ANNUAL REPORT 2011

JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137

JINHUI

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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
Oversea-Chinese Banking Corporation Limited

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

CONTACTS

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WEBSITE

www.jinhuiship.com

Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2011.

RESULTS

The Group's revenue for the year was HK$2,784,292,000, representing a decrease of 11% as compared to HK$3,120,053,000 for the year 2010. The Group's net profit attributable to shareholders of the Company for the year 2011 amounted to HK$259,266,000, whereas HK$366,817,000 was reported in 2010. Basic earnings per share was HK$0.489 for the year as compared to basic earnings per share of HK$0.692 for the year 2010.

In the midst of harsh business environment in freight market, the Group recorded revenue of HK$2,380,529,000 and net profit of HK$501,543,000 from chartering freight and hire segment for the year 2011. The trading environment for chemical products in Asian region remained challenging in the year and the Group's segment revenue from trading business was HK$403,763,000 and net profit from trading business dropped to HK$6,557,000 for the year.

As scheduled, three newly built Supramaxes and one newly built Panamax were delivered to the Group in 2011. As at 31 December 2011, the Group had thirty five owned vessels and four chartered-in vessels in operation.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2011. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2011.

BUSINESS REVIEW

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

Dry bulk shipping market was negatively impacted by the slowdown in importing activities of China in 2011 under the government's efforts to cool down the inflation and the overheating economy. With contracted market demand, particularly from China, shipping companies faced the tremendous pressure as new tonnages delivery further intensified fierce competition within the sector. Unfortunate natural disasters in Japan and Australia during the year added further pressure to the weaker dry seaborne trade. The imminent collapse of a major Korean shipping company began to spread ripple effect across the shipping market in early 2011. BDI plummeted from 1,773 points at the beginning of 2011 to the lowest of 1,043 points on 4 February 2011. Increasing company or charterparty defaults were seen in the market and a number of vessels were re-entered into the market at depressed rates and intensified the overcapacity of dry bulk vessels.

The shipping market bounced back to an encouraging level in the mid of the year, which was supported by traditional seasonal demands and increasing demolitions of older tonnages. Port congestions / disruptions also contributed to the temporary uptick of the BDI which climbed to the highest of the year at 2,173 points on 14 October 2011 before the next fall.

BUSINESS REVIEW *(Continued)*

While the U.S. was still struggling in political arguments on debt ceiling and deficit reduction, European sovereign debt crisis abruptly deteriorated in late 2011 and halted the hopes of many over a sustainable recovery of the dry bulk market. Against this macro-economic backdrop, the underlying fundamentals in dry bulk shipping market became more vulnerable to the overcapacity challenge. The BDI softened and closed at 1,738 points at end of 2011, prior to another collapse to its 25-year record low in early 2012.

Baltic Dry Index

Source: Bloomberg

Pursuant to a weakening chartering market, the Group's revenue from chartering freight and hire dropped 12% from HK$2,716,550,000 in 2010 to HK$2,380,529,000 in 2011. However, the Group's segment profit from chartering freight and hire for the year 2011 decreased to HK$501,543,000 as compared to segment profit of HK$677,428,000 for the year 2010, representing a decline of 26%. Revenue contributed from expanded owned Supramax fleet was offset by decreased revenue earned from fewer chartered-in vessels, and lower charter rates upon redeployment of our fleet in the market upon contract renewal. In addition, two Capesize chartered-out contracts were terminated in early 2011, including a high earning long term time-charter contract with Korea Line Corporation ("KLC") which filed protective receivership in Korea in February 2011. Both chartered-in Capesizes were subsequently chartered-out at operating loss.

Together with the chartered-in Capesize redelivered from KLC in March 2011, the Group recognized a provision for loss on charter hire which was calculated based on the expected economic benefits derived from two spot chartered-out contracts less the fixed costs under two Capesizes' long term chartered-in contracts. At the reporting date, provision for loss on charter hire of HK$55,279,000 (2010: nil) was included in shipping related expenses.

BUSINESS REVIEW *(Continued)*

The Group received an income of HK$24,559,000 (2010: nil) in 2011 as compensation from a charterer for early redelivery of one of the abovementioned chartered-in Capesizes prior to expiry of the charter period and included in other operating income.

The shipping related expenses rose from HK$1,022,087,000 in 2010 to HK$1,162,569,000 in 2011. The increase is attributable to the higher crew expenses and rising costs on spare parts and consumables due to the expansion of owned fleet and higher bunker expenses which mainly incurred in certain voyage charters being carried out in the year, and partially offset by the drop in hire payment upon expiration of a chartered-in vessel. The average number of owned vessels in operation in 2011 increased to thirty four vessels, as compared to twenty eight vessels in 2010 while the average number of chartered-in vessels in operation decreased from five vessels in 2010 to four vessels in 2011.

The Group's operating results from chartering freight and hire for the year was also negatively impacted by the impairment loss on owned vessels and vessels under construction. Amid the oversupply of dry bulk vessels, market freight rates declined at end of the year as China's importing activities had been slowing down apparently, and a sustainable global economic recovery led by Asian countries became questionable. The market value of dry bulk vessels further corrected, resulting a decline in intrinsic values of our fleet. Accordingly, the management cautiously performed an impairment review and concluded that an impairment loss of HK$198,330,000 (2010: HK$577,454,000) on owned vessels and vessels under construction was necessary in 2011. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

Depreciation and amortization for chartering freight and hire segment increased from HK$327,462,000 for the year 2010 to HK$392,194,000 for the year 2011. The increase was mainly due to the expansion of owned fleet and relatively higher contract price of recently delivered owned vessels. As at 31 December 2011, the Group had thirty five owned vessels as compared to thirty one owned vessels as at 31 December 2010.

Finance costs for chartering freight and hire segment rose from HK$43,096,000 in 2010 to HK$56,285,000 in 2011. The increase in finance costs was due to a higher number of owned vessels, with loan facilities for the recently delivered owned vessels being agreed at higher loan interest margin than older loan facilities.

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 trading environment for chemical products in Asian region remained challenging in 2011. The Group's segment revenue from trading business remained at HK$403,763,000 for the year 2011, as compared to HK$403,503,000 for the year 2010. Despite our efforts to establish additional supply chain sources and exploring new markets, competition among Asian rivals was fiercer and results in a sharp decline in commodities prices in general, particularly in the second half of the year. The Group's segment profit from trading business dropped to HK$6,557,000 for the year, whereas segment profit of HK$12,477,000 was reported in last year.

Other financial information. The increase in unallocated corporate expenses was mainly attributable to the increase in fair value loss on investment portfolio, predominantly in equity securities listed in Hong Kong, of HK$55,493,000 (2010: HK$4,214,000) for the year, as major global stock markets plunged in September 2011 sparked by the deteriorating Eurozone sovereign debt crisis and remain subdued at end of the year.

