JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137

2010

ANNUAL REPORT 2010

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Grant Thornton Jingdu Tianhua
Certified Public Accountants

SHARE LISTING

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank N.A.
Commerzbank Aktiengesellschaft
Credit Suisse AG
Deutsche Schiffsbank Aktiengesellschaft
HSH Nordbank AG
The Hongkong and Shanghai Banking
Corporation Limited
Sumitomo Mitsui Banking Corporation

SHARE REGISTRAR

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

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WEBSITE

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2010.

RESULTS

The Group recorded revenue of HK$3,120,053,000 for the year 2010, representing an increase of 9% as compared to HK$2,867,606,000 for the year 2009. The net profit attributable to shareholders of the Company for the year 2010 was HK$366,817,000 whereas HK$655,291,000 was reported in 2009. Basic earnings per share was HK$0.692 for the year as compared to basic earnings per share of HK$1.255 for the year 2009.

Despite facing a hard year, the Group recorded revenue of HK$2,716,550,000 and net profit of HK$677,428,000 from chartering freight and hire segment for the year 2010. The operating results from chartering freight and hire segment for the year was severely impacted by the recognition of impairment loss on owned vessels and vessels under construction amounting to HK$577,454,000, and the loss on cancellation of shipbuilding contracts amounting to HK$78,103,000. On the contrary, the Group recognized an income of HK$202,800,000 as settlement sum of two legal proceedings against two charterers for the breach of time-charter contracts in 2009.

As scheduled, five newly built Supramaxes and two newly built Post-Panamaxes were delivered to the Group in 2010. As at 31 December 2010, the Group had thirty one owned vessels and five chartered-in vessels in operation with average vessel age at five years and total capacity over deadweight 2.3 million metric tons.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2010. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2010.

Chairman's Statement

BUSINESS REVIEW

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

While global economy continues to edge forward recovery, the dry bulk operating environment remained tough throughout 2010. Even though dry bulk commodities trading activities resumed in many Asian countries since late 2009, the seemingly strong demand for dry bulk transportation rapidly softened in the second half of 2010 when the monetary tightening policies embarked in China and India causing a slowdown of commodities imports and an immediate correction of demand for dry bulk transportation. The escalating newbuildings further dragged down the already weak charter rates. BDI opened at 3,005 points at the start of 2010, rallied to around 4,000 points before the sharp decline in June 2010, and closed at 1,773 points at end of 2010.

Source: Bloomberg

BUSINESS REVIEW *(Continued)*

The Group's revenue from chartering freight and hire remained at HK$2,716,550,000 as compared to HK$2,724,852,000 for the year 2009 as revenue contributed from expanded owned Supramax fleet was offset by decreased revenue earned from fewer charter-in Capesizes and Panamaxes, and depressed charter rates upon redeployment of our fleet in the market upon contract renewal.

In view of the continuation of weak fundamentals in dry bulk operating environment, market value of dry bulk vessels tumbled as well as the intrinsic values of our fleet. Accordingly, the management performed an impairment review on the Group's owned vessels and vessels under construction on 31 December 2010 and recognized an impairment loss of HK$577,454,000 on owned vessels and vessels under construction. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

After the unprecedented global financial turmoil, the balance in the dry bulk sector has been drastically distorted. In view of the uncertainty over the global economic recovery especially in terms of the growth in dry seaborne trade volume, the management reviewed the Group's capital expenditure plan with a cautious and conservative mindset. In December 2010, the Group reached two agreements with shipbuilding contractors to cancel two newbuilding contracts in order to reduce outstanding capital expenditure as well as future business risks. As a result of the cancellation, loss on cancellation of shipbuilding contracts amounting to HK$78,103,000, represented partial installments paid by the Group forfeited, was recognized and the relevant cost capitalized as vessels under construction was then written off in December 2010.

The Group's operating results from chartering freight and hire for the year was severely impacted by the recognition of impairment loss on owned vessels and vessels under construction amounting to HK$577,454,000, and the loss on cancellation of shipbuilding contracts amounting to HK$78,103,000. On the contrary, the Group recognized an income of HK$202,800,000 as settlement sum of two legal proceedings against two charterers for the breach of time-charter contracts in 2009. Despite facing a hard year, the Group recorded revenue of HK$2,716,550,000 and net profit of HK$677,428,000 from chartering freight and hire segment for the year 2010.

The Group's shipping related expenses for the year was HK$1,022,087,000, representing a decrease of 27% as compared to HK$1,405,379,000 in last year. The drop was mainly due to decreased average number of chartered-in vessels in operations from eight vessels to five vessels, and partly offset by increased average number of owned vessels in operations from twenty three vessels to twenty eight vessels. The Group strives to maintain a low operating cost structure by keeping a young and cost-efficient fleet with average vessel age at five years.

Due to the expansion of the Group's owned fleet, the Group's depreciation and amortization for chartering freight and hire segment increased from HK$258,336,000 for the year 2009 to HK$327,462,000 for the year 2010, representing an increase of 27%. As at 31 December 2010, the Group had thirty one owned vessels as compared to twenty four owned vessels as at 31 December 2009.

BUSINESS REVIEW *(Continued)*

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

The economic recovery particularly in Asia-Pacific region was remarkable and market demand for industrial products rebounded strongly since end of 2009. Segment revenue from trading business increased 183% to HK$403,503,000 for the year 2010 whereas HK$142,754,000 was reported for the year 2009. Through establishing additional supply chain sources and exploring new markets, the Group's operating results from trading business turned from a segment loss of HK$3,022,000 for the year 2009 to a segment profit of HK$12,477,000 for the year 2010.

Other financial information. The increase in unallocated corporate expenses was mainly attributable to the net loss on financial assets at fair value through profit or loss of HK$8,948,000 being recognized in current year while the net gain on financial assets at fair value through profit or loss of HK$18,129,000 was recorded in unallocated other operating income for the year 2009.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, upon financing of various vessel mortgage loans, receiving the released security money from the High Court of Hong Kong, and offset by cash used to partially finance the delivery of seven additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash increased to HK$2,152,980,000 as at 31 December 2010 (2009: HK$1,341,586,000). The Group's bank borrowings increased to HK$4,376,178,000 as at 31 December 2010 (2009: HK$3,645,496,000), of which 11%, 10%, 29% and 50% are repayable respectively within one year, one to two years, two to five years and over five years. All the bank borrowings were committed on floating rate basis and were denominated in United States Dollars.

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, reduced to 36% as at 31 December 2010 (2009: 42%). With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2010, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$7,790,484,000 (2009: HK$5,901,486,000), financial assets at fair value through profit or loss of HK$69,216,000 (2009: HK$39,767,000) and deposits of HK$84,545,000 (2009: HK$514,574,000) placed with banks and other financial institution were pledged together with the assignment of thirty one (2009: twenty four) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty six (2009: twenty one) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

FINANCIAL REVIEW *(Continued)*

Capital expenditures and commitments. During the year, capital expenditure on additions of the owned vessels and vessels under construction was HK$1,728,326,000 (2009: HK$2,267,059,000), and on other property, plant and equipment was HK$17,872,000 (2009: HK$4,275,000).

As at 31 December 2010, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$2,349,390,000 (2009: HK$4,866,540,000), representing the Group's outstanding capital expenditure commitments to acquire nine (2009: nineteen) newbuildings at a total purchase price of approximately HK$3,445,902,000 (2009: HK$6,762,811,000).

The above capital expenditure commitments included a Supramax newbuilding at original cost of US$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US$17,685,600 and JPY1,929,798,000 at its expected date of delivery in August 2012.

Contingent liabilities. As at 31 December 2010, the Group had contingent liability in respect of a counter-indemnity which has been issued by the Group since 2008 to a bank for issuing a guarantee on behalf of a subsidiary of Jinhui Shipping in favour of a charterer of a vessel amounted to approximately HK$26,845,000 as security for the arbitration proceedings underway in London regarding a claim against the subsidiary for the loss and damage as a result of a stowage dispute.

OTHER IMPORTANT EVENTS OCCURRED IN THE YEAR

There is a dispute between Galsworthy Limited ("Galsworthy"), a subsidiary of the Company, and Parakou Shipping Pte Limited ("Parakou") in relation to the non-performance of a charterparty evidenced by a fixture recap ("the charterparty"). Galsworthy was the prospective disponent owner of one of the Group's vessels. It is Galsworthy's case that acting via its agent Goldbeam International Limited, also a subsidiary of the Company, it entered into the charterparty with Parakou in June 2008. The charterparty was arranged through Clarkson Asia Limited ("Clarkson") acting as sole shipbroker. Galsworthy claims that Parakou acted in repudiatory breach of the charterparty by refusing to take delivery of the vessel in March 2009 pursuant to the terms of the charterparty. As a result of the breach, Galsworthy is claiming about HK$310 million together with interest and costs against Parakou in March 2009. Parakou disputes Galsworthy's claim; in particular it denies that a binding charterparty was ever concluded between Galsworthy and Parakou. The dispute has been referred to arbitration in London before a 3-man arbitral tribunal as per the arbitration clause of the charterparty.

Parakou has then commenced in rem and in personam actions against Jinkang Marine Inc. ("Jinkang Marine") and Goldbeam Shipping Inc. ("GSI") in July 2009 and August 2009 respectively in Hong Kong for an indemnity in respect of all sums, including interest and costs, which may be awarded against Parakou in the London arbitration which Galsworthy is pursuing against them. Both Jinkang Marine and GSI are subsidiaries of the Company. The alleged indemnity claim is advanced on the basis of certain representations said to have been made by either Jinkang Marine or GSI via Clarkson during the negotiation which has led to the conclusion of the charterparty between Galsworthy and Parakou. Jinkang Marine and GSI deny that Clarkson was acting on their behalf and they had made the alleged representations through Clarkson. For the purpose of obtaining security in support of their alleged indemnity claim in Hong Kong, Parakou arrested another vessel of the Group in Richards Bay, South Africa through the peculiar associated ship arrest procedure there. As a result of the arrest, a bank guarantee backed by cash deposits of approximately HK$346 million in favour of Parakou was provided in September 2009 to secure prompt release of that vessel.

OTHER IMPORTANT EVENTS OCCURRED IN THE YEAR *(Continued)*

Following a hearing held in London in July 2010, the arbitral tribunal issued and published its First Arbitration Award on 31 August 2010 ruling that there was a binding contract between Galsworthy and Parakou and that Parakou was in repudiatory breach of charterparty by not taking delivery of the vessel. Galsworthy was entitled to their legally recoverable damages flowing from the said repudiatory breach. The tribunal further awarded that Galsworthy was entitled to receive HK$21 million from Parakou as partial damage. Parakou did not appeal against the Award. There will be another hearing in London in April 2011 to determine the remaining issues as to quantum and all issues as to costs.

