JINHUI

JINHUI HOLDINGS COMPANY LIMITED

STOCK CODE: 137

ANNUAL REPORT 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ho Suk Lin

AUDITOR

Grant Thornton
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
Mizuho Corporate Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation

SHARE REGISTRAR

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

REGISTERED OFFICE

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

CONTACTS

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WEBSITE

www.jinhuiship.com

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2012.

RESULTS

The Group's revenue for the year was HK$2,104,425,000, representing a decline of 24% as compared to HK$2,784,292,000 for the year 2011. The net profit attributable to shareholders of the Company for the year was HK$154,765,000 whereas HK$259,266,000 was reported in 2011. Basic earnings per share was HK$0.292 for the year as compared to that of HK$0.489 for the year 2011.

The Group's segment revenue from chartering freight and hire for the year decreased by 23% to HK$1,825,477,000 as comparing to HK$2,380,529,000 for the year 2011. The Group's operating results from chartering freight and hire for the year was constrained by the depressed market charter rates in particular to larger size fleet. In early 2012, two chartered-in Capesizes were chartered-out at operating loss of approximately HK$174,662,000 and these loss-making contracts with expiry in December 2012 and October 2013 hurt our earnings for the year. In this tough year, the Group recorded segment profit of HK$232,135,000 from chartering freight and hire, whereas HK$501,543,000 was reported in 2011. Given the general unfavourable market conditions and the fall in commodity prices as a result of slackening demand for industrial commodities, the Group's segment revenue from trading business for the year was HK$278,948,000 and a segment loss of HK$2,425,000 was reported for the year, whereas segment revenue of HK$403,763,000 and segment profit of HK$6,557,000 were reported in 2011.

As scheduled, two newly built Supramaxes and one newly built Handysize were delivered to the Group in 2012. As at 31 December 2012, the Group had thirty eight owned vessels and three 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 2012. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2012.

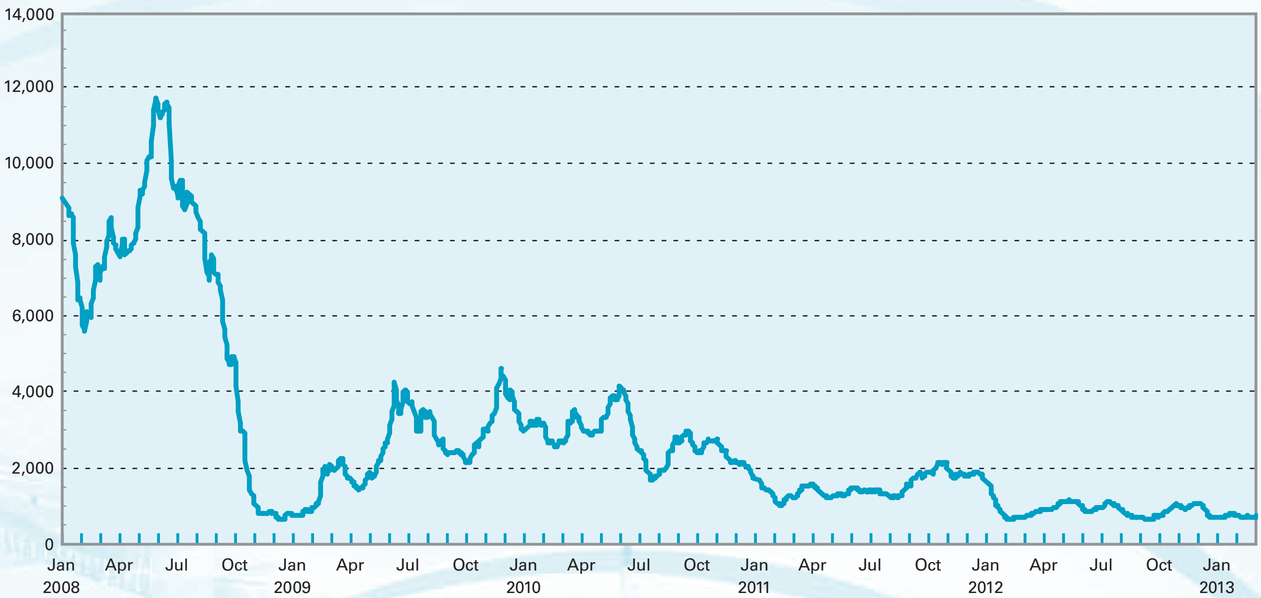
BUSINESS REVIEW

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.

BUSINESS REVIEW *(Continued)*

Dry bulk shipping market was under severe challenges in 2012. China and India, the main driving forces for global seaborne trade, showed signs of slowing down in economic growth, reflecting economic distress in western countries has cascaded into the emerging countries. The continual delivery of new dry bulk tonnages rapidly outpaced market demand for dry bulk carriers, and caused market freight rates to drop rigorously. The market sentiment was further weighed down by the worsening Eurozone financial crisis when Spain revealed its banking crisis that immediately triggered a chain reaction on the financial markets across peripheral Europe. The BDI opened at 1,738 points at the beginning of 2012 and collapsed to its record low at 647 points on 3 February 2012. Despite global economy was seemingly stabilized after massive third round of quantitative easing and Eurozone bailout funds intervened into markets in the second half of 2012, economic growth prospects varied widely across the world with sharp sectorial disparities. The dry bulk shipping market continued rallying over the anticipated oversupply of tonnages, volatile demands in Asian countries, coupled with traditional seasonal demand of dry bulk commodities in winter season. The BDI declined to around 700 points in September 2012, climbed to around 1,100 points in early December and finally closed at 699 points by end of 2012.

Baltic Dry Index



Source: Bloomberg

Revenue from chartering freight and hire for the year decreased by 23% to HK$1,825,477,000 as comparing to HK$2,380,529,000 for the year 2011. Segment profit from chartering freight and hire for the year was HK$232,135,000 as comparing to HK$501,543,000 for the year 2011.

BUSINESS REVIEW *(Continued)*

The decline in segment revenue and segment profit from chartering freight and hire was mainly due to the expiration of some high earning charter contracts in late 2011 and early 2012, and lower charter rates upon redeployment of our fleet in prevailing weak market upon contract renewal in particular to larger size fleet. Despite market freight rate for Capesize fleet improved moderately in the fourth quarter of 2012 supported by rising Chinese iron ore imports, the overall Capesize freight rate has been at fairly low level in year 2012.