Chairman's Statement

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, upon financing of various vessel mortgage loans, and offset by cash used to partially finance the delivery of four additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash decreased to HK$2,110,913,000 as at 31 December 2011 (2010: HK$2,152,980,000). The Group's bank borrowings increased to HK$4,539,620,000 as at 31 December 2011 (2010: HK$4,376,178,000), of which 12%, 11%, 35% and 42% are repayable respectively within one year, one to two years, two to five years and over five years. All 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, was 37% as at 31 December 2011 (2010: 36%). 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 2011, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$8,584,672,000 (2010: HK$7,790,484,000), financial assets at fair value through profit or loss of HK$50,895,000 (2010: HK$69,216,000) and deposits of HK$61,582,000 (2010: HK$84,545,000) placed with banks and other financial institution were pledged together with the assignment of thirty five (2010: thirty one) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty nine (2010: twenty six) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of the owned vessels and vessels under construction was HK$1,162,826,000 (2010: HK$1,728,326,000), and on other property, plant and equipment was HK$18,291,000 (2010: HK$17,872,000).

As at 31 December 2011, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$1,227,135,000 (2010: HK$2,349,390,000), representing the Group's outstanding capital expenditure commitments to acquire five (2010: nine) newbuildings at total contract price of US$35,000,000 and JPY16,221,000,000 (2010: US$81,500,000 and JPY29,301,000,000).

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.

OTHER IMPORTANT EVENTS

Regarding the legal proceedings between the subsidiaries of the Company and Parakou Shipping Pte Limited ("Parakou") in London and Hong Kong in relation to the non-performance of a charterparty as mentioned in the last published annual report, the followings are the updates of the legal proceedings:

The arbitral tribunal in London issued and published its First Arbitration Award in August 2010 ruling that there was a binding contract between Galsworthy Limited ("Galsworthy"), a subsidiary of the Company, and Parakou and that Parakou was in repudiatory breach of charterparty by refusing to take delivery of the vessel. The tribunal awarded that Galsworthy was entitled to receive HK$21 million from Parakou as partial damage. Parakou did not appeal against the Award. On 18 March 2011, Parakou was entered into a voluntary winding up process in Singapore. The Second Arbitration Award was granted by the arbitral tribunal in May 2011 and Galsworthy was entitled to receive HK$301 million together with interest and costs as legally recoverable damages flowing from Parakou's repudiatory breach of charterparty.

On the other hand, the legal proceeding filed by Parakou against the subsidiaries of the Company in Hong Kong was struck out in April 2011. In addition to the release of majority security money of HK$334 million to the Group in November 2010, Mr. Justice REYES of the Court of First Instance of the High Court of Hong Kong further ordered a release of the remaining security money of HK$12 million held in the High Court of Hong Kong in May 2011. Such security money had been received in June 2011 and the legal proceedings were completed.

As Parakou is now under voluntary winding up process, the management considers that the recoverability of the sum of awards of HK$322 million together with interest and costs is rather uncertain, and such claim income will not be accounted for in the Group's financial statements as its recoverability remains to be extremely challenging. Notwithstanding the above, Galsworthy will continue to enforce the awards against Parakou and related individuals and parties.

One of the Group's chartered-in Capesizes was chartered to Korea Line Corporation ("KLC") under a five-year time-charter contract with expiry in 2014. In early 2011, KLC filed for protective receivership in Korea and received court approval from Seoul Central District Court on 15 February 2011. KLC had ceased payment of charter hire since February 2011 and submitted a notice of termination of time-charter contract to the Group in March 2011. Then, the Group filed a claim against KLC to Seoul Central District Court in March 2011 for the unpaid hire and damages and loss on early termination of the time-charter contract. An agreement has been reached in July 2011 in order to confirm liability and ascertain the nature and quantum of the claim which includes the loss for the damages for early termination of the time-charter contract in the amount of HK$294 million. The terms of the agreement were approved by the Korean Court in August 2011. On 29 July 2011, the Receivers of KLC submitted a proposed rehabilitation plan for the approval of the creditors and confirmation by the Korean Court. The plan had failed to receive the required support from the creditors during the creditors meeting on 23 September 2011 but was later approved by the creditors and confirmed by the Korean Court after re-voting on 14 October 2011. So far as the unsecured claim is concerned, the plan comprised of cash payments spanning through a period between 2012 and 2021 for settling part of the debt and conversion of the remaining debt to shares of KLC.

Chairman's Statement

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 40 to the financial statements.

Credit risk. Credit risk is the risk of financial loss to the Group if the counterparty fails to discharge its contractual obligations under the terms of the financial instrument. The Group's exposures to credit risk principally arising from the trade receivables from charterers 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 2011, the Group had 106 (2010: 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.

OUTLOOK

The freight market has been persistently weak throughout the year 2011 when China reduced its government stimulus package, stepped up its efforts to combat inflation, and cool down the domestic real estate market by restricting lending. We expect the freight market to remain challenging in 2012 as we enter the critical period of high newbuilding deliveries.

The imbalance of supply versus demand of vessels will remain to be a main theme in 2012. Scrapping of old tonnages has increased in 2011, but remained to be insufficient in terms of providing positive support to the freight market. Excess shipbuilding capacity remains to be a risk.

The recent developments of the European sovereign debt crisis suggests that the situation have somewhat eased, but we believe uncertainty remains; the U.S. economy looks to be in better shape than before but economic growth remains to be weak. Growth of Asian economies also showed some weaknesses and hence we are already seeing slight loosening of monetary policies from certain Asian governments. Despite an overall easing monetary and low interest rate environment, we see global lenders remain to be very cautious with lending. With limited credit towards investments, economic growth is likely to remain fragile. Lower economic growth is never good for shipping, and today's shipping markets pose even more challenges given a backdrop of overwhelming oversupply in tonnages, shipbuilding capacity and low demand growth.

In late 2011, we revealed a default in respect of non-payment of hire and settlement agreement sum from a major Chinese shipping company. We took legal actions and successfully reclaimed our rights and benefits under those arbitration awards. We received total amounts of outstanding hire and settlement sum including interest thereon under those arbitration awards in early 2012, with outstanding claim against this same company which we target to further recover in due course. Nevertheless, in such tough operating environment, we expect further company defaults and rising counterparty risk ahead but we will continue to take appropriate legal and commercial actions to enforce performance of contractual obligations under each contract and honor business ethics according to the terms of contracts. On the positive side, there will be interesting opportunities for those who have saved their bullets in the past years to look at possible asset acquisitions going forward, albeit on a very selective basis and with careful due diligence given the varying quality of shipping assets that we expect will become available for sale in the market.

Chairman's Statement

OUTLOOK *(Continued)*

We continue to see uncertainties with respect to the global economic outlook especially that of the U.S. and Europe, where their traditional consumption and investment patterns have been heavily disrupted. We believe inflationary pressure continues to be a key risk given the continuous increase in money supply. We believe this uncertain and unsynchronized macro and industry backdrop will remain to be fluid and complex going forward. We will therefore continue to remind ourselves of the rainy days and continue to run our business in "cautious mode".

As we see conflicting economic and industry indicators, we will continue to operate with a conservative 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.