Soon after the publication of the First Arbitration Award, a hearing in respect of Parakou's indemnity claim against the Group was held in Hong Kong in September 2010 before Mr. Justice REYES of the Court of First Instance of the High Court. Prior to the hearing, the Group transferred the cash deposits from South Africa to Hong Kong and paid it into the High Court of Hong Kong as security for Parakou's indemnity claim. The transfer was made pursuant to a consent order made by Mr. Justice STONE of the Court of First Instance of the High Court of Hong Kong. As a result, the bank guarantee was returned and cancelled. After the hearing, Mr. Justice REYES ruled that the actions taken by Parakou were an abuse of process and were struck out and dismissed accordingly. Mr. Justice REYES subsequently ordered for the release of the majority of the payment into court by the Group, leaving HK$12 million as security pending for the appeal by Parakou against his judgment which to be heard before the Court of Appeal of the High Court in Hong Kong in May 2011. Mr. Justice REYES's order was later upheld in the Court of Appeal on 17 November 2010 and the security money of HK$334 million was released and received by the Group on 29 November 2010.

RISK MANAGEMENT

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

Business risk. The Group is exposed to the business risk to the extent that certain changes may have a negative effect on the Group's cash flows and operations. These changes include the fluctuations in charter rates of the shipping market; the changes in demand in the dry bulk market; the drop in vessel values which result in impairment loss of the Group's assets; the changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs; and the changes in prices and demand for industrial raw materials traded by the Group.

Market risk. Market risk is the risk of financial loss due to adverse changes in the market value of a financial instrument or portfolio of financial instruments. Such exposure occurs when there are changes in market factors such as underlying interest rates, exchange rates, equity securities prices, debt securities prices or in the volatility of these factors. The Group's major market risk exposures mainly arising from bank borrowings committed on floating rate basis, and investments in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 41 to the financial statements.

RISK MANAGEMENT *(Continued)*

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

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.

EMPLOYEES

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

As at 31 December 2010, the Group had 105 (2009: 105) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

The Group maintains a good relationship with its employees and crew and has never experienced any disruption of its operation as a result of industrial disputes.

Chairman’s Statement

OUTLOOK

2010 has largely been better than expectations, with a strong freight market in the first nine months due to a favourable import policy of China, as well as a general upturn in Asia steel and coal demand, and the demand for other dry bulk commodities. Delivery of new vessels was also lower than expected during this same period. However, the seas turned rough starting from the fourth quarter of 2010 as soon as China reduced its government stimulus package and stepped up its efforts to combat inflation and cool down the domestic real estate market. The freight market corrected immediately with the reduction in Chinese imports, as well as at the same time, delivery of new vessels set a new record of approximately twenty million dwt. The devastating floods in Queensland, Australia also caused much disruption to the availability of cargoes which further depressed the already weak freight environment.

The supply and demand imbalance is now apparent, as evident in the current weak freight environment as well as declining asset values across all sizes of bulk vessels. Additional newbuilding orders by mining majors (on large ore carriers) and new aspired shipowners (on various size of bulk carriers) during the past eighteen months will further amplify this oversupply of tonnages, with the rebalancing of supply versus demand likely to take place later rather than sooner.

The recent filing for protective receivership of one of the largest shipping company in Asia, Korea Line Corporation (“KLC”), is also not an encouraging sign, and we fear that this event may trigger further counterparty defaults in the dry bulk industry given the number of parties that have commercial contractual dealings with KLC. We continue to monitor the situation very closely, albeit we only have one vessel exposed to this particular counterparty. We will continue to exercise caution in picking our counterparties, and evaluate them not just at the company level, but also in terms of their place of incorporation to avoid any potential sovereign risks.

We continue to see uncertainty with respect to the macro economic outlook, and see inflationary pressure to be the main worry due to the rapid increased in money supply. On a positive note, inflation should be positive for shipping from a traditional perspective, together with a global shortage in food supply possibly acting as a positive wildcard. However, the oversupply of vessels remains to haunt our industry. We believe this uncertain and unsynchronized macro and industry backdrop will become increasingly fluid and complex going forward. We will therefore continue to remind ourselves of the rainy days and continue to run our business in a conservative manner.

We believe asset prices remain under pressure, and do not rule out the possibility of making further impairment loss on our owned vessels going forward.

As we see conflicting economic and industry indicators, we will continue to operate with a cautious and nimble mindset, maintain a first class modern fleet to better serve our customers, seek revenue stability by working with credible counterparties, and further strengthen our financial position with reduction of debt as our top priorities to ensure the long term success of the Company.

Chairman's Statement

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 15 March 2011

Business Profile

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

SHIPPING BUSINESS

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

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

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

The Group's fleet is comprised principally of Supramax class vessels, a larger and more efficient Handymax design that enjoys increasing demand from customers around the world. The Group will focus on maintaining a strong financial position and moderate leverage, and continue to look for earnings accretive purchases opportunities of Supramax class vessels in both newbuildings and second hand market going forward.

The key success factors in the ship chartering business are timing, performance and relationship. Ship charterers have to know their clients 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. The Group's owned vessels are well maintained and we place great emphasis on the operation in compliance with applicable safety and environmental laws and regulations including but not limited to ISM Code; ISPS Code; SOLAS; MARPOL and STCW Convention. These conventions have been ratified by majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries.

In addition, all of our owned vessels have to meet the safety standards set out in SOLAS, which prescribes a series of regulations which are essential for the safety of a vessel and / or its crew. STCW Convention prescribes a series of regulations according 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 owned vessels. We ensure that all crew employed on board in our owned vessels are trained and certificated in accordance with this convention. Our owned vessels are also subject to the laws, regulations and rules of each country and port they visit. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2010, the Group had thirty one owned vessels and 740 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	93,279
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204
Jin Rui	Panamax	2009	Imabari	76,583
Jin Ming	Supramax	2010	Oshima	61,414
Jin Yang	Supramax	2010	Tsuneishi	57,982
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Yue	Supramax	2010	Shanghai Shipyard	56,934
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Heng	Supramax	2010	Nantong Kawasaki	55,091
Jin Mao	Supramax	2009	Oshima	54,768
Jin Shun	Supramax	2009	Oshima	54,768
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin An	Supramax	2000	Oshima	50,786
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Hui	Supramax	2000	Oshima	50,777
Jin Rong	Supramax	2000	Mitsui	50,236
Jin Zhou	Supramax	2001	Mitsui	50,209
Jin Bi	Handymax	2000	Oshima	48,220
				1,779,699

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

Taking into account all existing commitments to acquire and dispose of vessels as announced by the Company previously, as at 31 December 2010, the Group committed to acquire eight newbuildings under construction for delivery during the years 2011 to 2013.

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin Han [1]	Supramax	2011	Oshima	61,414	Feb 2011
Jin Chao	Panamax	2011	Sasebo	75,000	Apr 2011
Jin Hong	Supramax	2011	Oshima	60,500	Apr 2011
Jin Feng	Supramax	2011	STX (Dalian)	57,700	Jun 2011
Jin Ze	Supramax	2012	Tsuneishi	57,948	Mar 2012
Jin Yu	Handysize	2012	Naikai Zosen	38,000	Jun 2012
Jin Xiang	Supramax	2012	Oshima	60,500	Sep 2012
Jin Qing	Supramax	2013	Tsuneishi	58,100	Feb 2013
				469,162	

Notes:

1. The newbuilding "Jin Han" was delivered to the Group on 24 February 2011.

2. The above list excluded a Supramax newbuilding at original cost of US$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US$17,685,600 and JPY1,929,798,000 at its expected date of delivery in August 2012.

SHIPPING BUSINESS *(Continued)*

Chartered-in Vessels

Apart from the owned vessels, the Group currently operates five chartered-in vessels as at date of this annual report.

Name	Type	Built	Size (dwt)	Charter in date	Expiry
Scope	Capesize	2006	174,008	Jul 2008	Apr 2013
Golden Shui	Capesize	2009	169,333	May 2009	Feb 2014
Red Lily	Panamax	2004	76,500	Sep 2004	Sep 2011
Tenmyo Maru	Supramax	2008	58,470	Nov 2008	Oct 2013
Aston Trader	Supramax	2008	55,496	Jun 2009	May 2011
			533,807		

TRADING

The Group's trading activities have been carried out by Yee Lee Technology Company Limited and its subsidiaries, which are principally engaged in the business of trading chemical and industrial raw materials serving various industries such as printed circuit boards, electroplating, bleaching and dyeing, and electronics. The Company holds 75% of the total issued shares of Yee Lee Technology Company Limited.

Highlights

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

Loading Ports Analysis

(Expressed as a percentage of revenue for chartering freight and hire)	2010 *%*	2009 *%*
Asia excluding China	33.4	29.1
South America	24.2	31.3
Australia	14.5	13.8
North America	9.2	11.4
Africa	8.0	6.2
Europe	5.8	5.6
China	2.9	2.6
Middle East	2.0	–
	100.0	100.0

Discharging Ports Analysis

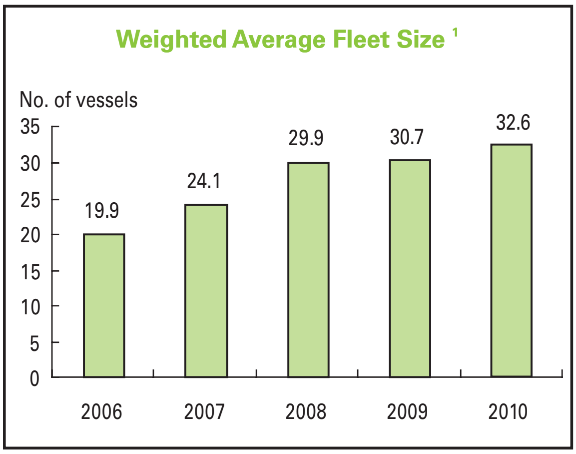
(Expressed as a percentage of revenue for chartering freight and hire)	2010 *%*	2009 *%*
China	45.0	50.0
Asia excluding China	31.3	23.4
Africa	5.8	8.4
South America	5.6	2.4
Middle East	5.5	7.4
Europe	5.0	6.4
North America	1.8	2.0
	100.0	100.0