The Group was exposed to the low freight rate environment mainly due to an oversupply of tonnages, and therefore had to enter into some loss-making chartered-out contracts in early 2012 as part of our fleet is due for contract renewal in the prevailing market conditions. In 2011, the Group's two chartered-in Capesizes were chartered-out at operating loss under two spot chartered-out contracts to be expired in April 2012. When approaching expiration of two chartered-out contracts, the Group committed the two Capesizes to new employment contracts in March and April 2012. Both employments were loss-making as the expected economic benefits derived from the contracts were below the fixed costs under two Capesizes' long term chartered-in contracts. Accordingly, the Group recognized provision for loss on charter hire of HK$174,662,000 in early 2012 for contracts which covered minimum lease periods of eight months until December 2012 and eighteen months until October 2013. The net provision for loss on charter hire of HK$12,268,000 for the year was included in shipping related expenses in the consolidated statement of comprehensive income.

During the year, the Group recognized settlement income of HK$123,894,000 in relation to the full settlement income from a charterer for early termination of time-charter contract, and the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving shares of KLC and partial cash settlement. The remaining settlement income from KLC will be settled by cash payments spanning through a period between 2013 and 2021. The Group would recognize the remaining settlement income from KLC when the realization of such income becomes virtually certain and cash or assets that are readily convertible to cash have been received.

Shipping related expenses for the year 2012 dropped to HK$1,146,475,000, as comparing to HK$1,162,569,000 for the year 2011. The decrease was primarily due to the expiration of a chartered-in contract of a Panamax in mid-2011 that led to the reduction in hire payments and the decrease in provision for loss on charter hire being recognized in the year. However, such decrease was partially offset by rising port expenses and bunker expenses incurred for certain voyage charters being carried out in the year.

Due to the expansion of owned fleet and relatively higher contract price of recently delivered owned vessels, depreciation and amortization for chartering freight and hire segment increased by 10% to HK$431,306,000 for the year 2012 from HK$392,194,000 for the year 2011. As at 31 December 2012, the Group had thirty eight owned vessels as compared to thirty five owned vessels as at 31 December 2011. The Group strives to maintain a low operating cost structure by keeping a young and cost-efficient fleet with average vessel age currently at six years.

Finance costs for chartering freight and hire segment for the year 2012 rose 19% to HK$66,988,000, as compared to HK$56,285,000 for the year 2011. The increase was attributable to the increase in the number of owned vessels of the Group and higher loan interest margin being agreed under loan facilities for the recently delivered owned vessels.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

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

The Group's segment revenue from trading business dropped 31% to HK$278,948,000 for the year as comparing to HK$403,763,000 for the year 2011. Given the general unfavourable market conditions and the fall in commodity prices as a result of slackening demand for industrial commodities, the Group's operating results from trading business was inevitably impacted by the reduced profit margin and reported segment loss of HK$2,425,000 from trading business for the year, whereas segment profit of HK$6,557,000 was reported in 2011.

Other financial information. As major stock markets rebounded in the second half of 2012, the Group recognized fair value gain on investment portfolio, predominantly in equity securities listed in Hong Kong, of HK$21,568,000 for the year and was recorded in unallocated other operating income. On the contrary, fair value loss on investment portfolio, of HK$55,493,000 was recognized for the year 2011 and was recorded in unallocated corporate expenses. In the absence of fair value loss on investment portfolio in 2012, the unallocated corporate expenses for the year decreased significantly as compared to that of in last year.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. As at 31 December 2012, the total of the Group's equity and debt securities, bank balances and cash decreased to HK$1,638,758,000 (2011: HK$2,110,913,000) and bank borrowings decreased to HK$4,431,376,000 (2011: HK$4,539,620,000), of which 13%, 12%, 37% and 38% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, increased to 40% as at 31 December 2012 (2011: 37%).

Secured bank loans drawn during the year comprised of vessel mortgage loans drawn upon delivery of three newbuildings, trust receipt loans and short term foreign currency demand loans. Vessel mortgage loans and trust receipt loans were denominated in United States Dollars and were committed on floating rate basis, whereas short term foreign currency demand loans were denominated in Japanese Yen and Euro and were committed on fixed rate basis. The demand loans allow flexibility for the Group to further enhance its working capital requirements at very low funding costs and to swiftly manage the currency exposures. 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 2012, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK$9,193,277,000 (2011: HK$8,584,672,000) and deposits of HK$154,248,000 (2011: HK$61,582,000) placed with banks were pledged together with the assignment of thirty eight (2011: thirty five) ship owning subsidiaries' chartering income to secure certain credit facilities utilized by the Group. In addition, shares of thirty two (2011: twenty nine) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

FINANCIAL REVIEW *(Continued)*

Capital expenditures and commitments. During the year, capital expenditure on additions of owned vessels and vessels under construction was HK$870,956,000 (2011: HK$1,162,826,000), on other property, plant and equipment was HK$5,799,000 (2011: HK$18,291,000), and on investment properties was HK$31,318,000 (2011: nil).

As at 31 December 2012, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$339,333,000 (2011: HK$1,227,135,000), representing the Group's outstanding capital expenditure commitments to acquire two (2011: five) newbuildings at total contract price of US$17,500,000 and JPY6,410,500,000 (2011: US$35,000,000 and JPY16,221,000,000). The 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.

RISK MANAGEMENT

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

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

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

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.

Chairman's Statement

RISK MANAGEMENT *(Continued)*

Liquidity risk. Liquidity risk is the risk that the Group fails to meet its obligations associated with its financial liabilities. The Group takes conservative treasury policies to maintain sufficient cash reserves, readily realizable marketable equity and debt securities and obtain credit facilities from well-known financial institutions. The management actively involves in treasury management to ensure adequate cash flows to meet the expected liquidity requirements, working capital and capital expenditures needs.

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 2012, the Group had 107 (2011: 106) 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

2012 has been a challenging year not just for dry bulk shipping market, but for the entire global economy as a whole. While encouraging news and economic indicators have popped up periodically in news headline, there seems to be a lack of solid and persistent pattern in such events. We are of the view that the global economic health continues to remain weak at this juncture.

The market has been putting a lot of faith in Asia, with China as the bright spot. Indeed we also see the economic activities in the Asian region with China in particular to outperform the west. However, the high speed economic growth period of China has past. In order to preserve a positive, persistent, and healthy Chinese economic growth rate, the new Chinese Leaders will need to introduce new effective policies and measures that we are eagerly waiting for.

