 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	384,661	389,549
Right-of-use assets	20(a)	28,997	–
Investment properties	21	27,210	28,145
Financial assets at fair value through OCI	22	9,840	12,739
Loan receivables	24	–	3,698
		450,708	434,131
Current assets			
Inventories		2,993	3,413
Loan receivables	24	1,342	5,538
Trade and other receivables	25	20,245	19,621
Financial assets at fair value through profit or loss	26	29,227	43,387
Pledged deposits	36(c)	444	8,307
Bank balances and cash		33,353	33,328
		87,604	113,594
Total assets		538,312	547,725
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	28	5,463	5,463
Reserves		405,674	426,612
Total equity		411,137	432,075

Consolidated Statement of Financial Position

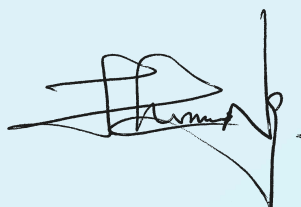
As at 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Non-current liabilities			
Secured bank loans	30	48,560	39,943
Lease liabilities	20(b)	25,164	–
		73,724	39,943
Current liabilities			
Trade and other payables	31	14,833	22,923
Amount due to holding company		167	149
Secured bank loans	30	34,278	52,635
Lease liabilities	20(b)	4,173	–
		53,451	75,707
Total equity and liabilities		538,312	547,725

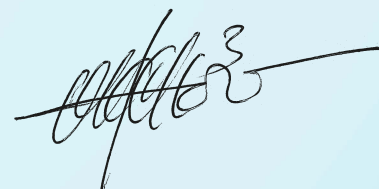
Approved and authorized for issue on 17 March 2023



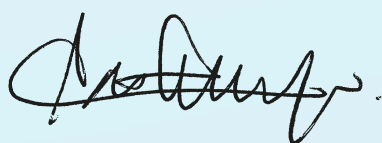
Ng Siu Fai
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Managing Director and
Deputy Chairman



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Issued capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000	Revaluation reserve US\$'000	Reserve for financial assets at fair value through OCI US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2021	5,463	95,585	719	16,297	476	758	119,862	239,160
Comprehensive income								
Net profit for the year	-	-	-	-	-	-	194,197	194,197
Other comprehensive income								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	1,996	-	1,996
Total comprehensive income for the year	-	-	-	-	-	1,996	194,197	196,193
2021 interim dividend paid	-	-	-	-	-	-	(3,278)	(3,278)
At 31 December 2021	5,463	95,585	719	16,297	476	2,754	310,781	432,075
At 1 January 2022	5,463	95,585	719	16,297	476	2,754	310,781	432,075
Comprehensive loss								
Net loss for the year	-	-	-	-	-	-	(7,113)	(7,113)
Other comprehensive loss								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	(2,899)	-	(2,899)
Total comprehensive loss for the year	-	-	-	-	-	(2,899)	(7,113)	(10,012)
2021 final dividend paid	-	-	-	-	-	-	(7,648)	(7,648)
2022 interim dividend paid	-	-	-	-	-	-	(3,278)	(3,278)
Total dividend paid	-	-	-	-	-	-	(10,926)	(10,926)
At 31 December 2022	5,463	95,585	719	16,297	476	(145)	292,742	411,137

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
OPERATING ACTIVITIES			
Cash generated from operations	32	91,249	93,625
Interest paid		(2,690)	(1,785)
Hong Kong Profits Tax paid		(220)	(393)
Net cash from operating activities		88,339	91,447
INVESTING ACTIVITIES			
Interest received		906	3,382
Dividend income received		2,624	1,514
Purchase of property, plant and equipment		(140,603)	(81,297)
Proceeds from disposal of property, plant and equipment, net		64,668	875
Proceeds from disposal of assets held for sale, net		–	5,380
Net cash used in investing activities		(72,405)	(70,146)
FINANCING ACTIVITIES			
New secured bank loans		66,859	12,556
Repayment of secured bank loans		(76,599)	(28,323)
Decrease (Increase) in pledged deposits		7,863	(2,366)
Payment of lease liabilities		(2,403)	–
Interest paid on lease liabilities		(703)	–
Dividends paid to shareholders of the Company		(10,926)	(3,278)
Net cash used in financing activities		(15,909)	(21,411)
Net increase (decrease) in cash and cash equivalents		25	(110)
Cash and cash equivalents at 1 January		33,328	33,438
Cash and cash equivalents at 31 December		33,353	33,328

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited was incorporated on 16 May 1994 and registered as an exempted company with limited liability in Bermuda. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on the Oslo Stock Exchange (Oslo Børs).

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

The Group is controlled by Jinhui Holdings Company Limited, a company incorporated in Hong Kong which holds approximately 55.69% of the Company's shares at the reporting date. The registered office of Jinhui Holdings, where its consolidated accounts can be obtained, locates at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong, PRC.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the Board on 17 March 2023.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs

In current year, the Group has applied for the first time, the following amendments and interpretations to IFRSs and HKFRSs issued by the IASB and the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2022.

Amendments to IFRS 16 and HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3 and HKFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16 and HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37 and HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs and HKFRSs	Annual Improvements to IFRSs and HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

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

IFRS 17 and HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to IFRS 16 and HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 10 and HKFRS 10, and IAS 28 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1 and HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to IAS 1 and HKAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and HKAS 1, and IFRS Practice Statement 2 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8 and HKAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12 and HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

Notes:

1. Effective for annual periods beginning on or after 1 January 2023
2. Effective for annual periods beginning on or after 1 January 2024
3. Effective date not yet determined

The management is currently assessing the possible impact of the new or amended standards and interpretations on the Group's results and financial position in the first year of application.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for: investment properties, financial assets at fair value through profit or loss and financial assets at fair value through OCI that are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

4.2 Basis of consolidation

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

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

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

4.3 Subsidiaries

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.4 Foreign currency translation

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

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

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

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

4.5 Revenue recognition

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

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

- (a) Identify contracts with customers
- (b) Identify the separate performance obligations in the contract
- (c) Determine the transaction price of the contract
- (d) Allocate the transaction price to each of the separate performance obligation in the contract
- (e) Recognize the revenue as each performance obligation is satisfied

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.5 Revenue recognition *(Continued)*

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

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

- (a) Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract. Crewing service income classified as non-lease component is included in hire income and recognized over the period of each time charter contract.
- (b) Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. The existing practice reflects the performance obligation to provide transportation services which is satisfied over time from when transport of the goods begins from loading port through delivery to discharging port and freight income is recognized over the period of performance.