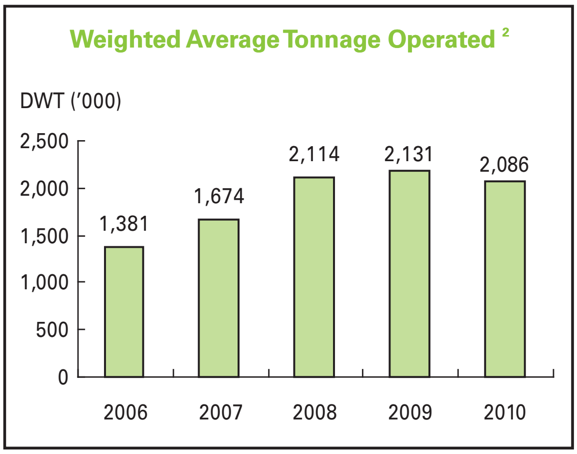
Types of Cargoes Carried by the Group's Fleet

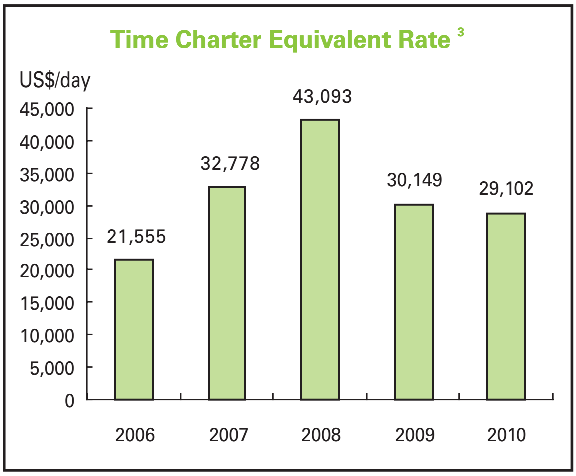
	2010		2009	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	8,750	49.2	8,910	55.2
Coal	5,046	28.4	3,836	23.8
Agricultural products	1,985	11.1	1,646	10.2
Cement	1,022	5.7	781	4.8
Steel products	482	2.7	633	3.9
Fertilizer	302	1.7	152	0.9
Alumina	195	1.1	194	1.2
Others	17	0.1	2	–
	17,799	100.0	16,154	100.0

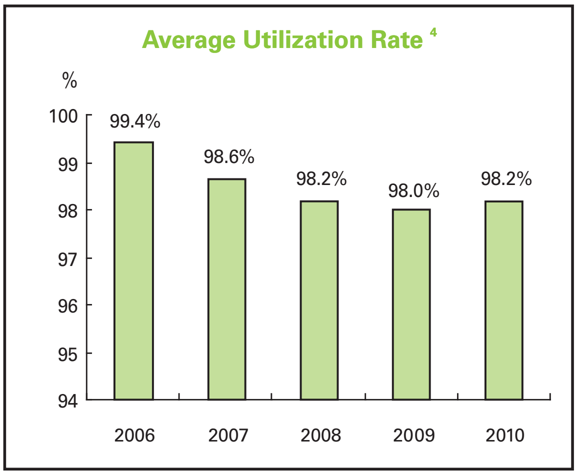
Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS









Notes:

1. Weighted average fleet size is the weighted average number of vessels that constituted the fleet during the year and is calculated as the sum of each vessel's number of available days divided by the number of calendar days in the year.

2. Weighted average tonnage operated is calculated as the sum of each vessel's deadweight tonnage multiplied by the number of available days divided by the number of calendar days in the year.

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

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

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Key Items in the Consolidated Statement of Comprehensive Income					
Revenue	**3,120,053**	2,867,606	3,885,957	2,575,790	1,550,763
Operating profit	**720,232**	1,257,203	1,896,273	839,807	497,144
Finance costs	**(43,796)**	(59,710)	(139,364)	(165,961)	(76,052)
Profit before taxation	**676,436**	1,197,493	1,756,909	673,846	421,092
Taxation	**(404)**	(218)	1,650	(2,154)	(2,796)
Net profit for the year	**676,032**	1,197,275	1,758,559	671,692	418,296
Other comprehensive income	**1,398**	5,712	379	1,558	(3,753)
Total comprehensive income for the year	**677,430**	1,202,987	1,758,938	673,250	414,543
Total comprehensive income for the year attributable to:					
Shareholders of the Company	**368,057**	659,731	918,511	369,282	219,439
Non-controlling interests	**309,373**	543,256	840,427	303,968	195,104
	677,430	1,202,987	1,758,938	673,250	414,543
Other Financial Information					
EBITDA	**1,060,639**	1,525,984	2,127,666	1,013,661	608,442
Dividend per share	**–**	–	HK$0.120	HK$0.060	–
Basic earnings per share for net profit attributable to shareholders of the Company	**HK$0.692**	HK$1.255	HK$1.763	HK$0.704	HK$0.421

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**8,540,387**	7,771,935	7,006,442	5,832,632	3,107,003
Current assets	**2,617,273**	2,182,101	1,220,689	927,548	884,768
Current liabilities	**(1,102,581)**	(1,231,537)	(923,117)	(1,063,127)	(401,069)
Non-current liabilities	**(3,889,226)**	(3,234,076)	(3,032,865)	(2,965,787)	(1,430,965)
Net assets	**6,165,853**	5,488,423	4,271,149	2,731,266	2,159,737
Issued capital	**53,029**	53,029	52,134	51,996	52,538
Reserves	**3,417,471**	3,049,414	2,376,291	1,549,486	1,248,579
Equity attributable to shareholders of the Company	**3,470,500**	3,102,443	2,428,425	1,601,482	1,301,117
Non-controlling interests	**2,695,353**	2,385,980	1,842,724	1,129,784	858,620
Total equity	**6,165,853**	5,488,423	4,271,149	2,731,266	2,159,737
Other Financial Information					
Return on average equity	**11%**	24%	46%	25%	19%
Gearing ratio	**36%**	42%	61%	112%	49%

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance, with the objectives of the maintenance of responsible decision making; the improvement in transparency and disclosure of information to shareholders; the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders; and the improvement in management of risk and the enhancement of performance by the Group. The Group has applied the principles in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules with these objectives in mind.

To this end, the Company has promulgated a set of Company Code which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared and updated by referencing to the principles, code provisions and recommended best practices as set out in the Code which came into effect on 1 January 2005. 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 Code and ultimately ensuring high transparency and accountability to the Company's shareholders.

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code throughout the year ended 31 December 2010, with deviations from code provisions A.2.1, A.4.2 and A.4.1 of the Code in respect of the roles of chairman and chief executive officer, the rotation of directors and the service term for non-executive directors.

Code provision A.2.1 Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from code provision A.2.1 of the Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group's operations is clearly beneficial to the Group. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company.

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

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting.

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

Code provision A.4.1 Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from code provision A.4.1 of the Code. According to the Articles of Association of the Company, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to retirement provisions. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

BOARD COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's businesses and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman, the Managing Director and the management.

The Board comprises a total of seven Directors, with four Executive Directors, Mr. Ng Siu Fai (Chairman), Mr. Ng Kam Wah Thomas (Managing Director), Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin; and three Independent Non-executive Directors, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau. Details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are disclosed on pages 26 and 27.

The Board meets at least four times each year at approximately quarterly intervals. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his / her duties, take independent professional advice where necessary at the expense of the Company.

Save as disclosed herein, the roles of the Chairman and the Managing Director are separate to ensure a clear division between the Chairman's responsibility to manage the Board and the Managing Director's responsibility to manage the Group's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

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

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the year ended 31 December 2010.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2010, the Board held 16 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai	16
Ng Kam Wah Thomas	16
Ng Ki Hung Frankie	15
Ho Suk Lin	16
Independent Non-executive Directors	
Cui Jianhua	6
Tsui Che Yin Frank	7
William Yau	6

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 full Board.

As a general principle, the Board Committees have an advisory role to the Board. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make final decisions.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee was established on 25 August 2005, currently comprising three Independent Non-executive Directors, Mr. Cui Jianhua (Chairman), Mr. Tsui Che Yin Frank 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 senior management, 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 senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the Executive Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group. The Remuneration Committee shall meet at least once a year.

The Remuneration Committee holds a meeting annually to review the remuneration to Directors and senior management of the Group and makes recommendations to the Board. A meeting was held on 5 March 2010 and all the committee members were present at the meeting. Details of the emoluments of the Directors are set out in note 10 to the financial statements.

Audit Committee

The Audit Committee was established on 22 September 1998, currently comprises of three Independent Non-executive Directors, Mr. Tsui Che Yin Frank (Chairman), Mr. Cui Jianhua and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the system of internal control and compliance. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the auditors, and reviewing and monitoring the auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual reports before submission to the Board. The Audit Committee held two meetings in 2010 and all committee members were present at the meetings. The Group's financial statements for the year ended 31 December 2010 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Risk management

The Board has the responsibility of development and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Board is responsible for arranging appropriate insurance coverage and organizing the Group's wide risk reporting. Details of the Group's risk management policies are set out in the "Directors' Report" and note 41 to the financial statements.

Internal controls

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication and maintaining accountability for assets and liabilities. The key control procedures include establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. Certain key internal control systems have been independently reviewed by Grant Thornton Jingdu Tianhua during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented.

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

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

AUDITORS' REMUNERATION

The performance of the auditors of the Company during the year has been reviewed by the Audit Committee. It is proposed to re-appoint Grant Thornton Jingdu Tianhua as the auditors of the Company in the forthcoming annual general meeting.

In 2010, the remuneration paid and payable to the auditors of the Company for the provision of the Group's audit services and other services including tax compliance and the review of the Group's internal control systems were HK$1,430,000 and HK$332,000 respectively.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the accounts and the responsibilities of the auditors to the shareholders are set out in the "Independent Auditors' Report" on pages 37 and 38.

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, through annual general meetings or other general meetings to communicate with shareholders and encourage their participation. Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. The Company informs the shareholders of the procedures for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association of the Company.

In order to further promote effective communication, the Company maintains a website to disseminate information electronically on a timely basis.

The Annual General Meeting of the Company will be held on Monday, 23 May 2011. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Thursday, 19 May 2011 to Monday, 23 May 2011, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 18 May 2011.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 54. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

Mr. Ng Kam Wah Thomas, *Managing Director*

Aged 48. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 57. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments in China. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, *Executive Director*

Aged 47. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

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

Aged 56. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

BOARD OF DIRECTORS *(Continued)*

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

Aged 53. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in corporate management, direct investment and investment banking. He is currently an executive director of Melco International Development Limited listed in Hong Kong and a director of Melco China Resorts (Holding) Limited listed in Canada. Mr. Tsui holds a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. William Yau, *Independent Non-executive Director*

Aged 43. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 36. Joined the Group in 2004 as Vice President, responsible for the corporate finance matters of the Group. Mr. Ching has over 10 years of working experience in finance and banking field in the U.K. and Asia. Prior to joining the Group, he worked in the investment banking division for a US bank. Mr. Ching holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

Mr. Wu Kar Keung Norman, *Head of Chartering Department*

Aged 57. Joined the Group in 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Limited as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 58. 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.