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 2012

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 safety and environmental laws and regulations including but not limited to ISM Code, ISPS Code, MARPOL and other applicable rules regulated by IMO. We ensure all crew on board are trained and certificated in accordance with STCW Convention. Our owned vessels are also subject to the laws, regulations and rules of each country and port they visit. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2011, the Group had thirty five owned vessels and 851 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	93,279
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204
Jin Rui	Panamax	2009	Imabari	76,583
Jin Chao	Panamax	2011	Sasebo	75,008
Jin Han	Supramax	2011	Oshima	61,414
Jin Hong	Supramax	2011	Oshima	61,414
Jin Ming	Supramax	2010	Oshima	61,414
Jin Yang	Supramax	2010	Tsuneishi	57,982
Jin Feng	Supramax	2011	STX (Dalian)	57,352
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Yue	Supramax	2010	Shanghai Shipyard	56,934
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Heng	Supramax	2010	Nantong Kawasaki	55,091
Jin Mao	Supramax	2009	Oshima	54,768
Jin Shun	Supramax	2009	Oshima	54,768
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin An	Supramax	2000	Oshima	50,786
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Hui	Supramax	2000	Oshima	50,777
Jin Rong	Supramax	2000	Mitsui	50,236
Jin Zhou	Supramax	2001	Mitsui	50,209
Jin Bi	Handymax	2000	Oshima	48,220
				2,034,887

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 2011, the Group committed to acquire four newbuildings under construction for delivery during the years 2012 and 2013.

Name	Type	Built	Size (dwt)	Builder	Expected delivery
Jin Ze [1]	Supramax	2012	57,982	Tsuneishi	Feb 2012
Jin Yu	Handysize	2012	38,000	Naikai Zosen	Jun 2012
Jin Xiang	Supramax	2012	60,500	Oshima	Sep 2012
Jin Qing	Supramax	2013	58,100	Tsuneishi	Feb 2013
			214,582		

Notes:

1. The newbuilding "Jin Ze" was delivered to the Group on 17 February 2012.

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.

Chartered-in Vessels

Apart from the owned vessels, the Group currently operates four 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
Tenmyo Maru	Supramax	2008	58,470	Nov 2008	Oct 2013
Aston Trader I	Supramax	2008	55,496	Jun 2009	Jul 2012
			457,307		

Business Profile

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

	2011	2010
(Expressed as a percentage of revenue for chartering freight and hire)	%	%
Asia excluding China	51.6	33.4
South America	16.6	24.2
North America	10.5	9.2
Australia	7.2	14.5
Africa	6.8	8.0
Europe	4.3	5.8
Others	1.6	2.0
China	1.4	2.9
	100.0	100.0

Discharging Ports Analysis

	2011	2010
(Expressed as a percentage of revenue for chartering freight and hire)	%	%
China	58.1	45.0
Asia excluding China	15.8	31.3
Europe	13.0	5.0
Africa	4.5	5.8
South America	3.6	5.6
North America	3.5	1.8
Australia	0.8	–
Others	0.7	5.5
	100.0	100.0

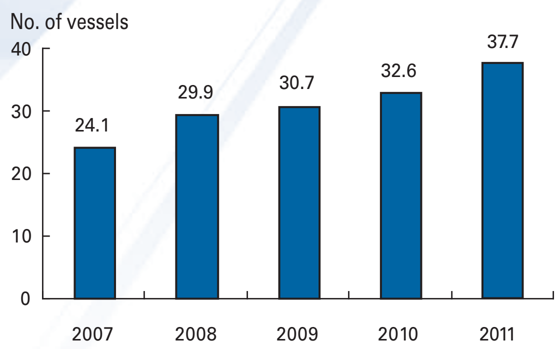
Types of Cargoes Carried by the Group's Fleet

	2011		2010	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	14,412	67.5	8,750	49.2
Coal	4,327	20.3	5,046	28.4
Agricultural products	1,345	6.3	1,985	11.1
Cement	628	2.9	1,022	5.7
Steel products	449	2.1	482	2.7
Fertilizer	152	0.7	302	1.7
Alumina	48	0.2	195	1.1
Others	–	–	17	0.1
	21,361	100.0	17,799	100.0

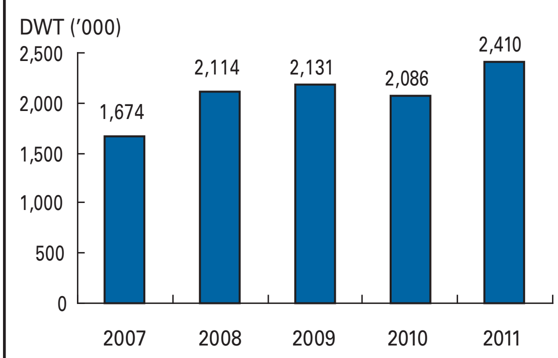
Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS

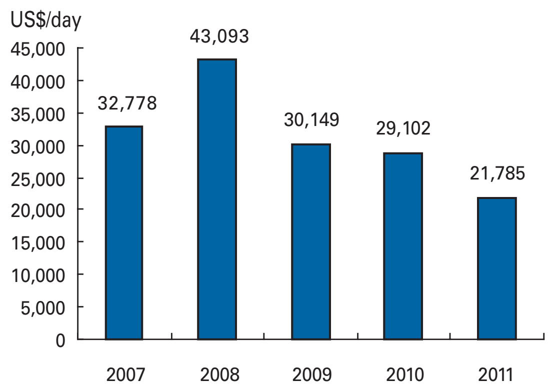
Weighted Average Fleet Size [1]



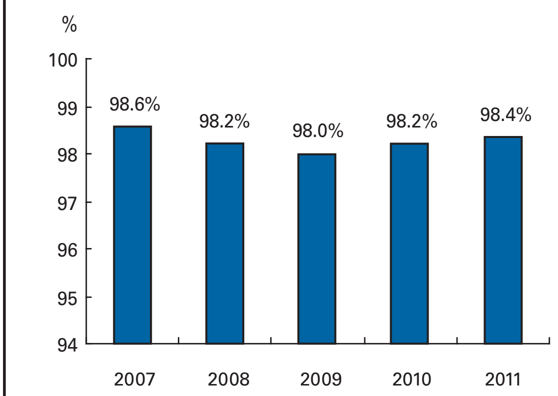
Weighted Average Tonnage Operated [2]



Time Charter Equivalent Rate [3]



Average Utilization Rate [4]