4.6 Borrowing costs

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

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

4.7 Government grants

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

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.

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.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.8 Income tax *(Continued)*

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

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.9 Property, plant and equipment *(Continued)*

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

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.

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 4.19.

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

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.

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

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

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

4.11 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets and the Company's interests in subsidiaries are subject to impairment testing whenever there are indications that the assets' carrying amounts may not be recoverable.

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 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.

4.13 Financial assets

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The classification is determined by both:

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.13 Financial assets *(Continued)*

Subsequent measurement of financial assets

Debt investments

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

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

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

Financial assets at fair value through OCI – recycling

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

Financial assets at fair value through profit or loss

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.13 Financial assets *(Continued)*

Subsequent measurement of financial assets *(Continued)*

Equity investments

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

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

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

Impairment of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.13 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.13 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.14 Financial liabilities

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

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Borrowings

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

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

4.15 Fair value measurement

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.16 Cash and cash equivalents

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

4.17 Share capital

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

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

4.18 Employee benefits

Retirement benefits schemes

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

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

Short term employee benefits

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.19 Leases

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

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

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(a) Group as a lessee

At the lease commencement date, the Group recognizes the right-of-use asset and the lease liability on the consolidated statement of financial position. except for short-term leases that have a lease term of 12 months or less ("short-term lease") and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists, as for owned vessels in accordance with the Group's accounting policies.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.19 Leases *(Continued)*

(a) Group as a lessee *(Continued)*

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to the commencement date, the Company measures the lease liability by: (i) increasing the carrying amount to reflect the accretion of interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

For lease remeasurement that the lease payments change due to changes in market rental rates following a market rent review / expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

When the lease is remeasured, the corresponding adjustment is reflected in the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.19 Leases *(Continued)*

(b) Group as a lessor (Assets leased out under operating leases)

As a lessor, the Group classifies its leases as operating leases. Where the Group as a lessor leases out assets under operating leases, such assets are measured and presented according to the nature of the asset.

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

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

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

4.20 Provisions and contingent liabilities

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

4.21 Related parties

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

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

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

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

4.22 Segment reporting

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

The Group has regarded the business of ship chartering and ship owning as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented in the consolidated financial statements for the years 2022 and 2021.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The significant estimates and judgements made in the process of applying the Group's accounting policies are discussed below.

Impairment loss on owned vessels

In the first half of 2022, dry bulk shipping market showed strong sign of rebound amid global economic recovery. However, dry bulk shipping market endured a slump during the fourth quarter of 2022. The demand for dry bulk commodities was weak due to the slowdown of global economic growth as a result of high inflation and increase in interest rates, the COVID-19 related issues as well as multiple geo-political issues that dampened economic activities globally. A further downward correction in the market freight rates was continued in the fourth quarter of 2022. This inevitably introduced volatility to the Group's business performance, as well as the carrying value of the Group's shipping assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2022.

Key assumptions applied in calculation of impairment assessment of owned vessels

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain of the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2022. Those vessels with carrying amount of US\$198,590,000 is estimated based on the value in use using 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 applied in the estimated future cash flows projections included the first five-year period 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 in the impairment test on owned vessels were based on management's best estimation, taking into consideration of historical performances, market research data and market expectation. The hire rates would have an average of 1% (2021: 1%) growth for the first five-year period and cash flows beyond the five-year period are extrapolated using the zero growth rate. The discount rate applied to the value in use calculation on owned vessels was 10.5% (2021: 8.5%), which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets. Other assumptions included utilization rate which is assumed to be 95% (2021: 95%) in all subsequent years; and vessels are expected to have useful life of 25 (2021: 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 expense.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

Impairment loss on owned vessels *(Continued)*

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

Remaining certain owned vessels with carrying amount of US\$176,745,000 are determined based on fair value less cost of disposal under market comparison approach and such measurement of these owned vessels was categorized as Level 2 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. Key assumptions applied in fair value less cost of disposal mainly included quoted transactions of similar vessels which is most sensitive. Other assumptions included estimated cost of disposal of these vessels which are based on the Group's historical acquisition and disposal transactions of its fleets.

Accordingly, a net impairment loss of US\$49,326,000 (2021: reversal of impairment loss of US\$133,606,000) on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use and fair value less cost of disposal of the Group's owned vessels.

Sensitivity in calculation of impairment assessment of owned vessels

Value in use

With all other variables remaining constant, it was estimated that a decrease of 5% in hire rates applied in the impairment test at the reporting date, the impairment loss on owned vessels recognized and net loss for the year would increase by approximately US\$15,572,000 and the carrying amount of the Group's owned vessels would decrease by 4.15%.

With all other variables remaining constant, it was estimated that an increase of 75 basis points in discount rate applied in the impairment test at the reporting date, the impairment loss on owned vessels recognized and net loss for the year would increase by approximately US\$6,284,000 and the carrying amount of the Group's owned vessels would decrease by 1.67%.

Fair value less cost of disposal

With all other variables remaining constant, it was estimated that a decrease of 5% in selling price quoted from the transactions of similar vessels applied in the impairment test at the reporting date, the impairment loss on owned vessels recognized and net loss for the year would increase by approximately US\$7,104,000 and the carrying amount of the Group's owned vessels would decrease by 1.89%.

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Year ended 31 December 2022

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

Valuation of investment properties

As at 31 December 2022, the Group's investment properties were stated at fair value of US\$27,210,000 (2021: US\$28,145,000). Change in fair value loss of investment properties of US\$935,000 (2021: US\$1,334,000) was recognized in profit or loss during the year. The fair values of the Group's investment properties were determined by an independent qualified professional valuer. The valuations are dependent on certain significant unobservable inputs, including market unit sale rate per square feet / carpark which are determined based on comparable transactions after applying adjusting factors such as the age, location, size, view, floor level and quality of buildings and carparks to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 21.

Fair values of financial assets at fair value through OCI

Fair values of financial assets at fair value through OCI that are not traded in an active market is determined by using valuation techniques. The Group determines the fair values primarily based on the recent transaction prices, net asset value (representing the fair value of the equity instruments reported by investment manager of the investees) and take into account of its financial results and other factors. The fair values of financial assets at fair value through OCI that are not traded in active market are determined by using valuation techniques as disclosed in note 22.