Board of Directors and Senior Management

SENIOR MANAGEMENT *(Continued)*

Mr. Lau Kam Hung Alexander, *Head of Yee Lee Technology Company Limited*

Aged 51. Joined the Group in 1994 as a director of Yee Lee Technology Company Limited, which is engaged in the trading business in chemical and industrial raw materials. Mr. Lau has extensive working experience in finance and management. He graduated in Accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Mok Sit Kit Danny, *Head of Legal and Insurance Affairs Department*

Aged 41. Joined the Group in 1992 and was appointed as Head of Legal and Insurance Affairs Department in 2010. Mr. Mok is responsible for the legal services on the Group's shipping disputes and insurance affairs. He has over 15 years of working experience in the shipping industry. Mr. Mok is graduated in Shipping Studies from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is a member of Institute of Chartered Shipbrokers, an associate member of Chartered Insurance Institute and a member of Chartered Institute of Arbitrators. He is also a panel member of Hong Kong International Arbitration Centre and a member of the Hong Kong Maritime Arbitration Group.

Directors' Report

The Directors present their report and the audited financial statements of Jinhui Holdings and its subsidiaries for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering, ship owning and trading and the particulars of the principal subsidiaries are set out in note 43 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company as at 31 December 2010 are set out in the financial statements on pages 39 to 102.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2010. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2010.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the "Statements of Changes in Equity" on pages 42 and 43.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2010, calculated under Section 79B(2) of the Hong Kong Companies Ordinance amounted to HK$286,137,000.

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the top five largest customers in aggregate and the single largest customer of the Group accounted for approximately 59% and 35% respectively of the total revenue of the Group for the year.

Purchases attributable to the top five largest suppliers in aggregate and the single largest supplier of the Group accounted for approximately 67% and 19% respectively of the total purchases of the Group for the year.

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK$434,000.

EVENTS AFTER THE REPORTING DATE

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

DIRECTORS

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

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

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

In accordance with the Company's Articles of Association, Mr. Ng Ki Hung Frankie and Mr. William Yau will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

Brief biographical details of the Directors and senior management are set out in the "Board of Directors and Senior Management" on pages 26 to 28.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2010, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

(i) Directors' interests in shares of the Company

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

Note: As at 31 December 2010, Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the legal and beneficial owner of 342,209,280 shares of the Company (representing approximately 64.53% of the total issued shares of the Company). The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

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

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

A share option scheme was adopted by the Company on 18 November 2004 whereby the Board was authorized to grant share options to Directors, officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK$0.10 each of the Company.

Details of share options under the Share Option Scheme in 2010 were as follows:

Name	Date of grant	Exercise price per share *HK$*	Exercisable period	Number of outstanding options as at 1 January and 31 December 2010
Ng Siu Fai	23 December 2004	1.60	31 March 2006 to 22 December 2014	**31,570,000**
	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
Ng Kam Wah Thomas	23 December 2004	1.60	31 March 2006 to 22 December 2014	**21,050,000**
	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
Ng Ki Hung Frankie	29 June 2006	1.57	29 June 2006 to 28 June 2016	**3,184,000**
				62,172,000

Notes:

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

2. The closing price per share of the Company as at 31 December 2010 was HK$2.66.

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

(iii) Directors' interests in associated corporation

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

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the controlling shareholder of the Company as disclosed hereinabove.

As at 31 December 2010, each of Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie, the eligible beneficiaries of the Ng Hing Po 1991 Trust, is deemed to be interested in 46,034,800 shares of Jinhui Shipping (representing approximately 54.77% of the total issued shares of Jinhui Shipping) held by the Company and 500,000 shares of Jinhui Shipping (representing approximately 0.59% of the total issued shares of Jinhui Shipping) held by Fairline through their beneficial interests in the Company and Fairline respectively.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executives of the Company) had interests representing 5% or more of the issued share capital of the Company:

Long positions

Name of shareholders	Capacity	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	Beneficial owner	342,209,280	–	64.53%
Wong Yee Man Gloria	Beneficial owner and interest of spouse	377,266,280 *Note 1*	–	71.15%
	Interest of spouse	–	34,754,000 *Note 2*	6.55%

Notes:

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

2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 31 December 2010, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements for the years ended 31 December 2008 and 2009 had been audited by Grant Thornton (now known as JBPB & Co. in Hong Kong). In 2010, JBPB & Co. tendered resignation letter resigning as auditors of the Company with effect from 17 December 2010 as it merged its practice with that of another audit firm in Hong Kong and ceased to be a member firm of Grant Thornton International Limited ("GTI").

The Board resolved to appoint Grant Thornton Jingdu Tianhua, a new member firm of GTI in Hong Kong, as auditors of the Company with effect from 17 December 2010 to fill the casual vacancy occasioned by the resignation of JBPB & Co. The financial statements for the year ended 31 December 2010 have been audited by Grant Thornton Jingdu Tianhua. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Grant Thornton Jingdu Tianhua as auditors of the Company.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 15 March 2011

Independent Auditors' Report

Grant Thornton
京都天华

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditors' Report

Grant Thornton
京都天华

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton Jingdu Tianhua
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue, Causeway Bay
Hong Kong

15 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	7	3,120,053	2,867,606
Other operating income	8	281,638	445,022
Interest income		17,346	9,985
Net gain on disposal of motor vessels		–	66,335
Shipping related expenses		(1,022,087)	(1,405,379)
Impairment loss on owned vessels and vessels under construction		(577,454)	–
Cost of trading goods sold		(374,481)	(131,936)
Staff costs	9	(226,873)	(182,513)
Other operating expenses		(157,503)	(143,136)
Operating profit before depreciation and amortization	11	1,060,639	1,525,984
Depreciation and amortization		(340,407)	(268,781)
Operating profit		720,232	1,257,203
Finance costs	12	(43,796)	(59,710)
Profit before taxation		676,436	1,197,493
Taxation	13	(404)	(218)
Net profit for the year		676,032	1,197,275
Other comprehensive income			
Change in fair value of available-for-sale financial assets		900	3,240
Reversal of impairment loss on property, plant and equipment		498	2,472
Total comprehensive income for the year		677,430	1,202,987
Net profit for the year attributable to:			
Shareholders of the Company	14	366,817	655,291
Non-controlling interests		309,215	541,984
		676,032	1,197,275
Total comprehensive income for the year attributable to:			
Shareholders of the Company		368,057	659,731
Non-controlling interests		309,373	543,256
		677,430	1,202,987
Earnings per share for net profit attributable to shareholders of the Company			
– Basic	16(a)	HK$0.692	HK$1.255
– Diluted	16(b)	HK$0.662	HK$1.221

Statements of Financial Position

As at 31 December 2010

	Note	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	8,429,089	7,680,682	–	–
Investment properties	18	51,460	32,150	–	–
Goodwill	19	39,040	39,040	–	–
Available-for-sale financial assets	20	18,701	17,801	10,000	9,500
Intangible assets	21	2,097	2,262	–	–
Investments in subsidiaries	22	–	–	478,281	478,281
		8,540,387	7,771,935	488,281	487,781
Current assets					
Inventories	23	28,689	22,534	–	–
Trade and other receivables	24	339,423	303,407	435	3,509
Financial assets at fair value through profit or loss	25	511,364	135,830	43,550	44,160
Due from subsidiaries	26	–	–	212,087	181,980
Pledged deposits		96,181	514,574	22	2
Bank balances and cash	27	1,641,616	1,205,756	24,148	25,619
		2,617,273	2,182,101	280,242	255,270
Current liabilities					
Trade and other payables	28	615,329	718,998	19,867	14,876
Provision for taxation		300	218	–	–
Secured bank loans	29	486,952	512,321	–	–
		1,102,581	1,231,537	19,867	14,876
Net current assets		1,514,692	950,564	260,375	240,394
Total assets less current liabilities		10,055,079	8,722,499	748,656	728,175
Non-current liabilities					
Advance receipt		–	100,901	–	–
Secured bank loans	29	3,889,226	3,133,175	–	–
		3,889,226	3,234,076	–	–
Net assets		6,165,853	5,488,423	748,656	728,175

Statements of Financial Position

As at 31 December 2010

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	*30*	**53,029**	53,029	**53,029**	53,029
Reserves	*31*	**3,417,471**	3,049,414	**695,627**	675,146
		3,470,500	3,102,443	**748,656**	728,175
Non-controlling interests		**2,695,353**	2,385,980	**–**	–
Total equity		**6,165,853**	5,488,423	**748,656**	728,175

Approved and authorized for issue by the Board of Directors on 15 March 2011

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2010

Group

	Attributable to shareholders of the Company									
	Issued capital	Share premium	Capital redemption reserve	Other asset revaluation reserve	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Subtotal	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	52,134	311,198	4,020	3,038	26,259	4,555	2,027,221	2,428,425	1,842,724	4,271,149
Net profit for the year	–	–	–	–	–	–	655,291	655,291	541,984	1,197,275
Other comprehensive income for the year	–	–	–	1,354	–	3,086	–	4,440	1,272	5,712
Total comprehensive income for the year	–	–	–	1,354	–	3,086	655,291	659,731	543,256	1,202,987
Shares issued upon exercise of share options	895	13,428	–	–	–	–	–	14,323	–	14,323
Expenses for shares issued upon exercise of share options	–	(36)	–	–	–	–	–	(36)	–	(36)
At 31 December 2009	53,029	324,590	4,020	4,392	26,259	7,641	2,682,512	3,102,443	2,385,980	5,488,423
At 1 January 2010	53,029	324,590	4,020	4,392	26,259	7,641	2,682,512	3,102,443	2,385,980	5,488,423
Net profit for the year	–	–	–	–	–	–	366,817	366,817	309,215	676,032
Other comprehensive income for the year	–	–	–	385	–	855	–	1,240	158	1,398
Total comprehensive income for the year	–	–	–	385	–	855	366,817	368,057	309,373	677,430
At 31 December 2010	**53,029**	**324,590**	**4,020**	**4,777**	**26,259**	**8,496**	**3,049,329**	**3,470,500**	**2,695,353**	**6,165,853**