The dry bulk shipping market will continue to be an uphill battle in 2013 against this economic backdrop, with oversupply in tonnages, excess shipbuilding capacity and generally lower demand growth of dry seaborne trade. Although recent activities that positively reduced the supply side such as slippage and scrapping have been high, we expect that our industry may remain volatile before it gets better. Fewer banks are now offering ship financing against such outlook, especially given the extraordinary challenges financial institutions are already facing. Looking ahead, we expect further company defaults, rising counterparty risks, and further pressure on asset prices, but at the same time we believe there will be interesting opportunities for those who are patient, prepared and have placed liquidity as a priority in the past years.

OUTLOOK *(Continued)*

We aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise.

In the coming year, we will continue to focus on the basics as our top priority: maintain a strong financial position and a healthy gearing level, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, and keeping costs in check to enhance our margins. We see both headwind and murky waters ahead of us and will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios.

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 15 March 2013

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.

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2012, the Group had thirty eight owned vessels and 911 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	93,279
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204
Jin Rui	Panamax	2009	Imabari	76,583
Jin Chao	Panamax	2011	Sasebo	75,008
Jin Xiang	Supramax	2012	Oshima	61,414
Jin Han	Supramax	2011	Oshima	61,414
Jin Hong	Supramax	2011	Oshima	61,414
Jin Ming	Supramax	2010	Oshima	61,414
Jin Ze	Supramax	2012	Tsuneishi	57,982
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
Jin Yu	Handysize	2012	Naikai Zosen	38,462
				2,192,745

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

Excluding commitments to acquire and dispose of vessels as announced by the Company previously, as at 31 December 2012, the Group committed to acquire one newbuilding under construction for delivery in 2013.

Name	Type	Built	Size (dwt)	Builder	Expected delivery
Jin Qing	Supramax	2013	58,100	Tsuneishi	Early 2013

Chartered-in Vessels

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

Name	Type	Built	Size (dwt)	Charter in date	Expiry
Golden Shui	Capesize	2009	169,333	May 2009	Feb 2014
Tenmyo Maru	Supramax	2008	58,470	Nov 2008	Oct 2013
			227,803		

Note:

A chartered-in Capesize "Scope" (2006 – 174,008 dwt) with charter period expiring in April 2013 was early redelivered to the owner in January 2013.

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.

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

	2012	2011
(Expressed as a percentage of revenue for chartering freight and hire)	%	%
Asia excluding China	57.5	51.6
South America	9.6	16.6
North America	8.7	10.5
Australia	8.5	7.2
China	7.2	1.4
Africa	5.1	6.8
Europe	2.2	4.3
Others	1.2	1.6
	100.0	100.0

Discharging Ports Analysis

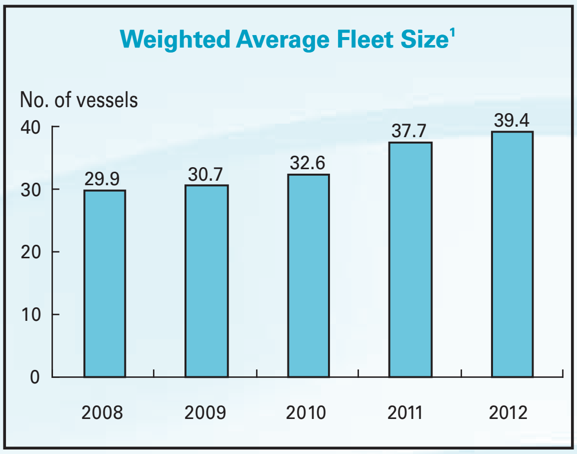
	2012	2011
(Expressed as a percentage of revenue for chartering freight and hire)	%	%
China	68.4	58.1
Asia excluding China	16.2	15.8
Africa	5.9	4.5
North America	4.0	3.5
Europe	2.8	13.0
South America	1.7	3.6
Others	1.0	0.7
Australia	–	0.8
	100.0	100.0

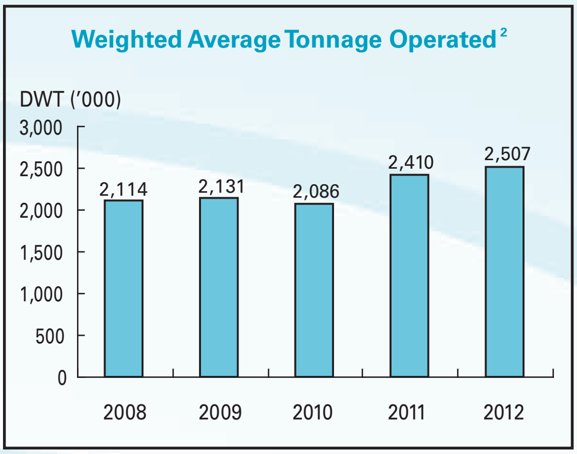
Types of Cargoes Carried by the Group's Fleet

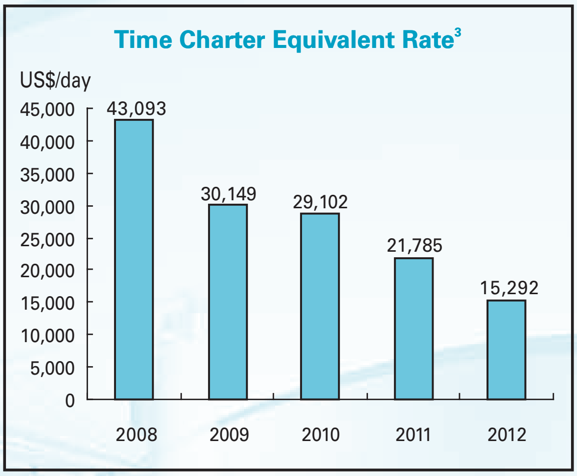
	2012		2011	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	16,902	77.0	14,412	67.5
Coal	2,841	12.9	4,327	20.3
Agricultural products	1,023	4.7	1,345	6.3
Steel products	632	2.9	449	2.1
Cement	394	1.8	628	2.9
Fertilizer	144	0.6	152	0.7
Alumina	13	0.1	48	0.2
	21,949	100.0	21,361	100.0