Impairment of trade receivables and other financial assets

As at 31 December 2022, the carrying amount of the trade receivables (note 25) was US\$1,354,000 (2021: US\$2,195,000). For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other financial assets measured at amortized cost or fair value through OCI (note 39(a)), the Group measures the loss allowance for these financial assets equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition. In assessing whether the credit risk for other financial assets has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For loan receivables (note 24) which arise from co-investment, the Group measures the loss allowance for these financial assets equal to 12-month ECL with taking the net asset value of the co-investment into accounts unless when there has been a significant increase in credit risk since initial recognition or classified as credit impaired, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition or classified as credit-impaired. The loan receivables are reviewed by the management at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the net asset value of the co-investment.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

6. SEGMENT INFORMATION

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

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

The Group's non-current assets mainly consist of property, plant and equipment, right-of-use assets and investment properties. Property, plant and equipment and right-of-use assets mainly comprised of the Group's owned vessels and chartered-in vessel respectively. As the Group's motor vessels are operated across different geographical regions, it is meaningless to identify the specific geographical locations of the motor vessels at the reporting date. The Group's investment properties comprised of premises and car parks and all are located in Hong Kong. While majority of the Group's non-current assets other than financial instruments cannot be attributable to any particular geographical location, no analysis of non-current assets other than financial instruments by geographical area is presented in the consolidated financial statements.

7. REVENUE

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Chartering freight and hire income:		
Hire income under time charters ¹	152,466	131,069

Note:

1. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract. Hire income included a non-lease component in relation to crewing service of US\$37,914,000 (2021: US\$23,310,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

7. REVENUE (Continued)

Information about major charterers

Revenue of US\$58,439,000, US\$38,867,000 and US\$21,929,000 (2021: US\$53,029,000, US\$40,413,000 and US\$20,459,000) were derived from three charterers that contributed 38%, 25% and 14% (2021: 40%, 31% and 16%) respectively to the Group's revenue for the year 2022.

Information about geographical distribution

Revenue from external customers (charterers) is as follows:

	2022 US\$'000	2021 US\$'000
<i>Geographical split of revenue by charterers' location:</i>		
Singapore	119,955	116,099
China	31,071	10,285
United Kingdom	1,440	–
Ireland	–	2,670
South Korea	–	2,015
	152,466	131,069

8. NET GAIN ON DISPOSAL OF OWNED VESSELS

During the year, the Group entered into five agreements to dispose of two Post-Panamaxes and three Supramaxes at total consideration of US\$65,550,000 with the total net gain of US\$5,636,000 was recognized on completion of the disposal of these vessels in the year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

9. OTHER OPERATING INCOME

	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Net gain on bunker arising from shipping operations	2,352	4,294
Write-back of other payables ¹	5,167	–
Other shipping operating income	2,648	3,547
Gross rental income from operating leases on investment properties	559	473
Dividend income	2,624	1,541
Net gain on disposal of property, plant and equipment, other than motor vessels	–	278
Reversal of impairment loss on trade and other receivables, net	1,620	1,786
Compensation income in relation to loan receivables	–	438
COVID-19 related government subsidies	194	–
Sundry income	255	259
	15,419	12,616

Note:

1. Write-back of other payables of US\$5,167,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year.

10. INTEREST INCOME

	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Interest income in respect of:		
Financial assets at fair value through profit or loss	129	1,089
Deposits with banks and other financial institutions	120	24
Loan receivables	815	1,867
	1,064	2,980

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

11. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON OWNED VESSELS, NET

In the first half of 2022, dry bulk shipping market showed strong sign of rebound amid global economic recovery. However, dry bulk shipping market endured a slump during the fourth quarter of 2022. The demand for dry bulk commodities was weak due to the slowdown of global economic growth as a result of high inflation and increase in interest rates, the COVID-19 related issues as well as multiple geo-political issues that dampened economic activities globally. A further downward correction in the market freight rates was continued in the fourth quarter of 2022. This inevitably introduced volatility to the Group's business performance, as well as the carrying value of the Group's shipping assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2022.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain of the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2022. Those vessels with carrying amount of US\$198,590,000 is estimated based on the value in use using 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 applied in the estimated future cash flows projections included the first five-year period 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 in the impairment test on owned vessels were based on management's best estimation, taking into consideration of historical performances, market research data and market expectation. The hire rates would have an average of 1% (2021: 1%) growth for the first five-year period and cash flows beyond the five-year period are extrapolated using the zero growth rate. The discount rate applied to the value in use calculation on owned vessels was 10.5% (2021: 8.5%), which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets. Other assumptions included utilization rate which is assumed to be 95% (2021: 95%) in all subsequent years; and vessels are expected to have useful life of 25 (2021: 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 expense.

Remaining certain owned vessels with carrying amount of US\$176,745,000 are determined based on fair value less cost of disposal under market comparison approach and such measurement of these owned vessels was categorized as Level 2 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. Key assumptions applied in fair value less cost of disposal mainly included quoted transactions of similar vessels which is most sensitive. Other assumptions included estimated cost of disposal of these vessels which are based on the Group's historical acquisition and disposal transactions of its fleets.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

11. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON OWNED VESSELS, NET (Continued)

Accordingly, a net impairment loss of US\$49,326,000 on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use and fair value less cost of disposal of the Group's owned vessels. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

In 2021, the Group recognized a reversal of impairment loss of US\$65,521,000 on owned vessels classified in property, plant and equipment at 30 June 2021 and a further reversal of impairment loss of US\$68,085,000 on owned vessels at 31 December 2021 to reflect the Group's change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of the Group's owned vessels. The total reversal of impairment loss on owned vessels recognized in 2021 was US\$133,606,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

12. STAFF COSTS

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Directors' emoluments (excluding directors' fees):		
Salaries and other benefits	8,403	8,390
Contributions to retirement benefits schemes	434	434
Other staff costs:		
Salaries and other benefits	4,643	4,388
Contributions to retirement benefits schemes	188	185
	13,668	13,397

At the reporting date, the Group has 65 (2021: 64) full-time employees.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS

	Directors' fees ¹	Salaries and allowances ²	Discretionary bonus ²	Contributions to retirement benefits schemes ²	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2022					
Executive Directors					
Ng Siu Fai	248	3,846	641	231	4,966
Ng Kam Wah Thomas	248	3,077	513	185	4,023
Ng Ki Hung Frankie	170	123	–	7	300
Ho Suk Lin Cathy	60	190	13	11	274
Non-executive Directors					
Tsui Che Yin Frank	28	–	–	–	28
William Yau	23	–	–	–	23
	777	7,236	1,167	434	9,614
2021					
Executive Directors					
Ng Siu Fai	248	3,846	642	231	4,967
Ng Kam Wah Thomas	248	3,077	512	185	4,022
Ng Ki Hung Frankie	170	123	–	7	300
Ho Suk Lin Cathy	60	190	–	11	261
Non-executive Directors					
Tsui Che Yin Frank	28	–	–	–	28
William Yau	23	–	–	–	23
	777	7,236	1,154	434	9,601

Notes:

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

14. OTHER OPERATING EXPENSES

Other operating expenses for the year 2022 mainly included net loss of US\$2,510,000 on financial assets at fair value through profit or loss, directors' fee of US\$777,000, professional fee of US\$849,000, change in fair value of investment properties of US\$935,000, auditor's remuneration related to audit services of US\$210,000 and remaining are various office administrative expenses.