Statements of Changes in Equity

Year ended 31 December 2010

Company

	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2009	52,134	311,198	4,020	43,660	2,500	251,025	664,537
Net profit for the year	–	–	–	–	–	47,351	47,351
Other comprehensive income for the year	–	–	–	–	2,000	–	2,000
Total comprehensive income for the year	–	–	–	–	2,000	47,351	49,351
Shares issued upon exercise of share options	895	13,428	–	–	–	–	14,323
Expenses for shares issued upon exercise of share options	–	(36)	–	–	–	–	(36)
At 31 December 2009	53,029	324,590	4,020	43,660	4,500	298,376	728,175
At 1 January 2010	53,029	324,590	4,020	43,660	4,500	298,376	728,175
Net profit for the year	–	–	–	–	–	19,981	19,981
Other comprehensive income for the year	–	–	–	–	500	–	500
Total comprehensive income for the year	–	–	–	–	500	19,981	20,481
At 31 December 2010	**53,029**	**324,590**	**4,020**	**43,660**	**5,000**	**318,357**	**748,656**

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	33	1,059,490	1,668,945
Interest paid		(43,161)	(75,037)
Hong Kong Profits Tax (paid) refunded		(36)	1,040
PRC Corporate Income Tax paid		(314)	(55)
Net cash from operating activities		1,015,979	1,594,893
INVESTING ACTIVITIES			
Interest received		16,067	10,174
(Increase) Decrease in bank deposits with more than three months to maturity when placed		(109,200)	110,002
Dividend income received from listed equity investments		381	1,217
Dividend income received from unlisted investment		343	1,022
Purchase of property, plant and equipment		(1,746,178)	(2,271,097)
Proceeds from disposal of property, plant and equipment		3,204	1,369,660
Net amount of loan received		–	4,694
Net cash used in investing activities		(1,835,383)	(774,328)
FINANCING ACTIVITIES			
New secured bank loans		1,277,486	1,529,502
Repayment of secured bank loans		(549,815)	(1,392,950)
Decrease (Increase) in pledged deposits		418,393	(433,736)
Proceeds from exercise of share options		–	14,323
Share issuance expenses related to exercise of share options		–	(36)
Net cash from (used in) financing activities		1,146,064	(282,897)
Net increase in cash and cash equivalents		326,660	537,668
Cash and cash equivalents at 1 January		1,197,956	660,288
Cash and cash equivalents at 31 December	27	1,524,616	1,197,956

1. GENERAL INFORMATION

Jinhui Holdings Company Limited is a limited liability company incorporated and domiciled in Hong Kong. The registered office of the Company is disclosed in the "Directors' Report" on page 29. The Company's shares are listed on the Hong Kong Stock Exchange.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering, ship owning and trading. Ship chartering and ship owning businesses are carried out internationally, and trading business is principally carried out in Hong Kong and mainland China.

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

The financial statements for the year ended 31 December 2010 were approved for issue by the Board on 15 March 2011.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW OR AMENDED HKFRS

In current year, the Group has applied for the first time the following amended standard issued by the HKICPA, which is relevant to and effective for the Group's financial statements for the accounting period beginning on 1 January 2010.

HKAS 27 (Revised) Consolidated and Separate Financial Statements
HKAS 27 (Revised) requires that the effects of the transactions undertaken with non-controlling interests that do not result in the loss of control in a subsidiary must be recorded in equity and these transactions will not result in goodwill or any gains and losses. The standard also specifies the accounting treatment when the group loses control of a subsidiary, any remaining interest in the former subsidiary is re-measured at fair value, and a gain or loss is recognized in profit or loss. The adoption of the revised standard has had no material impact on the Group's financial statements.

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

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

HKFRS 9 Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard requires all recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortized cost or fair value depending on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial assets. Financial instrument is subsequently measured at amortized cost only if it is a debt instrument that the objective of the entity's business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. All other debt instruments and equity instruments are measured at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss except for certain equity instruments with irrevocable election made at initial recognition, such realized or unrealized fair value gain and loss will be recognized in other comprehensive income. The management is currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 24 Related Party Disclosures (Revised 2009)

The revised standard is applicable for annual periods beginning on or after 1 January 2011. The revised standard modifies the definition of a related party and affects the disclosures regarding related party transactions and balances in the financial statements. The management is currently assessing whether there will be some counterparties that did not previously meet the definition of a related party may come within the scope of the revised standard.

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendments are effective for accounting periods beginning on or after 1 January 2012 and introduce a rebuttable presumption that deferred tax on investment property carried at fair value under HKAS 40 "Investment Property" shall be measured reflecting the tax consequences of recovering the carrying amount of the investment property entirely through sale. The management is currently assessing the possible impact of the amendments on the Group's results and financial position in the first year of application.

Certain other new standards and interpretations have also been issued but are not expected to have material impact on the Group's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

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

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

4.2 Basis of consolidation

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

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

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

4.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

4.4 Non-controlling interests

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

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

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

4.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars which is the functional and presentation currency of the Company.

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

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly.

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

4.6 Revenue recognition

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

Revenue from the operations of ship chartering or owning business comprises chartering freight and hire income. Freight income from voyage charter is recognized on percentage of completion basis measured by time proportion. Hire income from time charter is recognized on time basis over the period of each lease.

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

4.7 Borrowing costs

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

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

4.8 Income tax

Income tax comprises current tax and deferred tax.

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

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the 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.

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

4.8 Income tax *(Continued)*

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

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

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

4.9 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 and improvement 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 straight-line basis. Upon disposal of vessels, any relevant carrying amounts not yet written off are transferred to profit or loss. Vessel repairs and survey costs are expensed during the financial period in which they are incurred.

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

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

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

4.9 Property, plant and equipment *(Continued)*

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

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

Depreciation is provided to write-off the cost of motor vessels over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method of 25 years from the date on which they are available for use.

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

Leasehold land and buildings	over the shorter of unexpired term of lease or 3% per annum
Vessel improvement	20% – 40% per annum
Plant and machinery	20% per annum
Leasehold improvement	20% – 30% per annum
Utility vessels, furniture and equipment	6% – 25% per annum

No depreciation is provided in respect of vessels under construction.

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

4.10 Investment properties

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

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

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

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

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

4.11 Goodwill

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

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

4.12 Intangible assets

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

Club entrance fee	36 years
Berth license	10 years

Amortization commences when the intangible assets are available for use.

4.13 Impairment of non-financial assets

Property, plant and equipment, goodwill, intangible assets and investments in subsidiaries are subject to impairment testing. Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

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

For the purpose of assessing impairment, where an asset does not generate cash inflows that are largely independent of the cash flows from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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

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

Impairment loss recognized for cash-generating unit, to which goodwill has been allocated, is firstly allocated to reduce the carrying amount of goodwill. Any remaining impairment loss recognized is allocated to reduce the carrying amounts of the other assets in the cash-generating unit on pro rata basis. In allocating the impairment loss, the carrying amount of an asset will not be reduced below the highest of its fair value less costs to sell, value in use or zero. An impairment loss on goodwill is not reversed in subsequent periods.

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

4.14 Inventories

Inventories comprise ship stores and trading goods. Initial ship stores are capitalized as part of the costs of the vessels. Subsequent purchases of ship stores are charged as operating expenses to the extent that they are consumed during the year. Inventories are carried at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

4.15 Financial assets

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

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

Financial assets at fair value through profit or loss

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

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

4.15 Financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

4.15 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

4.16 Financial liabilities

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

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Financial guarantee issued

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

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

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

4.18 Cash and cash equivalents

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

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

4.20 Employee share-based compensation

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

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

In the Company's financial statement, the grant of equity instruments to eligible persons including Directors, officers and employees of its subsidiaries is treated as capital contributions to its subsidiaries on the grant dates. The additional capital contributions will be accounted for in the Company's employee share-based compensation reserve and in the investments in subsidiaries.

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

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

4.21 Employee benefits

Retirement benefits schemes

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

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

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

4.21 Employee benefits *(Continued)*

Short term employee benefits

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

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

4.22 Leases

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

Classification of assets leased to the Group

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

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

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

Operating lease (as lessee)

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

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

Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

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

4.22 Leases *(Continued)*

Assets leased out under operating leases (as lessor)

Where the Group leases out asset under operating lease, such asset is 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.

4.23 Provisions and contingent liabilities

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

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

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

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

4.24 Related parties

For the purpose of these financial statements, a party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

- **(i)** controls, is controlled by, or is under common control with, the Group;
- **(ii)** has an interest in the Group that gives it significant influence over the Group; or
- **(iii)** has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4.25 Segment reporting

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

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

Impairment of owned vessels and vessels under construction

The Group has to make estimation and assumptions in the area of impairment test on owned vessels and vessels under construction, particularly in assessing the estimated fair value of vessels by reference to reported transaction prices of similar vessels, less cost to sell; the value in use of such vessels which are estimated based on estimated future cash flows projections from the continuous use of such vessels; and appropriate key assumptions, including the discount rate, to be applied in preparing cash flow projections.

5.2 Critical judgements in applying the Group's accounting policies

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

Impairment of financial assets

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

6. SEGMENT INFORMATION

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

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Year ended 31 December 2010			
Segment revenue	2,716,550	403,503	3,120,053
Segment results	677,428	12,477	689,905
Unallocated income and expenses			
Interest income			17,346
Unallocated other operating income			29,944
Unallocated corporate expenses			(60,759)
Profit before taxation			676,436
Taxation			(404)
Net profit for the year			676,032
As at 31 December 2010			
Segment assets	8,479,723	106,433	8,586,156
Unallocated assets			
Pledged deposits			96,181
Bank balances and cash			1,641,616
Other current assets			520,041
Other non-current assets			313,666
Total assets			11,157,660
Segment liabilities	4,734,552	49,404	4,783,956
Unallocated liabilities			
Other current liabilities			207,851
Total liabilities			4,991,807

6. SEGMENT INFORMATION *(Continued)*

	Chartering freight and hire HK$'000	Trading HK$'000	Total HK$'000
Year ended 31 December 2009			
Segment revenue	2,724,852	142,754	2,867,606
Segment results	1,154,508	(3,022)	1,151,486
Unallocated income and expenses			
Interest income			9,985
Unallocated other operating income			72,235
Unallocated corporate expenses			(36,213)
Profit before taxation			1,197,493
Taxation			(218)
Net profit for the year			1,197,275
As at 31 December 2009			
Segment assets	7,704,449	85,815	7,790,264
Unallocated assets			
Pledged deposits			514,574
Bank balances and cash			1,205,756
Other current assets			152,544
Other non-current assets			290,898
Total assets			9,954,036
Segment liabilities	4,260,892	41,669	4,302,561
Unallocated liabilities			
Other current liabilities			163,052
Total liabilities			4,465,613

6. SEGMENT INFORMATION *(Continued)*

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information				
2010				
Depreciation and amortization	**327,462**	**175**	**12,770**	**340,407**
Finance costs	**43,096**	**578**	**122**	**43,796**
Impairment loss on owned vessels and vessels under construction	**577,454**	**–**	**–**	**577,454**
Impairment loss on trade receivables	**1,263**	**–**	**–**	**1,263**
Capital expenditures	**1,728,877**	**–**	**17,321**	**1,746,198**
2009				
Depreciation and amortization	258,336	191	10,254	268,781
Finance costs	59,598	102	10	59,710
Impairment loss on trade receivables	80,769	–	–	80,769
Net gain on disposal on motor vessels	66,335	–	–	66,335
Capital expenditures	2,267,221	15	4,098	2,271,334

While the Group's revenue was mainly attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, no analysis of revenue from chartering freight and hire business from external customers by geographical area is presented in the financial statements. During the year, about 47% (2009: 65%), 16% (2009: 33%), 10% (2009: 1%) and 10% (2009: nil) of the Group's revenue from trading business by geographical area was attributable to Hong Kong, mainland China, Indonesia and Malaysia 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 vessels under construction represented progress payments to the contractors or shipbuilders at the reporting date, it is impracticable to assess and allocate the shipbuilding progress into specific geographical locations. While majority of the segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location, around 79% (2009: 92%) of the segment assets under trading segment are located in Hong Kong and the remaining are mainly located in mainland China.