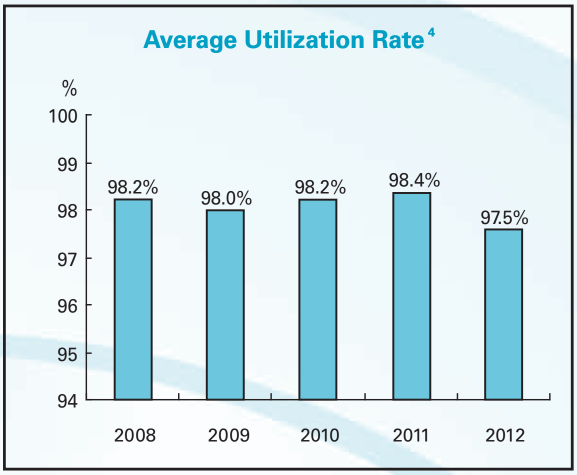
Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS









Notes:

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

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

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

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

FIVE-YEAR FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Comprehensive Income					
Revenue	**2,104,425**	2,784,292	3,120,053	2,867,606	3,885,957
Operating profit	**348,257**	535,816	720,232	1,257,203	1,896,273
Finance costs	**(68,299)**	(56,922)	(43,796)	(59,710)	(139,364)
Profit before taxation	**279,958**	478,894	676,436	1,197,493	1,756,909
Taxation	**(540)**	(1,205)	(404)	(218)	1,650
Net profit for the year	**279,418**	477,689	676,032	1,197,275	1,758,559
Other comprehensive income	**400**	4,980	1,398	5,712	379
Total comprehensive income for the year	**279,818**	482,669	677,430	1,202,987	1,758,938
Total comprehensive income for the year attributable to:					
Shareholders of the Company	**155,165**	264,165	368,057	659,731	918,511
Non-controlling interests	**124,653**	218,504	309,373	543,256	840,427
	279,818	482,669	677,430	1,202,987	1,758,938
Other Financial Information					
EBITDA	**794,288**	941,921	1,060,639	1,525,984	2,127,666
Dividend per share	**–**	–	–	–	HK$0.120
Basic earnings per share	**HK$0.292**	HK$0.489	HK$0.692	HK$1.255	HK$1.763

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**9,594,795**	9,128,843	8,540,387	7,771,935	7,006,442
Current assets	**2,333,029**	2,636,743	2,617,273	2,182,101	1,220,689
Current liabilities	**(1,154,583)**	(1,114,016)	(1,102,581)	(1,231,537)	(923,117)
Non-current liabilities	**(3,844,901)**	(4,003,048)	(3,889,226)	(3,234,076)	(3,032,865)
Net assets	**6,928,340**	6,648,522	6,165,853	5,488,423	4,271,149
Issued capital	**53,029**	53,029	53,029	53,029	52,134
Reserves	**3,836,801**	3,681,636	3,417,471	3,049,414	2,376,291
Equity attributable to shareholders of the Company	**3,889,830**	3,734,665	3,470,500	3,102,443	2,428,425
Non-controlling interests	**3,038,510**	2,913,857	2,695,353	2,385,980	1,842,724
Total equity	**6,928,340**	6,648,522	6,165,853	5,488,423	4,271,149
Other Financial Information					
Return on average equity	**4%**	7%	11%	24%	46%
Gearing ratio	**40%**	37%	36%	42%	61%

CORPORATE GOVERNANCE PRINCIPLES

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

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

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the period from 1 January 2012 to 31 March 2012, and with the Corporate Governance Code and Corporate Governance Report as set out in the amended Appendix 14 of the Listing Rules throughout the period from 1 April 2012 to 31 December 2012, with deviations explained in this corporate governance report.

DIRECTORS

The Board

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

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

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

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

DIRECTORS *(Continued)*

The Board *(Continued)*

The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers of the Company and its subsidiaries.

The Board meets regularly over the Company's affairs and operations. The attendance records of each member of the Board and board committees at meetings of the Board, Audit Committee and Remuneration Committee held in 2012, and the 2012 Annual General Meeting are set out below:

	Number of meetings attended / held for the year 2012			
	Board	**Audit Committee**	**Remuneration Committee**	**2012 Annual General Meeting**
Executive Directors				
Ng Siu Fai, *Chairman*	10/10	–	–	1/1
Ng Kam Wah Thomas, *Managing Director*	10/10	–	–	0/1
Ng Ki Hung Frankie	9/10	–	–	1/1
Ho Suk Lin	10/10	–	–	1/1
Independent Non-executive Directors				
Cui Jianhua	7/10	4/4	1/1	1/1
Tsui Che Yin Frank	7/10	4/4	1/1	1/1
William Yau	7/10	4/4	1/1	1/1

Chairman and Chief Executive

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

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

DIRECTORS *(Continued)*

Chairman and Chief Executive *(Continued)*

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

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

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

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

Board composition

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

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

Biographical details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are set out on pages 30 and 31.

DIRECTORS *(Continued)*

Board composition *(Continued)*

During the year, 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.

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

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

Appointments and re-election of directors

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

The non-executive directors of the Company are not appointed for specific terms. This constitutes deviations from code provision A.4.1 of the Code and the CG Code. In accordance with the Articles of Association of the Company, non-executive directors will be subject to retirement by rotation at least once every three years and re-appointed at annual general meeting of the Company. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code and the CG Code. Nevertheless, the Board wishes to meet the objectives of the relevant code provisions and formal letters of appointment with specific terms with independent non-executive directors are being arranged with effective date on 1 January 2013.

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

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

DIRECTORS *(Continued)*

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

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

Re-election of independent non-executive directors

Mr. Tsui Che Yin Frank has served as an independent non-executive director since December 1994. As Mr. Tsui has served the Company for more than nine years, and he was subject to re-election as an independent non-executive director at the 2012 Annual General Meeting, the Board assessed and considered that Mr. Tsui's independence was not affected by his long service with the Company. Mr. Tsui met the independence guideline as set out in Rule 3.13 of the Listing Rules. He has been independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. His further appointment which was subject to a separate resolution had been approved by Shareholders at the 2012 Annual General Meeting held on 15 May 2012.

Nomination Committee

CG Code provisions A.5.1 to A.5.5 In respect of code provisions A.5.1 to A.5.5 of the CG Code, the Company had not established a nomination committee in 2012.

During the year 2012, the Company had not established a nomination committee as the procedures for shareholders of the Company to elect a director has properly published in the Company's website, and the Board is responsible for monitoring its structure, size and composition, reviewing the succession plan for the Directors, in particular the Chairman and the Managing Director, and understanding the need for any changes as well as maintaining contacts with shareholders, board committee members and senior management. The relevant function performed by the Board as a whole is considered sufficient to maintain the corporate governance practices of the Company.