Other operating expenses for the year 2021 mainly included net loss of US\$2,570,000 on financial assets at fair value through profit or loss, directors' fee of US\$777,000, professional fee of US\$590,000, change in fair value of investment properties of US\$1,334,000, auditor's remuneration related to audit services of US\$200,000 and remaining are various office administrative expenses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

15. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	2022 US\$'000	2021 US\$'000
Auditor's remuneration ¹ :		
Audit services	210	200
Other services	8	15
Rent and rates payments in respect of premises	87	85
Net loss on financial assets at fair value through profit or loss		
Realized gain on financial assets at fair value through profit or loss	(1,493)	(2,755)
Unrealized loss on financial assets at fair value through profit or loss	4,003	5,325
Interest income in respect of:		
Financial assets at fair value through profit or loss	(129)	(1,089)
Deposits with banks and other financial institutions	(120)	(24)
Loan receivables	(815)	(1,867)
Dividend income	(2,624)	(1,541)
Net gain on disposal of owned vessels	(5,636)	-
Net gain on disposal of property, plant and equipment, other than motor vessels	-	(278)
Loss on write-off of property, plant and equipment	6	2
Change in fair value of investment properties	935	1,334
Impairment loss (Reversal of impairment loss) on owned vessels, net	49,326	(133,606)
Reversal of impairment loss on trade and other receivables, net	(1,620)	(1,786)
Net exchange loss	384	103
Gross rental income from operating leases on investment properties	(559)	(473)
Outgoings in respect of investment properties	25	41
Bad debts written off in respect of trade and other receivables	29	7

Note:

- The auditor's remuneration disclosed above excluded VAT and fees paid for other services mainly included fees for tax compliance services of US\$4,000 (2021: US\$3,000) and review of internal control systems of US\$4,000 (2021: US\$5,000).

Notes to the Consolidated Financial Statements

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16. TAXATION

Taxation has been provided on the estimated assessable profits arising in Hong Kong from a wholly owned subsidiary of the Company which is a qualifying corporation in accordance with the two-tiered profits tax rates regime in Hong Kong. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (approximately US\$256,000) of assessable profits of the qualifying corporation are taxed at 8.25%, and the assessable profits above HK\$2,000,000 (approximately US\$256,000) are taxed at 16.5%. Apart from the estimated assessable profits arising in Hong Kong from that subsidiary, in the opinion of the Directors, the Group is not subject to taxation in any other jurisdictions in which the Group operates.

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

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

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

	2022	2021
	US\$'000	US\$'000
Hong Kong Profits Tax		
Current year	21	191
Over provision in prior year	(1)	(1)
	20	190

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

16. TAXATION (Continued)

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

	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Profit (Loss) before taxation	(7,093)	194,387
Income tax at the applicable tax rates in the tax jurisdictions concerned	(2,701)	(2,377)
Non-deductible expenses	345	482
Tax exempted revenue	(629)	(641)
Unrecognized tax losses	3,036	2,755
Unrecognized temporary differences	(28)	(28)
Utilization of previously unrecognized tax losses	(2)	–
Over provision in prior year	(1)	(1)
Taxation charge for the year	20	190

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

17. EARNINGS (LOSS) PER SHARE

	2022	2021
Weighted average number of ordinary shares in issue	109,258,943	109,258,943
Net profit (loss) attributable to shareholders of the Company (US\$'000)	(7,113)	194,197
Basic and diluted earnings (loss) per share	US\$(0.065)	US\$1.777

Diluted earnings (loss) per share for the years 2022 and 2021 were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the years 2022 and 2021.

18. DIVIDENDS

	2022	2021
	US\$'000	US\$'000
2021 interim dividend of US\$0.03 per share	–	3,278
2021 final dividend of US\$0.07 per share	–	7,648
2022 interim dividend of US\$0.03 per share	3,278	–
2022 final dividend, proposed of US\$0.04 per share	4,370	–
	7,648	10,926

The final dividend for the year 2021 was approved by the Company's shareholders on the annual general meeting held on 20 May 2022. Such dividend was paid to the shareholders of the Company on 14 June 2022.

On 24 August 2022, the Board has resolved to declare the payment of an interim dividend of US\$0.03 per share for the quarter ended 30 June 2022 and such dividend was paid to the beneficial owners of the shares of the Company on 20 September 2022.

The proposed final dividend for the year 2022 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting scheduled on 24 May 2023.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

19. PROPERTY, PLANT AND EQUIPMENT

	Motor vessels ¹ and capitalized drydocking costs <i>US\$'000</i>	Leasehold land and buildings <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
Cost				
At 1 January 2021	693,264	26,768	7,030	727,062
Additions	81,231	–	66	81,297
Disposals / Write-off	(899)	(841)	(55)	(1,795)
At 31 December 2021	773,596	25,927	7,041	806,564
Additions	140,482	–	121	140,603
Disposals / Write-off	(175,782)	–	(42)	(175,824)
At 31 December 2022	738,296	25,927	7,120	771,343
Accumulated depreciation and impairment loss				
At 1 January 2021	510,837	16,153	5,979	532,969
Reversal of impairment loss ²	(133,606)	–	–	(133,606)
Charge for the year	17,890	803	155	18,848
Eliminated on disposals / write-off	(899)	(244)	(53)	(1,196)
At 31 December 2021	394,222	16,712	6,081	417,015
Impairment loss, net ³	49,326	–	–	49,326
Charge for the year	36,163	796	168	37,127
Eliminated on disposals / write-off	(116,750)	–	(36)	(116,786)
At 31 December 2022	362,961	17,508	6,213	386,682
Net book value				
At 31 December 2022	375,335	8,419	907	384,661
At 31 December 2021	379,374	9,215	960	389,549

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

1. All motor vessels are held for use under operating leases.
2. Reversal of impairment loss:
In 2021, the Group recognized a reversal of impairment loss of US\$65,521,000 on owned vessels classified in property, plant and equipment at 30 June 2021 and a further reversal of impairment loss of US\$68,085,000 on owned vessels at 31 December 2021. The total reversal of impairment loss on owned vessels recognized in 2021 was US\$133,606,000.
3. Impairment loss, net:
A net impairment loss of US\$49,326,000 on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use and fair value less cost of disposal of the Group's owned vessels. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

Details of the events that led to the recognition of impairment loss, the impairment indicators, key assumptions applied in the value in use calculation and fair value less cost of disposal, recoverable amounts of impaired assets and the sensitivity analysis are provided in note 5 and note 11.