7. REVENUE

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charter from owned vessels	**1,933,925**	1,193,041
Other chartering freight and hire income	**782,625**	1,531,811
Sale of goods	**403,503**	142,754
	3,120,053	2,867,606

During the year, revenue of HK$1,094,843,000 (2009: HK$1,119,043,000), representing 35% (2009: 39%) of the Group's revenue, was derived from certain charterers who are under common control of a single entity.

8. OTHER OPERATING INCOME

The other operating income for the year 2010 included a settlement income of HK$202,800,000 in relation to two legal proceedings. Upon receiving the settlement sum, the Group shall withdraw the legal proceedings against two charterers for the breach of time-charter contracts in 2009.

The other operating income for the year 2009 included an income of HK$310,771,000 received from a few counterparties to wash out foregoing time-charter contracts by mutual agreements.

9. STAFF COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**224,310**	180,038
Contributions to retirement benefits schemes	**2,563**	2,475
	226,873	182,513

Notes to the Financial Statements

Year ended 31 December 2010

10. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Contributions to retirement benefits schemes *HK$'000*	Total *HK$'000*
2010					
Executive Directors					
Ng Siu Fai	1,933	5,769	83,890	281	91,873
Ng Kam Wah Thomas	1,933	5,580	83,890	281	91,684
Ng Ki Hung Frankie	1,326	1,945	926	55	4,252
Ho Suk Lin	421	1,376	795	79	2,671
Independent Non-executive Directors					
Cui Jianhua	100	–	–	–	100
Tsui Che Yin Frank	235	–	–	–	235
William Yau	190	–	–	–	190
	6,138	14,670	169,501	696	191,005
2009					
Executive Directors					
Ng Siu Fai	1,933	5,774	62,390	281	70,378
Ng Kam Wah Thomas	1,933	5,580	62,390	281	70,184
Ng Ki Hung Frankie	1,326	1,946	676	55	4,003
Ho Suk Lin	421	1,367	595	79	2,462
Independent Non-executive Directors					
Cui Jianhua	100	–	–	–	100
Tsui Che Yin Frank	235	–	–	–	235
William Yau	190	–	–	–	190
	6,138	14,667	126,051	696	147,552

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

(b) The five highest paid individuals

The five highest paid individuals included four (2009: four) directors whose details of emoluments are presented above. Emoluments of the remaining one (2009: one) highest paid individual fall within the band from HK$2,000,001 to HK$2,500,000 and his aggregate emoluments were as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**2,334**	2,329
Contributions to retirement benefits schemes	**34**	34
	2,368	2,363

11. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	Group	
	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**1,762**	1,892
Hire payments under time charters	**454,610**	847,743
Cost of inventories	**398,441**	162,292
Operating lease payments in respect of premises	**3,705**	3,531
Loss on cancellation of shipbuilding contracts	**78,103**	–
Net loss (gain) on financial assets at fair value through profit or loss	**8,948**	(18,129)
Impairment loss on trade receivables	**1,263**	80,769
Bad debts written off	**315**	–
Amortization of intangible assets	**165**	164
Net exchange gain	**(5,893)**	(6,490)
Dividend income from listed equity investments	**(1,569)**	(1,217)
Gross rental income from operating leases on investment properties	**(1,014)**	(1,560)
Outgoings in respect of investment properties	**287**	11
Revaluation surplus of investment properties	**(19,310)**	(8,400)
Reversal of impairment loss on property, plant and equipment	**–**	(38,006)
Net gain on disposal / write-off of property, plant and equipment, other than motor vessels	**(996)**	(602)

12. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	**1,775**	8,796
Not wholly repayable within five years	**42,257**	52,301
	44,032	61,097
Less: Interest expenses capitalized into vessels under construction	**(236)**	(1,387)
	43,796	59,710

13. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax.

PRC Corporate Income Tax has been provided at the applicable rate on the estimated assessable profits of a PRC subsidiary for the year.

Apart from tax charges on estimated assessable profits arising in Hong Kong and mainland China, the Group is not subject to taxation in any other jurisdictions in which the Group operates.

13. TAXATION *(Continued)*

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**34**	30
PRC Corporate Income Tax:		
Current year	**370**	251
Over provision in prior year	**–**	(63)
	404	218

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**676,436**	1,197,493
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(29,567)**	(15,122)
Non-deductible expenses	**2,828**	2,764
Tax exempt revenue	**(3,454)**	(9,526)
Unrecognized tax losses	**35,677**	24,592
Unrecognized temporary differences	**(3,364)**	(1,300)
Utilization of previously unrecognized tax losses	**(1,716)**	(1,127)
Over provision in prior year	**–**	(63)
Taxation charge for the year	**404**	218

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

14. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year of HK$366,817,000 (2009: HK$655,291,000) included a net profit of HK$19,981,000 (2009: HK$47,351,000) of the Company which has been dealt with in the financial statements of the Company.

15. DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2010 (2009: nil).

16. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated on the net profit attributable to shareholders of the Company for the year of HK$366,817,000 (2009: HK$655,291,000) and the weighted average number of 530,289,480 (2009: 522,128,023) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated on the net profit attributable to shareholders of the Company for the year of HK$366,817,000 (2009: HK$655,291,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

Reconciliation of weighted average number of ordinary shares used in calculating diluted earnings per share:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	530,289,480	522,128,023
Deemed issue of ordinary shares on granting of share options	24,051,846	14,377,838
	554,341,326	536,505,861

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vessels and improvement and capitalized drydocking costs HK$'000	Vessels under construction HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, utility vessels, furniture and equipment HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2009	5,400,342	1,933,269	287,355	590	41,176	7,662,732
Reclassification	2,404,112	(2,390,072)	–	–	–	14,040
Additions	150,395	2,116,664	–	–	4,275	2,271,334
Disposals / write-off	(1,409,984)	–	–	–	(5,366)	(1,415,350)
At 31 December 2009	6,544,865	1,659,861	287,355	590	40,085	8,532,756
Reclassification	2,388,844	(2,388,844)	–	–	–	–
Additions	36,524	1,691,802	6,788	–	11,084	1,746,198
Disposals / write-off	(25,897)	(78,103)	(2,930)	–	(2,281)	(109,211)
At 31 December 2010	**8,944,336**	**884,716**	**291,213**	**590**	**48,888**	**10,169,743**
Accumulated depreciation and impairment loss						
At 1 January 2009	573,423	–	127,594	395	34,655	736,067
Charge for the year	258,265	–	7,176	62	3,114	268,617
Eliminated on disposals / write-off	(107,045)	–	–	–	(5,087)	(112,132)
Impairment loss reversed	–	–	(40,478)	–	–	(40,478)
At 31 December 2009	724,643	–	94,292	457	32,682	852,074
Charge for the year	327,321	–	8,867	53	4,001	340,242
Eliminated on disposals / write-off	(25,897)	–	(1,157)	–	(1,811)	(28,865)
Impairment loss recognized (reversed)	215,443	362,011	(251)	–	–	577,203
At 31 December 2010	**1,241,510**	**362,011**	**101,751**	**510**	**34,872**	**1,740,654**
Net book value						
At 31 December 2010	**7,702,826**	**522,705**	**189,462**	**80**	**14,016**	**8,429,089**
At 31 December 2009	5,820,222	1,659,861	193,063	133	7,403	7,680,682

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

At the reporting date, there was no interest capitalized in vessels under construction (2009: HK$4,495,000).

Given the continuous drop in market value of dry bulk vessels since late 2010, the management considered there was indication that the carrying amounts of the Group's owned vessels and vessels under construction may not be recoverable and thus performed an impairment review on owned vessels and vessels under construction on 31 December 2010. Accordingly, an impairment loss of HK$577,454,000 is recognized on owned vessels and vessels under construction for the amount by which the carrying amounts of such vessels exceed their respective recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. The amount recognized was attributed to the Group's chartering freight and hire segment during the year. There was no such loss recognized in last year.

Key assumptions were based on management's estimation for market development and prevailing market conditions, after taking into consideration published market forecast and research. The discount rate applied to the value-in-use calculation was 7.35%. Based on the impairment test, with all other variables remaining constant, if the discount rate has been increased / decreased by 5%, the impairment loss on owned vessels and vessels under construction would increase by HK$22.6 million / decrease by HK$30.6 million.

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

	Motor vessels and improvement and capitalized drydocking costs *HK$'000*	Vessels under construction *HK$'000*	Leasehold land and buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement, utility vessels, furniture and equipment *HK$'000*	Total *HK$'000*
2010						
At cost	**8,944,336**	**884,716**	**238,213**	**590**	**48,888**	**10,116,743**
At professional valuation in 1994	**–**	**–**	**53,000**	**–**	**–**	**53,000**
	8,944,336	**884,716**	**291,213**	**590**	**48,888**	**10,169,743**
2009						
At cost	6,544,865	1,659,861	234,355	590	40,085	8,479,756
At professional valuation in 1994	–	–	53,000	–	–	53,000
	6,544,865	1,659,861	287,355	590	40,085	8,532,756

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and impairment loss, the carrying amount would have been HK$172,279,000 (2009: HK$174,886,000) at the reporting date.

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

All motor vessels and improvement and capitalized drydocking costs are held for use under operating leases. The Group's leasehold land and buildings are held under the following lease terms:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Held in Hong Kong:		
On long term leases (over 50 years)	**108,176**	112,673
On medium term lease (10 – 50 years)	**81,286**	80,390
	189,462	193,063

18. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
At fair value		
At 1 January	**32,150**	23,750
Revaluation surplus	**19,310**	8,400
At 31 December	**51,460**	32,150

The investment properties are held for use under operating leases. These are held under long term leases and located in Hong Kong.