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

	2011 *HK$'000*	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Key Items in the Consolidated Statement of Comprehensive Income					
Revenue	**2,784,292**	3,120,053	2,867,606	3,885,957	2,575,790
Operating profit	**535,816**	720,232	1,257,203	1,896,273	839,807
Finance costs	**(56,922)**	(43,796)	(59,710)	(139,364)	(165,961)
Profit before taxation	**478,894**	676,436	1,197,493	1,756,909	673,846
Taxation	**(1,205)**	(404)	(218)	1,650	(2,154)
Net profit for the year	**477,689**	676,032	1,197,275	1,758,559	671,692
Other comprehensive income	**4,980**	1,398	5,712	379	1,558
Total comprehensive income for the year	**482,669**	677,430	1,202,987	1,758,938	673,250
Total comprehensive income for the year attributable to:					
Shareholders of the Company	**264,165**	368,057	659,731	918,511	369,282
Non-controlling interests	**218,504**	309,373	543,256	840,427	303,968
	482,669	677,430	1,202,987	1,758,938	673,250
Other Financial Information					
EBITDA	**941,921**	1,060,639	1,525,984	2,127,666	1,013,661
Dividend per share	**–**	–	–	HK$0.120	HK$0.060
Basic earnings per share	**HK$0.489**	HK$0.692	HK$1.255	HK$1.763	HK$0.704

Highlights

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2011 *HK$'000*	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**9,128,843**	8,540,387	7,771,935	7,006,442	5,832,632
Current assets	**2,636,743**	2,617,273	2,182,101	1,220,689	927,548
Current liabilities	**(1,114,016)**	(1,102,581)	(1,231,537)	(923,117)	(1,063,127)
Non-current liabilities	**(4,003,048)**	(3,889,226)	(3,234,076)	(3,032,865)	(2,965,787)
Net assets	**6,648,522**	6,165,853	5,488,423	4,271,149	2,731,266
Issued capital	**53,029**	53,029	53,029	52,134	51,996
Reserves	**3,681,636**	3,417,471	3,049,414	2,376,291	1,549,486
Equity attributable to shareholders of the Company	**3,734,665**	3,470,500	3,102,443	2,428,425	1,601,482
Non-controlling interests	**2,913,857**	2,695,353	2,385,980	1,842,724	1,129,784
Total equity	**6,648,522**	6,165,853	5,488,423	4,271,149	2,731,266
Other Financial Information					
Return on average equity	**7%**	11%	24%	46%	25%
Gearing ratio	**37%**	36%	42%	61%	112%

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 2011, 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, 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.

Corporate Governance Report

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

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.

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 Independent 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) 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 regularly and Board meetings are held at least on a quarterly basis each year. 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. 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.

BOARD COMPOSITION *(Continued)*

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.

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 2011.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2011, the Board held 14 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai	14
Ng Kam Wah Thomas	14
Ng Ki Hung Frankie	12
Ho Suk Lin	14
Independent Non-executive Directors	
Cui Jianhua	7
Tsui Che Yin Frank	7
William Yau	8

BOARD COMMITTEES

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

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

Remuneration Committee

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

The Remuneration Committee 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 15 March 2011 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.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Audit Committee was established on 22 September 1998, currently comprises of three Independent Non-executive Directors, Mr. Tsui Che Yin Frank (chairman of Audit Committee), Mr. Cui Jianhua and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the 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 four meetings in 2011. The Group's financial statements for the year ended 31 December 2011 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 40 to the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Internal controls

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines. 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 2011, the remuneration paid and payable to the auditors of the Company for the provision of the Group's audit services and other services were HK$1,426,000 and HK$307,000 respectively. The other services mainly include interim review, tax compliance services and review of internal control systems.

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 Tuesday, 15 May 2012. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Friday, 11 May 2012 to Tuesday, 15 May 2012, 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 Thursday, 10 May 2012.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 55. 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 49. 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 58. 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 48. 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 57. 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 and Senior Management

BOARD OF DIRECTORS *(Continued)*

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

Aged 54. 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 Mountain China Resorts (Holding) Limited (formerly known as 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 44. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited. Mr. Yau also serves as director of the Hong Kong Island Social Services Charitable Foundation Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 37. Joined the Group in 2004 as Vice President, and is responsible for overseeing various activities for the Group, with particular focus in shipping related investments, corporate finance matters, investor relations, and new business development. Mr. Ching has extensive experience in shipping investments and in finance. Prior to joining the Group, he worked for a number of years in the investment banking division for a major US bank. Mr. Ching holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

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

Aged 58. 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.

Board of Directors and Senior Management

SENIOR MANAGEMENT *(Continued)*

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

Aged 59. 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.

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

Aged 52. 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 Sai Kit Danny, *Head of Legal and Insurance Affairs Department*

Aged 42. 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 2011.

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 42 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 2011 and the state of affairs of the Group and the Company as at 31 December 2011 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 2011. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2011.

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 2011, calculated under Section 79B(2) of the Hong Kong Companies Ordinance amounted to HK$275,877,000.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 17 and 18.

Directors' Report

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 55% and 28% 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 71% and 23% 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$112,000.

EVENTS AFTER THE REPORTING DATE

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

Directors' Report

DIRECTORS

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

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

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

In accordance with the Company's Articles of Association, Ms. Ho Suk Lin and Mr. Tsui Che Yin Frank 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 2011, 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 shares of the Company
Name	**Beneficial owner**	**Interest of spouse**	**Beneficiary of trust**	**Total**	
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 2011, 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 acquire the shares of the Company to the Directors, officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK$0.10 each of the Company.

Details of share options under the Share Option Scheme in 2011 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 2011
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 2011 was HK$1.37.

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 2011, 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 2011.

Save as disclosed above, as at 31 December 2011, 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 2011, 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 2011, 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.

Directors' Report

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 year ended 31 December 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 years ended 31 December 2010 and 2011 had 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 2012

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 2011, 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.

GrantThornton
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 2011 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 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	7	2,784,292	3,120,053
Other operating income	8	145,798	281,638
Interest income		30,075	17,346
Shipping related expenses		(1,162,569)	(1,022,087)
Impairment loss on owned vessels and vessels under construction		(198,330)	(577,454)
Cost of trading goods sold		(379,821)	(374,481)
Staff costs	9	(150,442)	(226,873)
Other operating expenses		(127,082)	(157,503)
Operating profit before depreciation and amortization	11	941,921	1,060,639
Depreciation and amortization		(406,105)	(340,407)
Operating profit		535,816	720,232
Finance costs	12	(56,922)	(43,796)
Profit before taxation		478,894	676,436
Taxation	13	(1,205)	(404)
Net profit for the year		477,689	676,032
Other comprehensive income			
Change in fair value of available-for-sale financial assets		4,980	900
Reversal of impairment loss on property, plant and equipment		–	498
Total comprehensive income for the year		482,669	677,430
Net profit for the year attributable to:			
Shareholders of the Company	14	259,266	366,817
Non-controlling interests		218,423	309,215
		477,689	676,032
Total comprehensive income for the year attributable to:			
Shareholders of the Company		264,165	368,057
Non-controlling interests		218,504	309,373
		482,669	677,430
Earnings per share			
– Basic	16(a)	HK$0.489	HK$0.692
– Diluted	16(b)	HK$0.484	HK$0.662