Nevertheless, the Board wishes to meet the objectives of the relevant code provisions and the Nomination Committee has been established since 1 January 2013. The Nomination Committee is chaired by Mr. Cui Jianhua. The other members are Mr. Tsui Che Yin Frank and Mr. William Yau. All members of the Nomination Committee are independent non-executive directors of the Company. The terms of reference of Nomination Committee, explaining its roles and authorities delegated to it by the Board was published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

DIRECTORS *(Continued)*

Responsibilities of directors

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

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

The Board is satisfied with continuous professional development undertaken by respective Directors. During the period from 1 April to 31 December 2012, Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie, Ms. Ho Suk Lin, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau participated in continuous professional development by perusing comprehensive papers focusing on the roles, functions and duties of a listed company directors published by relevant authorities and professional bodies. In addition, Ms. Ho Suk Lin and Mr. Tsui Che Yin Frank, who have appropriate professional qualifications in accounting and related financial management expertise, further confirmed that they had attended adequate continuous professional development courses and seminars held by relevant authorities and professional bodies. Mr. Cui Jianhua and Mr. William Yau also attended courses and seminars which were relevant to internal controls and corporate governance related matters.

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 2012.

Supply of and access to information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

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

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

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

During the year, the Remuneration Committee held a meeting to review and assess the management's remuneration proposals with reference to the corporate goals and objectives, and to make recommendations to the Board regarding the remuneration to individual executive directors and senior management. Details of the emoluments of the Directors and remuneration to senior management by band for the year are set out in note 10 to the financial statements.

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

ACCOUNTABILITY AND AUDIT *(Continued)*

Financial reporting *(Continued)*

The Directors are responsible for preparing the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern. A statement by the auditor of the Company about auditor's responsibility on the financial statements of the Company and the Group is set out in the independent auditor's report on pages 41 and 42.

Internal controls

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

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 during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented.

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

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

ACCOUNTABILITY AND AUDIT *(Continued)*

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 "Chairman's Statement" and note 41 to the financial statements.

Audit Committee

The Audit Committee was established on 22 September 1998, currently comprises of three independent non-executive directors, Mr. Tsui Che Yin Frank (chairman of Audit Committee), Mr. Cui Jianhua and Mr. William Yau.

The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the system of internal control and compliance. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the auditor and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

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

During the year, the Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual reports before submission to the Board. The Audit Committee held four meetings in 2012. The Group's annual financial statements for the year ended 31 December 2012 and interim financial statements for the period ended 30 June 2012 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

DELEGATION BY THE BOARD

Management functions

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

The Company formalizes the functions reserved to the Board and those delegated to the management. Such arrangements are subject to periodically review to ensure they remain appropriate to the Company's needs.

DELEGATION BY THE BOARD *(Continued)*

Management functions *(Continued)*

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

The list of executive directors and senior management and their biographical details are set out on pages 30 to 32.

CG Code provision D.1.4 Under code provision D.1.4 of the CG Code, directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

There are no formal letters of appointment for Directors setting out the key terms and conditions of their appointments. This constitutes a deviation from code provision D.1.4 of the CG Code. It is not the Company's practice to have formal letters of appointment for Directors. Directors understand clearly about their duties to the Company, to which they are collectively and individually responsible for. Nevertheless, the Board wishes to meet the objectives of the relevant code provision and formal letters of appointment for Directors setting out the key terms and conditions of their appointments are being arranged with effective date on 1 January 2013.

Board committees

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

Corporate governance functions

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

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

COMMUNICATION WITH SHAREHOLDERS

Effective communication

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

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

The 2013 Annual General Meeting of the Company will be held on Tuesday, 14 May 2013. Notice of the Annual General Meeting will be published at least twenty clear business days before the meeting on the websites of Hong Kong Exchanges and Clearing Limited and the Company, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Friday, 10 May 2013 to Tuesday, 14 May 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the 2013 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, 9 May 2013.

Voting by poll

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

COMPANY SECRETARY

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

AUDITOR'S REMUNERATION

The performance of the auditor of the Company during the year has been reviewed by the Audit Committee. In 2012, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were HK$1,547,000 and HK$342,000 respectively. The other services mainly include interim review, tax compliance services and review of internal control systems.

SHAREHOLDERS' RIGHT

Procedures for shareholders to convene an extraordinary general meeting

For shareholder of the Company who wish to convene an extraordinary general meeting, that shareholder is requested to follow the requirements and procedures as set out in Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Shareholder holding not less than one-twentieth of the paid-up capital of the Company may submit a written requisition to convene an extraordinary general meeting for a date no later than eight weeks after receipt of the requisition.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company (26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong), and may consist of several documents in like form, each signed by one or more requisitionists. The request will be verified with the Company's share registrar and upon its confirmation that the request is valid, the Company Secretary will convene an extraordinary general meeting on behalf of the Board by serving sufficient notice in accordance with the statutory requirements or applicable rules or regulations to all the registered shareholders. If the request is verified as invalid, shareholders concerned will be advised of the result and no extraordinary general meeting will be convened.

If Directors do not within twenty one days from the date of the deposit of the requisition proceed duly to convene an extraordinary general meeting for a day not more than twenty eight days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an extraordinary general meeting, but any extraordinary general meeting so convened shall not be held after the expiration of three months from the said date.

SHAREHOLDERS' RIGHT *(Continued)*

Procedures for shareholders to include resolution in shareholders' meetings

For shareholder of the Company who wish to make a request for including a resolution in the general meeting, that shareholder is requested to follow the requirements and procedures as set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Shareholder can submit a written requisition to move a resolution at the general meeting pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) if they: (a) represent not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (b) are not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

Such written request must: (i) state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at that meeting and signed by the requisitionists (which may be contained in one or several documents in like form); and (ii) be deposited to the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution and not less than one week before the general meeting in case of any other requisition.

Shareholders' enquiries

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

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 56. 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 50. 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 59. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, *Executive Director*

Aged 49. 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 58. 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 MBA Resources Company Limited (formerly known as Poco Holdings Limited) and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

BOARD OF DIRECTORS *(Continued)*

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

Aged 55. 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 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 45. 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 38. 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 59. 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.

SENIOR MANAGEMENT *(Continued)*

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

Aged 60. 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 53. 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 43. 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.