At the reporting date, the investment properties were revalued by Centaline Surveyors Limited, an independent qualified professional valuer, on direct comparison approach with reference transactions available in the relevant market.

19. GOODWILL

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount		
At 1 January and **31 December**	**39,040**	39,040

This goodwill arose from deemed acquisition of additional interests in Jinhui Shipping, a subsidiary of the Company, in 2004.

Prior to 31 December 2004, positive goodwill not recognized directly in reserve was amortized on a straight-line basis over five years. With effect from 1 January 2005, the Group no longer amortizes goodwill and such goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill has been allocated to the underlying CGU which represent subsidiaries that are principally engaged in the business of chartering freight and hire. The recoverable amounts for the above CGU were determined based on value in use.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted club debentures, at fair value	15,800	15,000	10,000	9,500
Unlisted club membership, at fair value	1,400	1,300	–	–
Unlisted investments, at cost				
Co-operative joint ventures	27,847	27,847	–	–
Less: Impairment loss	(26,346)	(26,346)	–	–
	1,501	1,501	–	–
Other unlisted investments, at cost	23	23	–	–
Less: Impairment loss	(23)	(23)	–	–
	–	–	–	–
	18,701	17,801	10,000	9,500

Unlisted club debentures and unlisted club membership are stated at fair values determined directly by reference to published price quotations in active markets. The fair value measurements as at 31 December 2010 were categorized as Level 1 of the three-level fair value hierarchy as defined under HKFRS 7.

Unlisted investments are stated at cost less impairment loss as there is no quoted market prices in active markets and the range of reasonable fair value estimates can be varied significantly that their fair values cannot be measured reliably.

21. INTANGIBLE ASSETS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Club entrance fee and berth license		
Cost		
At 1 January and **31 December**	**2,799**	2,799
Accumulated amortization		
At 1 January	**537**	373
Charge for the year	**165**	164
At 31 December	**702**	537
Net book value		
At 31 December	**2,097**	2,262

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	**441,157**	441,157
Unlisted shares, at cost	**13**	13
Employee share-based compensation in subsidiaries	**37,111**	37,111
	478,281	478,281

Details of the Company's principal subsidiaries at the reporting date are set out in note 43.

At the reporting date, the Company held 46,034,800 (2009: 46,034,800) shares of Jinhui Shipping with market value amounted to approximately HK$1,192,563,000 (2009: HK$1,577,415,000).

23. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Ship stores	**3,260**	269
Trading goods	**25,429**	22,265
	28,689	22,534

Inventories at the reporting date were carried at cost.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**73,101**	71,777	**–**	–
Prepayments, deposits and other receivables	**266,322**	231,630	**435**	3,509
	339,423	303,407	**435**	3,509

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

Details of the Group's credit policy are set out in note 41(e).

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**66,343**	65,618
Over 3 months but within 6 months	**4,859**	4,449
Over 6 months but within 12 months	**750**	424
Over 12 months	**1,149**	1,286
	73,101	71,777

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**37,208**	40,385
Past due but not impaired		
Within 3 months past due	**33,394**	29,139
Over 3 months but within 6 months past due	**602**	552
Over 6 months but within 12 months past due	**748**	415
Over 12 months past due	**1,149**	1,286
	35,893	31,392
	73,101	71,777

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**160,273**	79,504
Impairment loss recognized	**1,263**	80,769
Written off as uncollectible	**(10,954)**	–
At 31 December	**150,582**	160,273

The Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2010, the Group had determined trade and other receivables of HK$150,582,000 (2009: HK$160,273,000) as individually impaired. The individual impaired trade receivables are due from charterers with prolonged delay in hire payments over the agreed credit terms. Based on the assessment, further impairment loss of HK$1,263,000 (2009: HK$80,769,000) had been recognized in 2010.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	**182,979**	97,128	**21,957**	20,213
Listed outside Hong Kong	**16,607**	19,655	**4,316**	7,241
	199,586	116,783	**26,273**	27,454
Debt securities				
Listed in Hong Kong	**3,970**	–	**–**	–
Listed outside Hong Kong	**73,990**	16,706	**17,277**	16,706
Unlisted	**233,818**	2,341	**–**	–
	311,778	19,047	**17,277**	16,706
	511,364	135,830	**43,550**	44,160

At the reporting date, the fair values of financial instruments classified in this category were determined by reference to their quoted bid prices or by reference to price quotations for equivalent financial instruments in active markets provided by financial institutions. As at 31 December 2010, the fair value measurements of listed equity securities and listed debt securities were categorized as Level 1 while the fair value measurement of unlisted debt securities was categorized as Level 2 of the three-level fair value hierarchy as defined under HKFRS 7.

26. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free or interest bearing at 5% per annum and repayable on demand. The carrying amount of the amounts due is considered to be a reasonable approximation of its fair value.

27. BANK BALANCES AND CASH

	Group		Company	
	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits with three months or less to maturity when placed	1,172,443	583,052	–	–
Bank balances	350,780	614,705	24,148	25,619
Cash in hand	1,393	199	–	–
Cash and cash equivalents for consolidated statement of cash flows purpose	1,524,616	1,197,956	24,148	25,619
Bank deposits with more than three months to maturity when placed	117,000	7,800	–	–
	1,641,616	1,205,756	24,148	25,619

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

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	27,229	31,857	–	–
Accrued charges and other payables	588,100	687,141	19,867	14,876
	615,329	718,998	19,867	14,876

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

The aging analysis of trade payables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	5,369	9,794
Over 3 months but within 6 months	9,799	1,042
Over 6 months but within 12 months	–	7,925
Over 12 months	12,061	13,096
	27,229	31,857

29. SECURED BANK LOANS

	Group	
	2010	2009
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**486,952**	512,321
In the second year	**437,275**	341,560
In the third to fifth year	**1,281,146**	993,774
Wholly repayable within five years	**2,205,373**	1,847,655
After the fifth year	**2,170,805**	1,797,841
Total secured bank loans	**4,376,178**	3,645,496
Less: Amount repayable within one year	**(486,952)**	(512,321)
Amount repayable after one year	**3,889,226**	3,133,175

At the reporting date, secured bank loans included vessel mortgage loans of approximately HK$4,334,202,000 (2009: HK$3,606,531,000) that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.81% to 2.15% (2009: 0.80% to 1.42%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 38.

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

30. SHARE CAPITAL

Company

	2010		2009	
	Number of ordinary shares of HK$0.10 each	Amount *HK$'000*	Number of ordinary shares of HK$0.10 each	Amount *HK$'000*
Authorized:				
At 1 January and **31 December**	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
At 1 January	530,289,480	53,029	521,337,480	52,134
Shares issued upon exercise of share options	–	–	8,952,000	895
At 31 December	530,289,480	53,029	530,289,480	53,029

In 2009, 8,952,000 ordinary shares of the Company were allotted and issued at the exercise price of HK$1.60 per share as a result of the exercise of options to subscribe for shares of the Company under the Share Option Scheme.

31. RESERVES

Details of movements in reserves of the Group and the Company are set out in the "Statements of Changes in Equity" on pages 42 and 43.

At the reporting date, reserves of the Company available for distribution to shareholders amounted to HK$286,137,000 (2009: HK$266,156,000).

Share premium
The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

Capital redemption reserve
The capital redemption reserve represents the par value of the repurchased and cancelled shares. The application of the capital redemption reserve is governed by Section 49H of the Hong Kong Companies Ordinance.

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

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

32. EMPLOYEE SHARE-BASED COMPENSATION

The Company adopted a share option scheme pursuant to a resolution passed on 18 November 2004. Under the Share Option Scheme, the Board may grant share options to acquire the shares of the Company to the Directors, officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. The purpose of granting the share options is to provide incentives and / or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group. The option is unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.10 each of the Company.

The weighted average value per option granted by the Company are estimated at the dates of grant based on Black-Scholes option pricing model using the following assumptions:

Date of grant	29 June 2006	23 December 2004
Share price at the option grant date	HK$1.57	HK$1.53
Exercise price	HK$1.57	HK$1.60
Risk-free interest rate per annum based on Federal Funds Rate	5.25%	2.25%
Expected stock price volatility	49.66%	76.73%
Expected option life	1 year	2 years
Weighted average value per option granted	HK$0.36	HK$0.66

The Black-Scholes option pricing model was used in estimating the fair value of traded options that have no vesting restriction and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. The expected stock price volatility was calculated based on statistical analysis of daily share prices of the Company over four years immediately preceding to the options granted. Because the share options of the Company have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options of the Company.

32. EMPLOYEE SHARE-BASED COMPENSATION *(Continued)*

Details of share options under the Share Option Scheme in 2010 were as follows:

(a) Number of share options granted by the Company

	Number of options granted	Value of options at grant dates *HK$'000*
Options granted to Directors		
Granted on 23 December 2004		
Performance based options	52,620,000	34,745
Granted on 29 June 2006		
Non-performance based options	9,552,000	3,435
	62,172,000	38,180

(b) Movement in the number of share options, remaining contractual lives and exercise price of outstanding share options of the Company in 2010

	Performance based options granted to Directors	Non-performance based options granted to Directors
Number of options		
Outstanding at beginning and at end of the year	52,620,000	9,552,000
Exercisable at end of the year	52,620,000	9,552,000
Remaining contractual lives of outstanding share options at end of the year	4 years	6 years
Exercise price of outstanding share options	HK$1.60	HK$1.57

Notes:

1. No share options were being exercised during the year.

2. 8,952,000 share options were being exercised during the year 2009 at exercise price of HK$1.60. The weighted average share price of the Company at the dates of exercise of options in 2009 was HK$2.56.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**676,436**	1,197,493
Depreciation and amortization	**340,407**	268,781
Interest income	**(17,346)**	(9,985)
Interest expenses	**43,796**	59,710
Loss on cancellation of shipbuilding contracts	**78,103**	–
Impairment loss on trade receivables	**1,263**	80,769
Bad debts written off	**315**	–
Dividend income from listed equity investments	**(1,569)**	(1,217)
Impairment loss on owned vessels and vessels under construction	**577,454**	–
Reversal of impairment loss on property, plant and equipment	**–**	(38,006)
Revaluation surplus of investment properties	**(19,310)**	(8,400)
Net gain on disposal of motor vessels	**–**	(66,335)
Net gain on disposal / write-off of property, plant and equipment, other than motor vessels	**(996)**	(602)
Changes in working capital:		
Inventories	**(6,155)**	2,199
Trade and other receivables	**(36,382)**	(155,460)
Financial assets at fair value through profit or loss	**(374,347)**	(72,872)
Trade and other payables	**(10,888)**	120,678
Advance receipt	**(191,291)**	292,192
Cash generated from operations	**1,059,490**	1,668,945

34. DEFERRED TAXATION

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Deductible temporary differences	**340**	897
Tax losses	**1,587,976**	1,382,157
	1,588,316	1,383,054

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

35. OPERATING LEASE COMMITMENTS

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year:		
Premises	**50**	91
Time charter hire	**401,193**	412,094
	401,243	412,185
In the second to fifth year:		
Premises	**–**	50
Time charter hire	**588,561**	968,538
	588,561	968,588
	989,804	1,380,773

36. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year:		
Premises	**630**	1,014
Owned vessels	**1,414,184**	1,146,432
Chartered-in vessels	**439,118**	607,501
Others	**124**	111
	1,854,056	1,755,058
In the second to fifth year:		
Premises	**–**	630
Owned vessels	**2,334,880**	2,783,981
Chartered-in vessels	**327,349**	754,931
	2,662,229	3,539,542
	4,516,285	5,294,600

37. CAPITAL EXPENDITURE COMMITMENTS

At the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$2,349,390,000 (2009: HK$4,866,540,000), representing the Group's outstanding capital expenditure commitments to acquire nine (2009: nineteen) newbuildings at a total purchase price of approximately HK$3,445,902,000 (2009: HK$6,762,811,000).