Statements of Financial Position

As at 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*17*	**9,005,279**	8,429,089	**–**	–
Investment properties	*18*	**58,910**	51,460	**–**	–
Goodwill	*19*	**39,040**	39,040	**–**	–
Available-for-sale financial assets	*20*	**23,681**	18,701	**14,000**	10,000
Intangible assets	*21*	**1,933**	2,097	**–**	–
Investments in subsidiaries	*22*	**–**	–	**478,281**	478,281
		9,128,843	8,540,387	**492,281**	488,281
Current assets					
Inventories	*23*	**53,472**	28,689	**–**	–
Trade and other receivables	*24*	**410,776**	339,423	**311**	435
Financial assets at fair value through profit or loss	*25*	**492,659**	511,364	**35,461**	43,550
Due from subsidiaries	*26*	**–**	–	**213,000**	212,087
Pledged deposits		**61,582**	96,181	**5**	22
Bank balances and cash	*27*	**1,618,254**	1,641,616	**1,943**	24,148
		2,636,743	2,617,273	**250,720**	280,242
Current liabilities					
Trade and other payables	*28*	**577,136**	615,329	**605**	19,867
Provision for taxation		**308**	300	**–**	–
Secured bank loans	*29*	**536,572**	486,952	**–**	–
		1,114,016	1,102,581	**605**	19,867
Net current assets		**1,522,727**	1,514,692	**250,115**	260,375
Total assets less current liabilities		**10,651,570**	10,055,079	**742,396**	748,656
Non-current liabilities					
Secured bank loans	*29*	**4,003,048**	3,889,226	**–**	–
Net assets		**6,648,522**	6,165,853	**742,396**	748,656

Statements of Financial Position

As at 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	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*	**3,681,636**	3,417,471	**689,367**	695,627
		3,734,665	3,470,500	**742,396**	748,656
Non-controlling interests		**2,913,857**	2,695,353	**–**	–
Total equity		**6,648,522**	6,165,853	**742,396**	748,656

Approved and authorized for issue by the Board of Directors on 15 March 2012

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2011

Group

	Attributable to shareholders of the Company									
	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Other asset revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
At 1 January 2011	53,029	324,590	4,020	4,777	26,259	8,496	3,049,329	3,470,500	2,695,353	6,165,853
Net profit for the year	–	–	–	–	–	–	259,266	259,266	218,423	477,689
Other comprehensive income for the year	–	–	–	–	–	4,899	–	4,899	81	4,980
Total comprehensive income for the year	–	–	–	–	–	4,899	259,266	264,165	218,504	482,669
At 31 December 2011	**53,029**	**324,590**	**4,020**	**4,777**	**26,259**	**13,395**	**3,308,595**	**3,734,665**	**2,913,857**	**6,648,522**

Statements of Changes in Equity

Year ended 31 December 2011

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 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
At 1 January 2011	53,029	324,590	4,020	43,660	5,000	318,357	748,656
Net loss for the year	–	–	–	–	–	(10,260)	(10,260)
Other comprehensive income for the year	–	–	–	–	4,000	–	4,000
Total comprehensive income (loss) for the year	–	–	–	–	4,000	(10,260)	(6,260)
At 31 December 2011	**53,029**	**324,590**	**4,020**	**43,660**	**9,000**	**308,097**	**742,396**

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	33	955,894	1,059,490
Interest paid		(54,415)	(43,161)
Hong Kong Profits Tax paid		(836)	(36)
PRC Corporate Income Tax paid		(601)	(314)
Net cash from operating activities		900,042	1,015,979
INVESTING ACTIVITIES			
Interest received		28,265	16,067
Increase in bank deposits with more than three months to maturity when placed		(91,093)	(109,200)
Dividend income received		4,606	724
Purchase of property, plant and equipment		(1,181,092)	(1,746,178)
Proceeds from disposal of property, plant and equipment		2,959	3,204
Net cash used in investing activities		(1,236,355)	(1,835,383)
FINANCING ACTIVITIES			
New secured bank loans		675,285	1,277,486
Repayment of secured bank loans		(488,026)	(549,815)
Decrease in pledged deposits		34,599	418,393
Net cash from financing activities		221,858	1,146,064
Net increase (decrease) in cash and cash equivalents		(114,455)	326,660
Cash and cash equivalents at 1 January		1,524,616	1,197,956
Cash and cash equivalents at 31 December	27	1,410,161	1,524,616

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 2011 were approved for issue by the Board on 15 March 2012.

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, all new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the accounting period beginning on 1 January 2011. The adoption of these new standards, amendments and interpretations has had no material impact on the Group's financial statements for the current and prior periods that have been presented.

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.

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

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [1]
HKAS 27 (2011)	Separate Financial Statements [2]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]

Notes:

1. Effective for annual periods beginning on or after 1 July 2012
2. Effective for annual periods beginning on or after 1 January 2013
3. Effective for annual periods beginning on or after 1 January 2014
4. Effective for annual periods beginning on or after 1 January 2015

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Basis of consolidation

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

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

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

4.3 Subsidiaries

Subsidiaries are entities 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.

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

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.

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

4.7 Borrowing costs

Borrowing costs incurred for the acquisition or construction of any qualifying asset are capitalized during the period of time that is required to 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.9 Property, plant and equipment *(Continued)*

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

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

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

4.12 Intangible assets

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

Club entrance fee	36 years
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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Inventories

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

4.15 Financial assets

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

4.15 Financial assets *(Continued)*

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

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 fair values and subsequently measured at amortized costs, using the effective interest method.

Borrowings

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

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

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

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.

4.20 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 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.

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

4.21 Employee benefits *(Continued)*

Retirement benefits schemes (Continued)

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

Short term employee benefits

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

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.

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

4.22 Leases *(Continued)*

Operating lease (as lessee)

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

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.

Assets leased out under operating leases (as lessor)

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

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

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

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

4.23 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 2011			
Segment revenue	2,380,529	403,763	2,784,292
Segment results	501,543	6,557	508,100
Unallocated income and expenses			
Interest income			30,075
Unallocated other operating income			18,083
Unallocated corporate expenses			(77,364)
Profit before taxation			478,894
Taxation			(1,205)
Net profit for the year			477,689
As at 31 December 2011			
Segment assets	9,167,866	83,507	9,251,373
Unallocated assets			
Pledged deposits			61,582
Bank balances and cash			1,618,254
Other current assets			504,519
Other non-current assets			329,858
Total assets			11,765,586
Segment liabilities	4,963,577	19,495	4,983,072
Unallocated liabilities			
Other current liabilities			133,992
Total liabilities			5,117,064

6. SEGMENT INFORMATION *(Continued)*

	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)*

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				
2011				
Depreciation and amortization	**392,194**	**173**	**13,738**	**406,105**
Finance costs	**56,285**	**521**	**116**	**56,922**
Impairment loss on owned vessels and vessels under construction	**198,330**	**–**	**–**	**198,330**
Provision for loss on charter hire	**55,279**	**–**	**–**	**55,279**
Impairment loss on trade receivables	**4,943**	**–**	**–**	**4,943**
Capital expenditures	**1,162,961**	**–**	**18,156**	**1,181,117**
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

6. SEGMENT INFORMATION *(Continued)*

While the Group's revenue was mainly attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, no analysis of revenue from chartering freight and hire business by geographical area is presented in the financial statements. During the year, about 37% (2010: 47%), 23% (2010: 16%), 14% (2010: 9%) and 10% (2010: 10%) of the Group's revenue from trading business by geographical area was attributable to Hong Kong, mainland China, Thailand and Indonesia 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 78% (2010: 79%) 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	
	2011	2010
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charter from owned vessels	**1,952,909**	1,933,925
Other chartering freight and hire income	**427,620**	782,625
Sale of goods	**403,763**	403,503
	2,784,292	3,120,053

Revenue of HK$785,112,000 (2010: HK$1,094,843,000) was derived from certain charterers who are under common control of a single entity, representing 28% (2010: 35%) of the Group's revenue for the year.