The Directors present their report and the audited financial statements of Jinhui Holdings and its subsidiaries for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group and the Company as at 31 December 2012 are set out in the financial statements on pages 43 to 110.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2012. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2012.

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 46 and 47.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2012 calculated under Section 79B(2) of the Hong Kong Companies Ordinance amounted to HK$279,357,000.

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 15 and 16.

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.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2012 are set out in note 30 to the financial statements.

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

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

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 54% and 26% 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 76% and 20% 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$28,000.

EVENTS AFTER THE REPORTING DATE

Save as disclosed in note 38 to the financial statements, there is no other significant events occurred after the reporting date and up to the date of signing this annual report.

DIRECTORS

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

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

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

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

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

Brief biographical details of the Directors and senior management are set out in the "Board of Directors and Senior Management" on pages 30 to 32.

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 2012, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

(i) Directors' interests in shares of the Company

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

Note: As at 31 December 2012, 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 2012 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 2012
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. As at the dates of grant of options on 23 December 2004 and 29 June 2006, the closing prices per share of the Company were HK$1.53 and HK$1.57 respectively.

3. The closing price per share of the Company as at 31 December 2012 was HK$1.50.

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 2012, 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 2012.

Save as disclosed above, as at 31 December 2012, 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 2012, 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 2012, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements for the years ended 31 December 2010, 2011 and 2012 had been audited by Grant Thornton (formerly known as Grant Thornton Jingdu Tianhua). On 14 March 2013, the Board was informed by the retiring auditor, Grant Thornton, that following their practice reorganization, Grant Thornton Hong Kong Limited has been incorporated to take up the existing practice of Grant Thornton. Therefore, Grant Thornton shall retire as the auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company and shall not seek re-appointment.

Since the Board considers that it is in the interests of the Company and the shareholders as a whole to continue to use the professional services provided by Grant Thornton, an ordinary resolution for the appointment of Grant Thornton Hong Kong Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting, subject to shareholders' approval.

CORPORATE GOVERNANCE

Jinhui Holdings recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2012 was set out in the "Corporate Governance Report" on pages 17 to 29, which covered the required report contents as set out in Appendix 14 of the Listing Rules with the description of our conformance throughout the year and provided explanation of the reasons for the deviations.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 15 March 2013

Grant Thornton
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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 43 to 110, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 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
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue, Causeway Bay
Hong Kong

15 March 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	7	2,104,425	2,784,292
Other operating income	8	233,159	145,798
Interest income		36,686	30,075
Shipping related expenses		(1,146,475)	(1,162,569)
Cost of trading goods sold		(265,776)	(379,821)
Staff costs	9	(103,346)	(150,442)
Impairment loss on owned vessels and vessels under construction		–	(198,330)
Other operating expenses		(64,385)	(127,082)
Operating profit before depreciation and amortization	11	794,288	941,921
Depreciation and amortization		(446,031)	(406,105)
Operating profit		348,257	535,816
Finance costs	12	(68,299)	(56,922)
Profit before taxation		279,958	478,894
Taxation	13	(540)	(1,205)
Net profit for the year		279,418	477,689
Other comprehensive income			
Change in fair value of available-for-sale financial assets		400	4,980
Total comprehensive income for the year		279,818	482,669
Net profit for the year attributable to:			
Shareholders of the Company	14	154,765	259,266
Non-controlling interests		124,653	218,423
		279,418	477,689
Total comprehensive income for the year attributable to:			
Shareholders of the Company		155,165	264,165
Non-controlling interests		124,653	218,504
		279,818	482,669
Earnings per share	16		
– Basic		HK$0.292	HK$0.489
– Diluted		HK$0.292	HK$0.484

Statements of Financial Position

As at 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	9,436,105	9,005,279	–	–
Investment properties	18	93,800	58,910	–	–
Goodwill	19	39,040	39,040	–	–
Available-for-sale financial assets	20	24,081	23,681	14,800	14,000
Intangible assets	21	1,769	1,933	–	–
Investments in subsidiaries	22	–	–	478,281	478,281
		9,594,795	9,128,843	493,081	492,281
Current assets					
Inventories	23	109,093	53,472	–	–
Trade and other receivables	24	430,930	410,776	216	311
Financial assets at fair value through profit or loss	25	618,016	492,659	25,041	35,461
Amount due from subsidiaries	26	–	–	218,960	213,000
Pledged deposits	39	154,248	61,582	–	5
Bank balances and cash	27	1,020,742	1,618,254	9,908	1,943
		2,333,029	2,636,743	254,125	250,720
Current liabilities					
Trade and other payables	28	500,270	521,857	530	605
Provisions	29	67,547	55,279	–	–
Current taxation		291	308	–	–
Secured bank loans	30	586,475	536,572	–	–
		1,154,583	1,114,016	530	605
Net current assets		1,178,446	1,522,727	253,595	250,115
Total assets less current liabilities		10,773,241	10,651,570	746,676	742,396
Non-current liabilities					
Secured bank loans	30	3,844,901	4,003,048	–	–
Net assets		6,928,340	6,648,522	746,676	742,396

	Note	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	31	53,029	53,029	53,029	53,029
Reserves	32	3,836,801	3,681,636	693,647	689,367
		3,889,830	3,734,665	746,676	742,396
Non-controlling interests		3,038,510	2,913,857	–	–
Total equity		6,928,340	6,648,522	746,676	742,396

Approved and authorized for issue by the Board of Directors on 15 March 2013

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2012

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 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
At 1 January 2012	53,029	324,590	4,020	4,777	26,259	13,395	3,308,595	3,734,665	2,913,857	6,648,522
Net profit for the year	–	–	–	–	–	–	154,765	154,765	124,653	279,418
Other comprehensive income for the year	–	–	–	–	–	400	–	400	–	400
Total comprehensive income for the year	–	–	–	–	–	400	154,765	155,165	124,653	279,818
At 31 December 2012	**53,029**	**324,590**	**4,020**	**4,777**	**26,259**	**13,795**	**3,463,360**	**3,889,830**	**3,038,510**	**6,928,340**

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 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
At 1 January 2012	53,029	324,590	4,020	43,660	9,000	308,097	742,396
Net profit for the year	–	–	–	–	–	3,480	3,480
Other comprehensive income for the year	–	–	–	–	800	–	800
Total comprehensive income for the year	–	–	–	–	800	3,480	4,280
At 31 December 2012	**53,029**	**324,590**	**4,020**	**43,660**	**9,800**	**311,577**	**746,676**