Details of the Group's certain owned vessels and information about the determination of the fair values less cost of disposal of these vessels, in particular the valuation techniques, significant unobservable inputs and category of the fair value hierarchy are disclosed as below:

Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs		Relationship of significant unobservable inputs to fair value less cost of disposal
			2022	2021	
Level 2	Direct comparison method	Selling price quoted from the transactions of similar vessels, after taking into account the individual factors such as year of built, shipyards and size of vessels	US\$14.7 million - US\$24 million per vessel	-	An increase in percentage of selling price quoted from the transactions of similar vessels would result in an increase in fair value measurement of the vessels, and vice versa

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

20. LEASES

(a) Right-of-use assets

	2022 US\$'000	2021 US\$'000
At 1 January	–	–
Additions	43,598	–
Lease remeasurement	(11,858)	–
Depreciation	(2,743)	–
At 31 December	<u>28,997</u>	–

(b) Lease liabilities

	2022 US\$'000	2021 US\$'000
At 1 January	–	–
Additions	43,598	–
Lease remeasurement	(11,858)	–
Interest expense (included in finance costs)	703	–
Repayments of lease liabilities	(3,106)	–
At 31 December	<u>29,337</u>	–

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

20. LEASES (Continued)

(b) Lease liabilities (Continued)

The lease liabilities were repayable as follows:

	2022 US\$'000	2021 US\$'000
Within one year	4,173	–
After one year but within two years	4,371	–
After two years but within five years	14,276	–
After five years	6,517	–
	25,164	–
	29,337	–

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022. Hire payment is on index-linked basis, being the Baltic Panamax Time Charter Routes published by the Baltic Exchange, with other adjusting factors.

In accordance with IFRS 16 and HKFRS 16 Leases, the Group recognized the value of the right-of-use assets which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the charterparty and corresponding lease liabilities was also recognized.

During the year, the total cash outflow for the lease was US\$3,106,000 (2021: nil).

At the reporting date, an impairment assessment of right-of-use assets was performed and no impairment loss was recognized.

Notes to the Consolidated Financial Statements

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21. INVESTMENT PROPERTIES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
At 1 January	28,145	29,479
Change in fair value	(935)	(1,334)
At 31 December	27,210	28,145

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.

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

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Year ended 31 December 2022

21. 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		Relationship of significant unobservable inputs to fair value
				2022	2021	
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	US\$1,900 – US\$3,600 per square feet	US\$2,100 – US\$3,400 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	US\$346,000 – US\$513,000 per car park	US\$500,000 – US\$513,000 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

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	2022 US\$'000	2021 US\$'000
Unlisted equity investments		
Co-investment in a property project		
At 1 January	12,257	10,373
Change in fair value ¹	(2,861)	1,884
	9,396	12,257
Unlisted club membership		
At 1 January	482	370
Change in fair value ²	(38)	112
	444	482
	9,840	12,739

Notes:

1. Items that will not be reclassified to profit or loss.
2. Items that may be reclassified subsequently to profit or loss.
3. In March 2021, a wholly owned subsidiary of the Company (the "Co-Investor") together with other co-investors signed an unsecured subordinated shareholder loan agreement with Triple Smart Limited, a special purpose vehicle invested by Dual Bliss Limited ("Dual Bliss"), for the purposes of funding the operating expenditure of Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") and the Co-Investor agreed to provide a maximum amount of advance up to US\$1,577,000. At the reporting date, advance of US\$1,342,000 (2021: US\$568,000) was drawdown and the amount was included in note 24.

Notes to the Consolidated Financial Statements

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

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000. Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000 (2021: US\$372,000).

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

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

23. INVENTORIES

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

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24. LOAN RECEIVABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
At 1 January	9,236	33,358
Gross new loan originated	774	568
Repayment	(8,668)	(24,690)
Provision of individual impairment	-	-
Loan receivables, net of provision	1,342	9,236
Less: Amount receivable within one year	(1,342)	(5,538)
Amount receivable after one year	-	3,698

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within one year	1,342	5,538
In the second year	-	666
In the third to fifth year	-	3,032
	1,342	9,236

At the reporting date, the Group's loan receivables of US\$1,342,000 (2021: US\$568,000) which arise from co-investment (as mentioned in note 22), are unsecured and denominated in United States Dollars and has no fixed repayment terms. Whereas, the loan receivables that arise from asset-based financing which are denominated in United States Dollars and secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers, were early repaid in full by the borrowers during the year and such repayments led to a decrease in loan receivables. At the reporting date, no loan receivables arise from asset-based financing (2021: US\$8,668,000) was recorded.

At the reporting date, the loan receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, collection statistics and the net asset value of the co-investment, and are not considered as impaired. The carrying amount of the loan receivables is considered to be a reasonable approximation of its fair value.

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25. TRADE AND OTHER RECEIVABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables	1,354	2,195
Prepayments	2,447	4,250
Rental and other deposits	61	51
Tax recoverable	170	–
Other receivables	16,213	13,125
	18,891	17,426
	20,245	19,621

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

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

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

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Neither past due nor impaired	138	258
Past due but not impaired		
Within three months past due	754	1,937
Over three months but within six months past due	141	–
Over six months but within twelve months past due	321	–
	1,216	1,937
	1,354	2,195

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Year ended 31 December 2022

25. TRADE AND OTHER RECEIVABLES (Continued)

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

	2022 US\$'000	2021 US\$'000
At 1 January	7,388	9,259
Impairment loss recognized	59	7
Reversal of impairment loss	(1,679)	(1,793)
Written off as uncollectible	(47)	(85)
At 31 December	5,721	7,388

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

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

At the reporting date, the Group had determined trade receivables of US\$5,721,000 (2021: US\$7,388,000) as impaired. No impairment loss on other receivables was provided as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 US\$'000	2021 US\$'000
<i>Held for trading</i>		
Listed equity securities	26,812	40,193
Listed debt securities	1,051	2,886
Unlisted debt securities	288	–
	28,151	43,079
<i>Designated as such upon initial recognition</i>		
Investment funds	1,076	308
	29,227	43,387