8. OTHER OPERATING INCOME

The other operating income for the year 2011 included an income of HK$24,559,000 as compensation from a charterer for early redelivery of a chartered-in Capesize. There was no such compensation income recognized in 2010.

The other operating income for the year 2010 included a settlement income of HK$202,800,000 in relation to two legal proceedings with Grand China Logistics Holding (Group) Co., Ltd ("GCL") and a GCL group company. Under the settlement agreement entered into with GCL in 2010, the Group shall withdraw the legal proceedings against GCL and its group company for the breach of time-charter contracts in 2009 upon receiving the settlement sum. As at 31 December 2011, the outstanding settlement sum was approximately HK$39 million.

9. STAFF COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**147,752**	224,310
Contributions to retirement benefits schemes	**2,690**	2,563
	150,442	226,873

10. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of the Directors, including the chief executives[1] of the Company for the years 2010 and 2011 are set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
2011					
Executive Directors					
Ng Siu Fai	**1,933**	**5,915**	**45,390**	**281**	**53,519**
Ng Kam Wah Thomas	**1,933**	**5,580**	**45,390**	**281**	**53,184**
Ng Ki Hung Frankie	**1,326**	**1,994**	**930**	**58**	**4,308**
Ho Suk Lin	**421**	**1,495**	**805**	**86**	**2,807**
Independent Non-executive Directors					
Cui Jianhua	**192**	**–**	**–**	**–**	**192**
Tsui Che Yin Frank	**426**	**–**	**–**	**–**	**426**
William Yau	**357**	**–**	**–**	**–**	**357**
	6,588	**14,984**	**92,515**	**706**	**114,793**
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

Note:

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

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

(b) The five highest paid individuals

The five highest paid individuals included four (2010: four) directors whose details of emoluments are presented on page 66. Emoluments of the remaining one (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**2,288**	2,334
Contributions to retirement benefits schemes	**34**	34
	2,322	2,368

11. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	Group	
	2011	2010
	HK$'000	*HK$'000*
Auditors' remuneration	**1,733**	1,762
Hire payments under time charters	**398,496**	454,610
Cost of inventories	**379,821**	398,441
Operating lease payments in respect of premises	**3,786**	3,705
Provision for loss on charter hire	**55,279**	–
Loss on cancellation of shipbuilding contracts	**–**	78,103
Net loss on financial assets at fair value through profit or loss	**47,508**	8,948
Impairment loss on trade receivables	**4,943**	1,263
Bad debts written off	**720**	315
Net exchange gain	**(6,941)**	(5,893)
Dividend income	**(5,319)**	(1,569)
Gross rental income from operating leases on investment properties	**(1,482)**	(1,014)
Outgoings in respect of investment properties	**121**	287
Revaluation surplus of investment properties	**(7,450)**	(19,310)
Net gain on disposal / write-off of property, plant and equipment	**(2,328)**	(996)

12. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	**10,248**	1,775
Not wholly repayable within five years	**46,674**	42,257
	56,922	44,032
Less: Interest expenses capitalized into vessels under construction	**–**	(236)
	56,922	43,796

13. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**595**	34
PRC Corporate Income Tax:		
Current year	**610**	370
	1,205	404

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**478,894**	676,436
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(21,927)**	(29,567)
Non-deductible expenses	**3,347**	2,828
Tax exempt revenue	**(6,511)**	(3,454)
Unrecognized tax losses	**28,148**	35,677
Unrecognized temporary differences	**(1,770)**	(3,364)
Utilization of previously unrecognized tax losses	**(82)**	(1,716)
Taxation charge for the year	**1,205**	404

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$259,266,000 (2010: HK$366,817,000) included a net loss of HK$10,260,000 (2010: net profit of HK$19,981,000) 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 2011 (2010: nil).

16. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share was calculated on the net profit attributable to shareholders of the Company for the year of HK$259,266,000 (2010: HK$366,817,000) and the weighted average number of 530,289,480 (2010: 530,289,480) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share was calculated on the net profit attributable to shareholders of the Company for the year of HK$259,266,000 (2010: HK$366,817,000) 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:

	2011 **Number of shares**	2010 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**530,289,480**	530,289,480
Deemed issue of ordinary shares on granting of share options	**5,265,150**	24,051,846
	535,554,630	554,341,326

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vessels 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 2010	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
Reclassification	1,550,539	(1,550,539)	–	–	–	–
Additions	42,595	1,120,231	14,470	–	3,821	1,181,117
Disposals / write-off	(16,447)	–	–	(130)	(7,796)	(24,373)
At 31 December 2011	**10,521,023**	**454,408**	**305,683**	**460**	**44,913**	**11,326,487**
Accumulated depreciation and impairment loss						
At 1 January 2010	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
Reclassification	230,803	(230,803)	–	–	–	–
Charge for the year	392,010	–	9,241	54	4,636	405,941
Eliminated on disposals / write-off	(16,447)	–	–	(130)	(7,140)	(23,717)
Impairment loss recognized	175,943	22,387	–	–	–	198,330
At 31 December 2011	**2,023,819**	**153,595**	**110,992**	**434**	**32,368**	**2,321,208**
Net book value						
At 31 December 2011	**8,497,204**	**300,813**	**194,691**	**26**	**12,545**	**9,005,279**
At 31 December 2010	7,702,826	522,705	189,462	80	14,016	8,429,089

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

Amid the oversupply of tonnage capacity and slowing demand for dry bulk commodities, a decline in market freight rates as well as market value of dry bulk vessels was resulted in late December 2011, which suggested that the carrying amounts of the Group's owned vessels and vessels under construction may or may not be recoverable. Accordingly, an impairment loss of HK$198,330,000 (2010: HK$577,454,000) was 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.

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 7.17% (2010: 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$34.7 million / decrease by HK$61.1 million (2010: 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 capitalized drydocking costs	Vessels under construction	Leasehold land and buildings	Plant and machinery	Leasehold improvement, utility vessels, furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
At cost	**10,521,023**	**454,408**	**252,683**	**460**	**44,913**	**11,273,487**
At professional valuation in 1994	**–**	**–**	**53,000**	**–**	**–**	**53,000**
	10,521,023	**454,408**	**305,683**	**460**	**44,913**	**11,326,487**
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

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$178,672,000 (2010: HK$172,279,000) at the reporting date.