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	34	567,895	955,894
Interest paid		(68,304)	(54,415)
Hong Kong Profits Tax paid		(32)	(836)
PRC Corporate Income Tax paid		(573)	(601)
Net cash from operating activities		498,986	900,042
INVESTING ACTIVITIES			
Interest received		35,662	28,265
Decrease (Increase) in bank deposits with more than three months to maturity when placed		90,448	(91,093)
Dividend income received		5,530	4,606
Purchase of property, plant and equipment		(876,755)	(1,181,092)
Proceeds from disposal of property, plant and equipment		50	2,959
Purchase of investment properties		(31,318)	–
Net cash used in investing activities		(776,383)	(1,236,355)
FINANCING ACTIVITIES			
New secured bank loans		733,653	675,285
Repayment of secured bank loans		(870,654)	(488,026)
Decrease (Increase) in pledged deposits		(92,666)	34,599
Net cash from (used in) financing activities		(229,667)	221,858
Net decrease in cash and cash equivalents		(507,064)	(114,455)
Cash and cash equivalents at 1 January		1,410,161	1,524,616
Cash and cash equivalents at 31 December	27	903,097	1,410,161

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 33. 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 2012 were approved for issue by the Board on 15 March 2013.

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 2012. The adoption of these new standards, amendments and interpretations has had no material impact on the results 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)*

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]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKFRS 9 and HKFRS 7	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [2]
HKAS 19 (as revised in 2011)	Employee Benefits [2]
HKAS 27 (as revised in 2011)	Separate Financial Statements [2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [2]
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [3]

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.

4.2 Basis of consolidation

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

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

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

4.3 Subsidiaries

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

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

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

4.4 Non-controlling interests

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

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

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

4.5 Foreign currency translation

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

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

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

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

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

4.6 Revenue recognition

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

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

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

4.7 Borrowing costs

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

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

4.8 Income tax

Income tax comprises current tax and deferred tax.

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

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

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

4.8 Income tax *(Continued)*

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

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

4.9 Property, plant and equipment

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

Motor vessels 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.

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

4.9 Property, plant and equipment *(Continued)*

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

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

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

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

No depreciation is provided in respect of vessels under construction.

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

4.10 Investment properties

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

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

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

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

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

4.11 Goodwill

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

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

4.12 Intangible assets

Intangible assets acquired separately are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any impairment loss. Amortization for intangible assets is provided on 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.

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

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

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

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

4.14 Inventories

Inventories 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:

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

4.15 Financial assets *(Continued)*

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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.

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

4.15 Financial assets *(Continued)*

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.

4.16 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.

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

4.16 Financial liabilities *(Continued)*

Borrowings

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

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

4.17 Financial guarantee issued

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

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

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

4.18 Cash and cash equivalents

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

4.19 Share capital

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

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

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

4.20 Employee share-based compensation

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

All employee services received in exchange for the grant of any share options are measured at 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 statements, the grant of equity instruments to eligible persons including Directors, officers and employees of its subsidiaries is treated as capital contributions to its subsidiaries on the grant dates. The additional capital contributions will be accounted for in the Company's employee share-based compensation reserve and in the investments in subsidiaries.

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

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

4.21 Employee benefits

Retirement benefits schemes

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

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

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

4.21 Employee benefits *(Continued)*

Short term employee benefits

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

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

4.22 Leases

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

Classification of assets leased to the Group

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

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

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

Operating lease (as lessee)

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

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

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

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

4.22 Leases *(Continued)*

Assets leased out under operating leases (as lessor)

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

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

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

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

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

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

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 of chemical and industrial raw materials and the management has regarded these two businesses as the operating segments to be reported to the chief operating decision maker.

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 2012			
Segment revenue	1,825,477	278,948	2,104,425
Segment results	232,135	(2,425)	229,710
Unallocated income and expenses			
Interest income			36,686
Unallocated other operating income			45,207
Unallocated corporate expenses			(31,645)
Profit before taxation			279,958
Taxation			(540)
Net profit for the year			279,418
As at 31 December 2012			
Segment assets	9,654,796	102,786	9,757,582
Unallocated assets			
Pledged deposits			154,248
Bank balances and cash			1,020,742
Other current assets			638,975
Other non-current assets			356,277
Total assets			11,927,824
Segment liabilities	4,881,905	49,634	4,931,539
Unallocated liabilities			
Other current liabilities			67,945
Total liabilities			4,999,484

6. SEGMENT INFORMATION *(Continued)*

	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)*

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				
2012				
Depreciation and amortization	**431,306**	**147**	**14,578**	**446,031**
Finance costs	**66,988**	**283**	**1,028**	**68,299**
Provision for loss on charter hire	**12,268**	**–**	**–**	**12,268**
Reversal of impairment loss on trade receivables	**1,970**	**–**	**–**	**1,970**
Capital expenditures	**871,029**	**19**	**37,025**	**908,073**
2011				
Depreciation and amortization	392,194	173	13,738	406,105
Finance costs	56,285	521	116	56,922
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

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 38% (2011: 37%), 25% (2011: 23%), 10% (2011: 9%) and 10% (2011: 14%) of the Group's revenue from trading business by geographical area was attributable to Hong Kong, mainland China, Malaysia and Thailand 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 85% (2011: 78%) 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	
	2012	2011
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charter from owned vessels	**1,559,814**	1,952,909
Other chartering freight and hire income	**265,663**	427,620
Sale of goods	**278,948**	403,763
	2,104,425	2,784,292

Revenue of HK$547,928,000 (2011: HK$785,112,000) was derived from certain charterers who are under common control of a single entity, representing 26% (2011: 28%) of the Group's revenue for the year.

8. OTHER OPERATING INCOME

Other operating income for the year 2012 mainly included settlement income of HK$123,894,000 in relation to the full settlement income from a charterer for early termination of time-charter contract, and the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving shares of KLC and partial cash settlement. These shares had been accounted for as financial assets at fair value through profit or loss as at 31 December 2012.

For the year 2011, there was a compensation income of HK$24,559,000 received from a charterer for early redelivery of a chartered-in Capesize prior to expiry of the charter period.