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

27. AMOUNT DUE TO HOLDING COMPANY

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

Notes to the Consolidated Financial Statements

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28. SHARE CAPITAL

	2022		2021	
	Number of ordinary shares of US\$0.05 each	Amount US\$'000	Number of ordinary shares of US\$0.05 each	Amount US\$'000
Authorized:				
At 1 January and 31 December	800,000,000	40,000	800,000,000	40,000
Issued and fully paid:				
At 1 January and 31 December	109,258,943	5,463	109,258,943	5,463

At the reporting date, the Company had 2,334 (2021: 2,724) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at the reporting date were as follows:

Shareholder's name	Percentage of total issued capital
Jinhui Holdings Company Limited*	40.81%
BNP Paribas Securities Services BPSS*	24.04%
JPMorgan Chase Bank, N.A., London	4.43%
Nordnet Bank AB	4.22%
Willumsen Thor Inge	1.47%
Kvam, Jan Arvid	1.03%
	76.00%

* BNP Paribas Securities Services BPSS held 16,252,990 shares of the Company in custodian for Jinhui Holdings Company Limited as at 31 December 2022 and hence Jinhui Holdings Company Limited had approximately 55.69% beneficial interests in the Company.

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

29. RESERVES

Details of movements in reserves of the Group are set out in the “Consolidated Statement of Changes in Equity” on page 72.

Share premium

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

Capital redemption reserve

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

Contributed surplus

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

Revaluation reserve

Revaluation reserve represents the revaluation surplus between the carrying amount of the leasehold land and building which is owner-occupied and the fair value of that property at the date of reclassification to investment properties.

Reserve for financial assets at fair value through OCI

Reserve for financial assets at fair value through OCI represents the changes in fair value of financial assets at fair value through OCI. As at 31 December 2022, the reserve for financial assets at fair value through OCI consists of recycling and non-recycling portion amounting to income of US\$106,000 (2021: US\$144,000) and loss of US\$251,000 (2021: income of US\$2,610,000) respectively.

Notes to the Consolidated Financial Statements

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30. SECURED BANK LOANS

The maturity of secured bank loans is as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within one year	34,278	52,635
In the second year	15,406	21,167
In the third to fifth year	33,154	18,776
Total secured bank loans	82,838	92,578
Less: Amount repayable within one year	(34,278)	(52,635)
Amount repayable after one year	48,560	39,943

During the year, the Group had drawn new secured bank loans of US\$66,859,000 (2021: US\$12,556,000) and repaid US\$76,599,000 (2021: US\$28,323,000).

At the reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loans and property mortgage loans that were denominated in Hong Kong Dollars and United States Dollars. All secured bank loans were committed on floating rate basis ranging from 4% to 6.42% (2021: 0.84% to 2.19%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 36.

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

Notes to the Consolidated Financial Statements

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31. TRADE AND OTHER PAYABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade payables	171	156
Accrued charges	1,662	1,122
Taxation payable	–	30
Other payables		
Payables related to vessel running cost and ship operating expenses	10,078	18,431
Hire receipt in advance	874	1,354
Loan interest payables	172	126
Accrued employee benefits	1,710	1,551
Others	166	153
	13,000	21,615
	14,833	22,923

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

Notes to the Consolidated Financial Statements

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 US\$'000	2021 US\$'000
Profit (Loss) before taxation	(7,093)	194,387
Adjustments for:		
Depreciation and amortization	39,870	18,848
Interest income	(1,064)	(2,980)
Interest expenses	3,438	1,749
Dividend income	(2,624)	(1,541)
Net gain on disposal of owned vessels	(5,636)	–
Net gain on disposal of property, plant and equipment, other than motor vessels	–	(278)
Loss on write-off of property, plant and equipment	6	2
Change in fair value of investment properties	935	1,334
Impairment loss (Reversal of impairment loss) on owned vessels, net	49,326	(133,606)
Reversal of impairment loss on trade and other receivables, net	(1,620)	(1,786)
Bad debts written off in respect of trade and other receivables	29	7
Cash generated from operations before changes in working capital	75,567	76,136
<i>Changes in working capital:</i>		
Inventories	420	(2,633)
Loan receivables	7,894	24,122
Trade and other receivables	1,296	(5,325)
Financial assets at fair value through profit or loss	14,160	(3,327)
Trade and other payables	(8,106)	4,652
Amount due to holding company	18	–
Changes in working capital	15,682	17,489
Cash generated from operations	91,249	93,625

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33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Vessel mortgage loans <i>US\$'000</i>	Other secured bank loans <i>US\$'000</i>	Lease liabilities <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2021	54,355	53,990	–	108,345
Cash flows:				
Drawdown of loans	–	12,556	–	12,556
Repayment of loans	(8,443)	(19,880)	–	(28,323)
At 31 December 2021	45,912	46,666	–	92,578
At 1 January 2022	45,912	46,666	–	92,578
Cash flows:				
Drawdown of loans	–	66,859	–	66,859
Repayment of loans	(19,443)	(57,156)	–	(76,599)
Repayment of lease liabilities	–	–	(3,106)	(3,106)
Non-cash:				
New lease	–	–	43,598	43,598
Lease remeasurement	–	–	(11,858)	(11,858)
Interest expense on lease liabilities	–	–	703	703
At 31 December 2022	26,469	56,369	29,337	112,175

Notes to the Consolidated Financial Statements

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34. DEFERRED TAXATION

At the reporting date, deferred tax assets have not been recognized in respect of tax losses of US\$324,192,000 (2021: US\$305,800,000).

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.

35. FUTURE OPERATING LEASE ARRANGEMENTS

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within one year:		
Premises	41	47
Owned vessels	125	–
	<hr/> 166	<hr/> 47

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

36. PLEDGE OF ASSETS

At the reporting date, the Group had certain credit facilities which were secured by the followings:

- (a) Legal charges on the Group's property, plant and equipment (note 19) with an aggregate net book value of US\$218,172,000 (2021: US\$308,566,000) and investment properties (note 21) with an aggregate carrying amount of US\$22,064,000 (2021: US\$22,873,000);
- (b) Financial assets at fair value through profit or loss of US\$16,845,000 (2021: US\$22,170,000);
- (c) Deposits totaling US\$444,000 (2021: US\$8,307,000) of the Group placed with banks;
- (d) Assignment of fourteen (2021: nineteen) subsidiaries' income in favour of banks; and
- (e) No assignment of subsidiaries' loan receivables as at 31 December 2022 while assignment of two subsidiaries' loan receivables of US\$4,668,000 in favour of bank as at 31 December 2021.