The above capital expenditure commitments included a Supramax newbuilding at original cost of US$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US$17,685,600 and JPY1,929,798,000 at its expected date of delivery in August 2012.

38. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's property, plant and equipment and investment property with an aggregate net book value of HK$7,790,484,000 (2009: HK$5,901,486,000);

(b) Financial assets at fair value through profit or loss of HK$69,216,000 (2009: HK$39,767,000);

(c) Deposits totalling HK$84,545,000 (2009: HK$514,574,000) of the Group placed with banks and other financial institution; and

(d) Assignment of thirty one (2009: twenty four) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of twenty six (2009: twenty one) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

39. RELATED PARTY TRANSACTIONS

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

Group

Compensation of key management personnel as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**190,730**	146,326
Contributions to retirement benefits schemes	**914**	873
	191,644	147,199

39. RELATED PARTY TRANSACTIONS *(Continued)*

Company

(a) Payment of an administrative fee of HK$1,743,000 (2009: HK$2,901,000) to a subsidiary;

(b) Receipt of interest income of HK$6,750,000 (2009: HK$6,561,000) from subsidiaries;

(c) Payment of rental charges of HK$1,800,000 (2009: HK$1,800,000) to subsidiaries;

(d) Guarantees provided to banks to secure credit facilities granted to subsidiaries amounting to HK$52,000,000 (2009: HK$53,500,000), and the amount of such facilities utilized was HK$41,976,000 (2009: HK$38,965,000) at the reporting date; and

(e) Compensation of key management personnel as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	26,054	21,056
Contributions to retirement benefits schemes	208	208
	26,262	21,264

40. CONTINGENT LIABILITIES

At the reporting date, the Group had contingent liability in respect of a counter-indemnity which has been issued by the Group since 2008 to a bank for issuing a guarantee on behalf of a subsidiary of Jinhui Shipping in favour of a charterer of a vessel amounted to approximately HK$26,845,000 as security for the arbitration proceedings underway in London regarding a claim against the subsidiary for the loss and damage as a result of a stowage dispute.

41. FINANCIAL RISK MANAGEMENT AND POLICIES

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

(a) Categories of financial instruments

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Financial assets				
Available-for-sale financial assets				
Unlisted club debentures	15,800	15,000	10,000	9,500
Unlisted club membership	1,400	1,300	–	–
Unlisted investments in co-operative joint ventures	1,501	1,501	–	–
Financial assets at fair value through profit or loss				
Equity securities	199,586	116,783	26,273	27,454
Debt securities	311,778	19,047	17,277	16,706
Loans and receivables				
Trade and other receivables	202,616	98,939	249	3,323
Due from subsidiaries	–	–	212,087	181,980
Pledged deposits	96,181	514,574	22	2
Bank balances and cash	1,641,616	1,205,756	24,148	25,619
	2,470,478	1,972,900	290,056	264,584
Financial liabilities				
Trade and other payables	404,054	329,763	19,867	14,876
Borrowings				
Secured bank loans	4,376,178	3,645,496	–	–
	4,780,232	3,975,259	19,867	14,876

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

(b) Interest rate risk

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

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

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 29.

Sensitivity analysis*

Based on the exposures to bank borrowings of HK$4,376,178,000 (2009: HK$3,645,496,000) at the reporting date, it is estimated that an increase of 40 (2009: 40) basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by HK$17,505,000 (2009: HK$14,582,000).

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

(c) Foreign currency risk

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

Foreign currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions, assets and liabilities are mainly denominated in Hong Kong Dollars and United States Dollars which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars. As at 31 December 2010 and 2009, the Group was not exposed to significant foreign currency risk and did not expect that changes in exchange rates of foreign currencies would result in material effects on the net profit of the Group.

* *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.*

41. 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 listed equity securities and debt securities classified as financial assets at fair value through profit or loss.

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

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group at the reporting dates, if the quoted prices of the listed equity securities had been decreased by 10%, the Group's net profit would decrease by HK$19,959,000 (2009: HK$11,678,000).

Based on the portfolio of debt securities held by the Group at the reporting dates, if the quoted prices of the debt securities had been decreased by 10%, the Group's net profit would decrease by HK$31,178,000 (2009: HK$1,905,000).

(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 obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to charterers or customers in the ordinary course of its operations, investment in debt securities and other financial instruments, and placing deposits with banks and financial institutions.

* *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.*

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

(e) Credit risk *(Continued)*

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

At the reporting date, the Group's maximum exposure to credit risk on the following financial assets is limited to their carrying amounts as summarized below:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted club debentures	15,800	15,000	10,000	9,500
Debt securities	311,778	19,047	17,277	16,706
Trade and other receivables	202,616	98,939	249	3,323
Due from subsidiaries	–	–	212,087	181,980
Pledged deposits	96,181	514,574	22	2
Bank balances and cash	1,641,616	1,205,756	24,148	25,619
	2,267,991	1,853,316	263,783	237,130

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

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

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

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

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

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

(f) Liquidity risk

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

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

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

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

	Within one year *HK$'000*	In the second year *HK$'000*	In the third to fifth year *HK$'000*	After the fifth year *HK$'000*	Total undiscounted amount *HK$'000*	Carrying amount *HK$'000*
2010						
Trade and other payables	404,054	–	–	–	404,054	404,054
Secured bank loans	532,445	478,218	1,375,985	2,231,239	4,617,887	4,376,178
	936,499	478,218	1,375,985	2,231,239	5,021,941	4,780,232
2009						
Trade and other payables	329,763	–	–	–	329,763	329,763
Secured bank loans	544,663	370,306	1,063,071	1,840,512	3,818,552	3,645,496
	874,426	370,306	1,063,071	1,840,512	4,148,315	3,975,259

42. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

(b) to provide adequate returns for shareholders;

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

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

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

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

The gearing ratio of the Group at the reporting date is calculated as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**486,952**	512,321
Secured bank loans repayable after one year	**3,889,226**	3,133,175
Total secured bank loans	**4,376,178**	3,645,496
Less: Equity and debt securities	**(511,364)**	(135,830)
Less: Bank balances and cash	**(1,641,616)**	(1,205,756)
Net debts	**2,223,198**	2,303,910
Total equity	**6,165,853**	5,488,423
Gearing ratio	**36%**	42%

43. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2010	Attributable equity interest at 31/12/2009	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	54.77%	54.77%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	54.77%	54.77%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	75%	75%	Investment holding	Hong Kong
Incorporated in Hong Kong					
Carpa Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	54.77%	54.77%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	100%	Property investment	Hong Kong
First Lion International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2010	Attributable equity interest at 31/12/2009	Principal activities	Place of operation
Incorporated in Hong Kong *(Continued)*					
Goldbeam International Limited	5,000,000 shares of HK$1 each	54.77%	54.77%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	2 shares of HK$1 each	100%	100%	Investment holding	Hong Kong and the PRC
Keenfair Investment Limited	2 shares of HK$1 each	100%	100%	Investment trading	Hong Kong
Linkford International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	54.77%	54.77%	Property investment	Hong Kong
Ringo Star Company Limited	2 shares of HK$1 each	54.77%	54.77%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK$100 each	75%	75%	Trading of chemical and industrial raw materials	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2010	Attributable equity interest at 31/12/2009	Principal activities	Place of operation
Incorporated in the Republic of Liberia *(Continued)*					
Wonder Enterprises Ltd.	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Jinan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2010	Attributable equity interest at 31/12/2009	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinli Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinmao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinmei Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinming Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2010	Attributable equity interest at 31/12/2009	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinxing Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

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

* *These companies' financial statements are not audited by Grant Thornton Jingdu Tianhua.*

Glossary

This glossary contains the abbreviations and main terms used in the 2010 annual report.

Abbreviations / Main terms	Meanings in the annual report
BDI	Baltic Dry Index, an index tracks worldwide international shipping prices of various dry bulk cargoes published by the London-based Baltic Exchange;
Board	Board of directors of the Company;
Capesize(s)	Dry bulk vessel(s) of deadweight approximately 150,000 metric tons or above;
CGU	Cash generating unit;
China / PRC	The People's Republic of China;
Code	The Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules;
Company / Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
Fairline	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the legal and beneficial owner of 342,209,280 shares of the Company (representing approximately 64.53% of the total issued shares of the Company) and 500,000 shares of Jinhui Shipping (representing approximately 0.59% of the total issued shares of Jinhui Shipping) as at 31 December 2010;
Group / Jinhui Holdings Group	Company and its subsidiaries;
Handymax	A dry cargo vessel of deadweight approximately 45,000 metric tons;
Handysize	A dry cargo vessel of deadweight below 40,000 metric tons;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;

Glossary

Abbreviations / Main terms	Meanings in the annual report
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Shipping	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of the Company as at 31 December 2010, whose shares are listed on the Oslo Stock Exchange;
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Panamax(es)	Vessel(s) of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax(es)	Vessel(s) of deadweight approximately 90,000 metric tons to 100,000 metric tons;
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
Shareholder(s)	Shareholder(s) of the Company;
Share Option Scheme	A share option scheme adopted by the Company pursuant to a resolution passed on 18 November 2004;
SOLAS	The International Convention for the Safety of Life at Sea;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Stock Exchange	The Stock Exchange of Hong Kong Limited;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
HK$	Hong Kong Dollars, the lawful currency of Hong Kong;
JPY	Japanese Yen, the lawful currency of Japan; and
US$	United States Dollars, the lawful currency of the United States of America.