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

All motor vessels 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	
	2011	2010
	HK$'000	*HK$'000*
Held in Hong Kong:		
On long term leases (over 50 years)	**112,201**	108,176
On medium term leases (10 – 50 years)	**82,490**	81,286
	194,691	189,462

18. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
At fair value		
At 1 January	**51,460**	32,150
Revaluation surplus	**7,450**	19,310
At 31 December	**58,910**	51,460

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	
	2011	2010
	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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted club debentures, at fair value	**20,600**	15,800	**14,000**	10,000
Unlisted club membership, at fair value	**1,580**	1,400	**–**	–
Unlisted investments				
Co-operative joint ventures	**27,847**	27,847	**–**	–
Less: Impairment loss	**(26,346)**	(26,346)	**–**	–
	1,501	1,501	**–**	–
Other unlisted investments	**23**	23	**–**	–
Less: Impairment loss	**(23)**	(23)	**–**	–
	–	–	**–**	–
	23,681	18,701	**14,000**	10,000

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 at the reporting date 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	
	2011	2010
	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	**702**	537
Charge for the year	**164**	165
At 31 December	**866**	702
Net book value		
At 31 December	**1,933**	2,097

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	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 42.

At the reporting date, the Company held 46,034,800 (2010: 46,034,800) shares of Jinhui Shipping with market value amounted to approximately HK$534,893,000 (2010: HK$1,192,563,000).

23. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Ship stores	**20,081**	3,260
Trading goods	**33,391**	25,429
	53,472	28,689

Inventories at the reporting date were carried at cost.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**93,280**	73,101	**–**	–
Prepayments, deposits and other receivables	**317,496**	266,322	**311**	435
	410,776	339,423	**311**	435

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 40(e).

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**81,353**	66,343
Over 3 months but within 6 months	**3,698**	4,859
Over 6 months but within 12 months	**7,016**	750
Over 12 months	**1,213**	1,149
	93,280	73,101

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	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**40,970**	37,208
Past due but not impaired		
Within 3 months past due	**43,001**	33,394
Over 3 months but within 6 months past due	**1,081**	602
Over 6 months but within 12 months past due	**7,015**	748
Over 12 months past due	**1,213**	1,149
	52,310	35,893
	93,280	73,101

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**150,582**	160,273
Impairment loss on retention	**21,700**	–
Impairment loss recognized	**28,678**	1,335
Reversal of impairment loss	**(23,735)**	(72)
Written off as uncollectible	**(9,552)**	(10,954)
At 31 December	**167,673**	150,582

The Group reviews receivables for evidence of impairment on both individual and collective basis. At the reporting date, the Group had determined trade and other receivables of HK$167,673,000 (2010: HK$150,582,000) 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$4,943,000 (2010: HK$1,263,000) had been recognized in 2011.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	**149,165**	182,979	**22,345**	21,957
Listed outside Hong Kong	**36,610**	16,607	**4,273**	4,316
	185,775	199,586	**26,618**	26,273
Debt securities				
Listed in Hong Kong	**3,274**	3,970	**–**	–
Listed outside Hong Kong	**28,548**	73,990	**8,843**	17,277
Unlisted	**275,062**	233,818	**–**	–
	306,884	311,778	**8,843**	17,277
	492,659	511,364	**35,461**	43,550

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. At the reporting date, 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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank deposits with three months or less to maturity when placed	**801,325**	1,172,443	**–**	–
Bank balances	**607,830**	350,780	**1,943**	24,148
Cash in hand	**1,006**	1,393	**–**	–
Cash and cash equivalents for consolidated statement of cash flows purpose	**1,410,161**	1,524,616	**1,943**	24,148
Bank deposits with more than three months to maturity when placed	**208,093**	117,000	**–**	–
	1,618,254	1,641,616	**1,943**	24,148

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**14,612**	27,229	**–**	–
Accrued charges and other payables	**562,524**	588,100	**605**	19,867
	577,136	615,329	**605**	19,867

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values. As at 31 December 2011, other payables included a provision for loss on charter hire of HK$55,279,000 (2010: nil), being the expected economic benefits derived from two time-charter contracts to be expired in early 2012 less the fixed costs under two long term chartered-in contracts.

The aging analysis of trade payables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**7,652**	5,369
Over 3 months but within 6 months	**–**	9,799
Over 6 months but within 12 months	**1,140**	–
Over 12 months	**5,820**	12,061
	14,612	27,229

29. SECURED BANK LOANS

	Group	
	2011	2010
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**536,572**	486,952
In the second year	**482,379**	437,275
In the third to fifth year	**1,601,936**	1,281,146
Wholly repayable within five years	**2,620,887**	2,205,373
After the fifth year	**1,918,733**	2,170,805
Total secured bank loans	**4,539,620**	4,376,178
Less: Amount repayable within one year	**(536,572)**	(486,952)
Amount repayable after one year	**4,003,048**	3,889,226

At the reporting date, secured bank loans included vessel mortgage loans of approximately HK$4,521,461,000 (2010: HK$4,334,202,000) that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.88% to 2.98% (2010: 0.81% to 2.15%) 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

	2011 Number of ordinary shares of HK$0.10 each	2011 Amount HK$'000	2010 Number of ordinary shares of HK$0.10 each	2010 Amount HK$'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 and **31 December**	**530,289,480**	**53,029**	530,289,480	53,029

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$275,877,000 (2010: HK$286,137,000).

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

Capital redemption reserve
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 Kong 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

Under the Share Option Scheme, the Board was authorized to grant share options to acquire the shares of the Company to the Directors, officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. The option is unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.10 each of the Company.

Details of share options under the Share Option Scheme granted to Directors and movement in the number of outstanding share options in 2011 were as follows:

	Date of grant	Number of options granted	Value of options at grant dates *HK$'000*	Exercise price per share *HK$*	Exercisable period	Remaining contractual lives of outstanding share options	Number of outstanding options as at 1 January and 31 December 2011	Number of options exercisable as at 31 December 2011
Performance based options	23 December 2004	52,620,000	34,745	1.60	31 March 2006 to 22 December 2014	3 years	52,620,000	52,620,000
Non-performance based options	29 June 2006	9,552,000	3,435	1.57	29 June 2006 to 28 June 2016	5 years	9,552,000	9,552,000
		62,172,000	**38,180**				**62,172,000**	**62,172,000**

Notes:

1. No share option was granted, exercised, cancelled or lapsed during the years of 2010 and 2011.

2. The closing price per share of the Company as at 31 December 2011 was HK$1.37.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**478,894**	676,436
Depreciation and amortization	**406,105**	340,407
Interest income	**(30,075)**	(17,346)
Interest expenses	**56,922**	43,796
Provision for loss on charter hire	**55,279**	–
Loss on cancellation of shipbuilding contracts	**–**	78,103
Impairment loss on trade receivables	**4,943**	1,263
Bad debts written off	**720**	315
Dividend income	**(5,319)**	(1,569)
Impairment loss on owned vessels and vessels under construction	**198,330**	577,454
Revaluation surplus of investment properties	**(7,450)**	(19,310)
Net gain on disposal / write-off of property, plant and equipment	**(2,328)**	(996)
Changes in working capital:		
Inventories	**(24,783)**	(6,155)
Trade and other receivables	**(74,966)**	(36,382)
Financial assets at fair value through profit or loss	**19,418**	(374,347)
Trade and other payables	**(18,895)**	(10,888)
Advance receipt	**(100,901)**	(191,291)
Cash generated from operations	**955,894**	1,059,490

34. DEFERRED TAXATION

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Deductible temporary differences	**909**	340
Tax losses	**1,763,943**	1,587,976
	1,764,852	1,588,316

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	
	2011	2010
	HK$'000	*HK$'000*
Within one year:		
Premises	**96**	50
Time charter hire	**345,199**	401,193
	345,295	401,243
In the second to fifth year:		
Premises	**65**	–
Time charter hire	**253,122**	588,561
	253,187	588,561
	598,482	989,804

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	
	2011	2010
	HK$'000	*HK$'000*
Within one year:		
Premises	**1,827**	630
Owned vessels	**987,469**	1,414,184
Chartered-in vessels	**21,879**	439,118
Others	**180**	124
	1,011,355	1,854,056
In the second to fifth year:		
Premises	**975**	–
Owned vessels	**833,589**	2,334,880
Chartered-in vessels	**–**	327,349
	834,564	2,662,229
	1,845,919	4,516,285

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$1,227,135,000 (2010: HK$2,349,390,000), representing the Group's outstanding capital expenditure commitments to acquire five (2010: nine) newbuildings at total contract price of US$35,000,000 and JPY16,221,000,000 (2010: US$81,500,000 and JPY29,301,000,000).

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$8,584,672,000 (2010: HK$7,790,484,000);

(b) Financial assets at fair value through profit or loss of HK$50,895,000 (2010: HK$69,216,000);

(c) Deposits totalling HK$61,582,000 (2010: HK$84,545,000) of the Group placed with banks and other financial institution; and

(d) Assignment of thirty five (2010: thirty one) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of twenty nine (2010: twenty six) 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:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**113,988**	190,730
Contributions to retirement benefits schemes	**932**	914
	114,920	191,644

39. RELATED PARTY TRANSACTIONS *(Continued)*

Company

(a) Payment of an administrative fee of HK$1,749,000 (2010: HK$1,743,000) to a subsidiary;

(b) Receipt of interest income of HK$6,961,000 (2010: HK$6,750,000) from subsidiaries;

(c) Payment of rental charges of HK$1,800,000 (2010: HK$1,800,000) to subsidiaries;

(d) Guarantees provided to banks to secure credit facilities granted to subsidiaries amounting to HK$57,250,000 (2010: HK$52,000,000), and the amount of such facilities utilized was HK$18,301,000 (2010: HK$41,976,000) at the reporting date; and

(e) Compensation of key management personnel as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**4,737**	26,054
Contributions to retirement benefits schemes	**86**	208
	4,823	26,262

40. 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.

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

(a) Categories of financial instruments

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets				
Unlisted club debentures	**20,600**	15,800	**14,000**	10,000
Unlisted club membership	**1,580**	1,400	**–**	–
Unlisted investments in co-operative joint ventures	**1,501**	1,501	**–**	–
	23,681	18,701	**14,000**	10,000
Financial assets at fair value through profit or loss				
Equity securities	**185,775**	199,586	**26,618**	26,273
Debt securities	**306,884**	311,778	**8,843**	17,277
	492,659	511,364	**35,461**	43,550
Loans and receivables				
Trade and other receivables	**250,169**	202,616	**124**	249
Due from subsidiaries	**–**	–	**213,000**	212,087
Pledged deposits	**61,582**	96,181	**5**	22
Bank balances and cash	**1,618,254**	1,641,616	**1,943**	24,148
	1,930,005	1,940,413	**215,072**	236,506
	2,446,345	2,470,478	**264,533**	290,056
Financial liabilities				
Trade and other payables	**402,133**	404,054	**605**	19,867
Borrowings				
Secured bank loans	**4,539,620**	4,376,178	**–**	–
	4,941,753	4,780,232	**605**	19,867

40. 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$4,539,620,000 (2010: HK$4,376,178,000) at the reporting date, it is estimated that an increase of 40 (2010: 40) basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by HK$18,158,000 (2010: HK$17,505,000).

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 2011 and 2010, 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.*

40. 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 date is set out in note 25.

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group at the reporting date, if the quoted prices of the listed equity securities had been decreased by 10%, the Group's net profit would decrease by HK$18,578,000 (2010: HK$19,959,000).

Based on the portfolio of debt securities held by the Group at the reporting date, if the quoted prices of the debt securities had been decreased by 10%, the Group's net profit would decrease by HK$30,688,000 (2010: HK$31,178,000).

(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 trading customers in the ordinary course of its operations, investment in debt securities and other financial instruments, and placing deposits with banks and financial institutions.

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

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

* *The 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.*

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

(e) Credit risk *(Continued)*

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

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.

(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.

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

(f) Liquidity risk *(Continued)*

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

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*
2011						
Trade and other payables	402,133	–	–	–	402,133	402,133
Secured bank loans	600,024	539,266	1,730,555	1,992,610	4,862,455	4,539,620
	1,002,157	539,266	1,730,555	1,992,610	5,264,588	4,941,753
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

41. 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	
	2011	2010
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**536,572**	486,952
Secured bank loans repayable after one year	**4,003,048**	3,889,226
Total secured bank loans	**4,539,620**	4,376,178
Less: Equity and debt securities	**(492,659)**	(511,364)
Less: Bank balances and cash	**(1,618,254)**	(1,641,616)
Net debts	**2,428,707**	2,223,198
Total equity	**6,648,522**	6,165,853
Gearing ratio	**37%**	36%

42. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	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

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	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

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	Principal activities	Place of operation
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Huafeng Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinchao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinfeng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinmao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinmei Marine Inc.	2 registered shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinming Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinrui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2011	Attributable equity interest at 31/12/2010	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
Jinze 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 2011 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;
Capesize(s)	Dry bulk vessel(s) of deadweight approximately 150,000 metric tons or above;
CGU	Cash generating unit;
Chairman	Chairman of the Board;
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 2011;
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;

Glossary

Abbreviations / Main terms	Meanings in the annual report
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Shipping	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of the Company as at 31 December 2011, whose shares are listed on the Oslo Stock Exchange;
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Panamax	Vessel of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax	Vessel of deadweight approximately 90,000 metric tons to 100,000 metric tons;
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
Shareholder(s)	Shareholder(s) of the Company;
Share Option Scheme	A share option scheme adopted by the Company pursuant to a resolution passed on 18 November 2004;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Stock Exchange	The Stock Exchange of Hong Kong Limited;
Supramax	Dry cargo vessel 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.