In addition, shares of eight (2021: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

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37. CAPITAL EXPENDITURE COMMITMENTS

During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was US\$140,482,000 (2021: US\$81,231,000) and on other property, plant and equipment was US\$121,000 (2021: US\$66,000).

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000. Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000 (2021: US\$372,000).

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a consideration of US\$17,250,000 and the total consideration of the two vessels is US\$34,500,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. Both vessels were delivered to the Group during the first quarter of 2022. As at 31 December 2021, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$372,000 (2021: US\$34,872,000).

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS

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

- (a) Receipt of an administrative fee of US\$242,000 (2021: US\$251,000) from Jinhui Holdings;
- (b) Lease payment of US\$17,000 (2021: US\$17,000) under a short term lease to a fellow subsidiary; and
- (c) Compensation of key management personnel as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Salaries and other benefits	8,994	8,968
Contributions to retirement benefits schemes	444	443
	9,438	9,411

Other payables included accrued employee benefits payables to directors and executive personnel of US\$1,214,000 (2021: US\$1,203,000). There is no other balance or transaction related to connected party or any director and executive personnel and substantial shareholder of the Group.

39. FINANCIAL RISK MANAGEMENT AND POLICIES

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

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39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(a) Categories of financial instruments

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

	2022 US\$'000	2021 US\$'000
Financial assets		
<i>Financial assets at fair value through OCI</i>		
Unlisted equity investments	9,396	12,257
Unlisted club membership	444	482
	9,840	12,739
<i>Financial assets at fair value through profit or loss</i>		
Listed equity securities	26,812	40,193
Listed debt securities	1,051	2,886
Unlisted debt securities	288	–
Investment funds	1,076	308
	29,227	43,387
<i>Financial assets at amortized cost</i>		
Trade and other receivables	17,628	15,368
Loan receivables	1,342	9,236
Pledged deposits	444	8,307
Bank balances and cash	33,353	33,328
	52,767	66,239
	91,834	122,365
Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	13,951	21,536
Amount due to holding company	167	149
Secured bank loans	82,838	92,578
Lease liabilities	29,337	–
	126,293	114,263

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

(b) Interest rate risk

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

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

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 30.

Interest rate benchmark reform

The Group had certain of bank borrowings subject to the interest rate benchmark reform and have not yet transitioned to new benchmark rates.

As at 31 December 2022, the Group had interest bearing bank borrowings denominated in United States Dollars of US\$26,469,000 (2021: US\$46,735,000), carrying variable interests with reference to the London Interbank Offered Rate (LIBOR) which will cease to be published after 30 June 2023. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant Interbank Offered Rates regulators. The management of the Group considers the impact of the interest rate benchmark reform to the Group's financial position and financial performance will not be significant.

Sensitivity analysis*

Based on the exposures to bank borrowings of US\$82,838,000 (2021: US\$92,578,000) at the reporting date, it was estimated that an increase of 75 (2021: 75) basis points in interest rate, with all other variables remaining constant, the Group's net loss would increase by approximately US\$621,000 (2021: net profit would decrease by approximately US\$694,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 75 (2021: 75) points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

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39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(c) Foreign currency risk

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

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

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD673,000 and SGD11,557,000, approximately US\$503,000 and US\$8,638,000 respectively (2021: certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD13,994,000 and SGD15,060,000, approximately US\$10,348,000 and US\$11,137,000 respectively).

Sensitivity analysis*

At the reporting date, based on the total exposures to the bank deposits and equity securities mainly denominated in Singapore Dollars of SGD12,230,000, approximately US\$9,141,000 (2021: bank deposits and equity securities mainly denominated in Singapore Dollars of SGD29,054,000, approximately US\$21,485,000), it was estimated that a depreciation of 5% (2021: 5%) in exchange rate of Singapore Dollars against United States Dollars would result in an increase to the Group's net loss by approximately US\$436,000 (2021: a decrease to the Group's net profit by approximately US\$1,023,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Singapore Dollars (2021: Singapore Dollars) against United States Dollars taking place at the beginning of the year and held constant throughout the year.

* The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.

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

(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 equity securities, debt securities and investment funds 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 26.

Sensitivity analysis*

Based on the portfolio of equity securities held by the Group at the reporting date, if the quoted prices of the equity securities had been decreased by 10% (2021: 10%), the Group's net loss would increase by approximately US\$2,681,000 (2021: net profit would decrease by approximately US\$4,019,000).

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% (2021: 10%), the Group's net loss would increase by approximately US\$134,000 (2021: net profit would decrease by approximately US\$289,000).

Based on the portfolio of investment funds held by the Group at the reporting date, if the quoted prices of the investment funds had been decreased by 10% (2021: 10%), the Group's net loss would increase by approximately US\$108,000 (2021: net profit would decrease by approximately US\$31,000).

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

(e) Credit risk

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

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its contractual obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposures to credit risk mainly arises from granting credit to charterers in the ordinary course of its operations, loan receivables to third parties and deposits or other financial assets placed with financial institutions.

Management has a credit policy in place for approving the credit limits to charterers and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. Credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount. During the year, impairment loss of US\$59,000 (2021:US\$7,000) was provided on the Group's outstanding trade receivables over one year past due and reversal of impairment loss on trade receivables of US\$1,679,000 (2021: US\$1,793,000) was recognized upon recovery of outstanding trade receivables in prior years, and US\$47,000 (2021: US\$85,000) was written off as uncollectible.

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(e) Credit risk (Continued)

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

On the above basis, the ECL for trade receivables as at 31 December 2022 and 2021 was determined as follows:

	Current US\$'000	Within 3 months past due US\$'000	Over 3 months but within 6 months past due US\$'000	Over 6 months but within 12 months past due US\$'000	Over 12 months past due US\$'000	Total US\$'000
2022						
Trade receivables						
– gross carrying amount	138	754	141	321	5,721	7,075
Lifetime ECL	–	–	–	–	5,721	5,721
ECL rate	0%	0%	0%	0%	100%	
2021						
Trade receivables						
– gross carrying amount	258	1,937	–	–	7,388	9,583
Lifetime ECL	–	–	–	–	7,388	7,388
ECL rate	0%	0%	0%	0%	100%	

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

(e) Credit risk *(Continued)*

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

For other receivables and loan receivables arising from co-investment, the Group measures the loss allowance for those receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition and the Group also considered the net asset value of the co-investment for estimating the ECL for loan receivables. For the result of the assessment, no impairment loss on other receivables and loan receivables arising from co-investment was provided as at 31 December 2022 and 2021. The outstanding balance of those receivables of US\$17,616,000 (2021: US\$13,741,000) are considered as not deteriorated significantly in credit quality or with low credit risk. Management believes that there was no significant increase in credit risk inherent in the Group's outstanding balance of those receivables.

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(f) Liquidity risk

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

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

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

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

	Within one year US\$'000	In the second year US\$'000	In the third to fifth year US\$'000	After the fifth year US\$'000	Total undiscounted amount US\$'000	Carrying amount US\$'000
2022						
Trade and other payables	13,951	-	-	-	13,951	13,951
Amount due to holding company	167	-	-	-	167	167
Secured bank loans	38,968	18,145	34,706	-	91,819	82,838
Lease liabilities	5,355	5,370	16,066	6,690	33,481	29,337
	58,441	23,515	50,772	6,690	139,418	126,293
2021						
Trade and other payables	21,536	-	-	-	21,536	21,536
Amount due to holding company	149	-	-	-	149	149
Secured bank loans	54,129	21,906	19,093	-	95,128	92,578
	75,814	21,906	19,093	-	116,813	114,263

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

40. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (a) to ensure the Group's ability to continue as a going concern;
- (b) to provide adequate returns for shareholders;
- (c) to maintain an optimal capital structure to reduce the cost of capital; and
- (d) to support the Group's stability and sustainable growth.

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

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Secured bank loans repayable within one year	34,278	52,635
Secured bank loans repayable after one year	48,560	39,943
Total secured bank loans	82,838	92,578
Less: Equity and debt securities	(28,151)	(43,079)
Less: Bank balances and cash	(33,353)	(33,328)
Net debts	21,334	16,171
Total equity	411,137	432,075
Gearing ratio	5%	4%

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

(a) Statement of financial position of the Company

	2022 US\$'000	2021 US\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	8,723	8,723
Current assets		
Other receivables	7	6
Amount due from subsidiaries	306,730	289,544
Bank balances and cash	91	40
	306,828	289,590
Total assets	315,551	298,313
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	5,463	5,463
Reserves	309,348	292,102
Total equity	314,811	297,565
Current liabilities		
Other payables	66	91
Amount due to subsidiaries	507	508
Amount due to holding company	167	149
	740	748
Total equity and liabilities	315,551	298,313

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

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

(b) Statement of changes in equity of the Company

	Issued capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2021	5,463	95,585	719	16,297	56,446	174,510
Profit and total comprehensive income for the year	-	-	-	-	126,333	126,333
2021 interim dividend paid	-	-	-	-	(3,278)	(3,278)
At 31 December 2021	5,463	95,585	719	16,297	179,501	297,565
At 1 January 2022	5,463	95,585	719	16,297	179,501	297,565
Profit and total comprehensive income for the year	-	-	-	-	28,172	28,172
2021 final dividend paid	-	-	-	-	(7,648)	(7,648)
2022 interim dividend paid	-	-	-	-	(3,278)	(3,278)
Total dividend paid	-	-	-	-	(10,926)	(10,926)
At 31 December 2022	5,463	95,585	719	16,297	196,747	314,811

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2022	Attributable equity interest at 31/12/2021	Principal activities	Place of operation
Incorporated in Bermuda					
# Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US\$1 each	100%	100%	Investment	Worldwide
# Jin Hui Shipping Inc.	50,000 shares of US\$1 each	100%	100%	Investment holding	Worldwide
# Jinhui Investments Limited	1 share of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Best Flame International Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Fair Fait International Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK\$5,000,000 divided into 5,000,000 ordinary shares	100%	100%	Ship management services, shipping agent and investment	Hong Kong
Good Sunshine Limited	HK\$1 divided into 1 ordinary share	100%	100%	Property investment	Hong Kong
Jinhui Finance (Hong Kong) Limited	HK\$10,000 divided into 10,000 ordinary shares	100%	100%	Money lending	Hong Kong

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2022	Attributable equity interest at 31/12/2021	Principal activities	Place of operation
Incorporated in Hong Kong (Continued)					
Leadford Industries Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Monocosmic Limited	HK\$10,000 divided into 10,000 ordinary shares	100%	100%	Property investment	Hong Kong
Noble Talent Development Limited	HK\$1 divided into 1 ordinary share	100%	100%	Property investment	Hong Kong
Ringo Star Company Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Union Gold Limited	HK\$1 divided into 1 ordinary share	100%	100%	Property investment	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US\$1 each	100%	100%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2022	Attributable equity interest at 31/12/2021	Principal activities	Place of operation
Incorporated in the Republic of Panama					
Jinan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinchao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinheng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Consolidated Financial Statements

Year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2022	Attributable equity interest at 31/12/2021	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinmao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

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Year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2022	Attributable equity interest at 31/12/2021	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinxing Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

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

Glossary

This glossary contains the abbreviations and main terms used in the 2022 annual report.

Abbreviations / Main terms	Meanings in the annual report
AER	Annual Efficiency Ratio;
Board	Board of Directors;
BWTS	Ballast Water Treatment System;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
CII	Carbon Intensity Indicator;
Company / Jinhui Shipping	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of Jinhui Holdings as at 31 December 2022, whose shares are listed on the Oslo Stock Exchange (Oslo Børs) (stock code: JIN);
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
COP27	The 27th Conference of the United Nations Climate Change Conference;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
ECL	Expected credit loss;
EEDI	Energy Efficiency Design Index;
EEOI	Energy Efficiency Operational Indicator;
EEXI	Energy Efficiency Existing Ship Index;
Euronext Securities Oslo	the Norwegian Central Securities Depository, formerly known as Verdipapirsentralen ASA (VPS);

Glossary

Abbreviations / Main terms	Meanings in the annual report
GHG	Greenhouse Gas;
Group	Company and its subsidiaries;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IAS	International Accounting Standards;
IASB	The International Accounting Standards Board;
IFRS	International Financial Reporting Standards;
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange (stock code: 137);
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Nordea Bank	Nordea Bank Abp, Filial i Norge;



Glossary

Abbreviations / Main terms	Meanings in the annual report
Norwegian Code of Practice	The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board;
Panamax	Vessel of deadweight approximately between 70,000 metric tons to 90,000 metric tons;
Post-Panamax(es)	Vessel(s) of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
Shareholder(s)	Shareholder(s) of the Company;
SEEMP	Ship Energy Efficiency Management Plan;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
VAT	Value added tax;
HK\$	Hong Kong Dollars, the lawful currency of Hong Kong;
SGD	Singapore Dollars, the lawful currency of Singapore; and
US\$	United States Dollars, the lawful currency of the United States of America.