9. STAFF COSTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**100,265**	147,752
Contributions to retirement benefits schemes	**3,081**	2,690
	103,346	150,442

10. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Emoluments of the Directors, including the chief executives [1] of the Company for the years 2011 and 2012 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
2012					
Executive Directors					
Ng Siu Fai	1,933	8,371	19,090	425	29,819
Ng Kam Wah Thomas	1,933	7,980	19,090	425	29,428
Ng Ki Hung Frankie	1,326	1,999	950	58	4,333
Ho Suk Lin	421	1,440	825	86	2,772
Independent Non-executive Directors					
Cui Jianhua	192	–	–	–	192
Tsui Che Yin Frank	426	–	–	–	426
William Yau	357	–	–	–	357
	6,588	19,790	39,955	994	67,327
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

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) Details of remuneration to senior management

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

	Number of individuals	
	2012	2011
HK$500,000 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

(c) The five highest paid individuals

The five highest paid individuals included four (2011: four) Directors whose details of emoluments are presented on page 71. Emoluments of the remaining one (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**2,292**	2,288
Contributions to retirement benefits schemes	**34**	34
	2,326	2,322

11. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	Group	
	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**1,889**	1,733
Hire payments under time charters	**355,762**	398,496
Cost of inventories	**265,776**	379,821
Operating lease payments in respect of premises	**3,814**	3,786
Provision for loss on charter hire	**12,268**	55,279
Net (gain) loss on financial assets at fair value through profit or loss	**(27,872)**	47,508
(Reversal of impairment loss) Impairment loss on trade receivables	**(1,970)**	4,943
Bad debts written off	**–**	720
Net exchange gain	**(5,953)**	(6,941)
Dividend income	**(5,549)**	(5,319)
Gross rental income from operating leases on investment properties	**(2,157)**	(1,482)
Outgoings in respect of investment properties	**43**	121
Valuation gain of investment properties	**(3,572)**	(7,450)
Net (gain) loss on disposal / write-off of property, plant and equipment	**12**	(2,328)

12. FINANCE COSTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	**17,363**	10,248
Not wholly repayable within five years	**50,936**	46,674
	68,299	56,922

13. TAXATION

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**–**	595
Over provision in prior year	**(24)**	–
PRC Corporate Income Tax:		
Current year	**516**	610
Under provision in prior year	**48**	–
	540	1,205

13. TAXATION *(Continued)*

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**279,958**	478,894
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(2,165)**	(21,927)
Non-deductible expenses	**2,990**	3,347
Tax exempt revenue	**(8,859)**	(6,511)
Unrecognized tax losses	**12,313**	28,148
Unrecognized temporary differences	**506**	(1,770)
Utilization of previously unrecognized tax losses	**(4,269)**	(82)
Under provision in prior year	**24**	–
Taxation charge for the year	**540**	1,205

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$154,765,000 (2011: HK$259,266,000) included a net profit of HK$3,480,000 (2011: net loss of HK$10,260,000) 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 2012 (2011: nil).

16. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated on the net profit attributable to shareholders of the Company for the year of HK$154,765,000 and the weighted average number of 530,289,480 ordinary shares in issue during the year. Diluted earnings per share was the same as basic earnings per share as the exercise prices of the share options were greater than the average market price of the Company's share for the year and thus there was no potential dilutive effect on the basic earnings per share.

Basic earnings per share for the year 2011 was calculated on the net profit attributable to shareholders of the Company for the year of HK$259,266,000 and the weighted average number of 530,289,480 ordinary shares in issue during the year.

Diluted earnings per share for the year 2011 was calculated on the net profit attributable to shareholders of the Company for the year of HK$259,266,000 and the weighted average number of 530,289,480 ordinary shares in issue during the year and adjusting for the potential dilutive ordinary shares of 5,265,150 arising from the share options granted under the Company's share option scheme.

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 2011	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
Reclassification	1,065,231	(1,065,231)	–	–	–	–
Additions	59,682	811,274	–	–	5,799	876,755
Disposals / write-off	(29,914)	–	–	–	(180)	(30,094)
At 31 December 2012	**11,616,022**	**200,451**	**305,683**	**460**	**50,532**	**12,173,148**
Accumulated depreciation and impairment loss						
At 1 January 2011	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
Reclassification	85,484	(85,484)	–	–	–	–
Charge for the year	431,112	–	9,416	26	5,313	445,867
Eliminated on disposals / write-off	(29,852)	–	–	–	(180)	(30,032)
At 31 December 2012	**2,510,563**	**68,111**	**120,408**	**460**	**37,501**	**2,737,043**
Net book value						
At 31 December 2012	**9,105,459**	**132,340**	**185,275**	**–**	**13,031**	**9,436,105**
At 31 December 2011	8,497,204	300,813	194,691	26	12,545	9,005,279

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

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

	Motor vessels and capitalized drydocking costs *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*
2012						
At cost	**11,616,022**	**200,451**	**252,683**	**460**	**50,532**	**12,120,148**
At professional valuation in 1994	**–**	**–**	**53,000**	**–**	**–**	**53,000**
	11,616,022	**200,451**	**305,683**	**460**	**50,532**	**12,173,148**
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

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$170,457,000 (2011: HK$178,672,000) at the reporting date.

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	
	2012 *HK$'000*	2011 *HK$'000*
Held in Hong Kong:		
On long term leases (over 50 years)	**105,525**	112,201
On medium term leases (10 – 50 years)	**79,750**	82,490
	185,275	194,691

18. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
At fair value		
At 1 January	**58,910**	51,460
Additions	**31,318**	–
Valuation gain	**3,572**	7,450
At 31 December	**93,800**	58,910

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	
	2012	2011
	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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted club debentures, at fair value	**21,000**	20,600	**14,800**	14,000
Unlisted club membership, at fair value	**1,580**	1,580	**–**	–
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)	**–**	–
	–	–	**–**	–
	24,081	23,681	**14,800**	14,000

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	
	2012	2011
	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	**866**	702
Charge for the year	**164**	164
At 31 December	**1,030**	866
Net book value		
At 31 December	**1,769**	1,933

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	**441,157**	441,157
Unlisted shares, at cost	**13**	13
Employee share-based compensation in subsidiaries	**37,111**	37,111
	478,281	478,281

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

At the reporting date, the Company held 46,034,800 (2011: 46,034,800) shares of Jinhui Shipping with market value amounted to approximately HK$457,436,000 (2011: HK$534,893,000).

23. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Ship stores	56,487	20,081
Trading goods	52,606	33,391
	109,093	53,472

Inventories at the reporting date were carried at cost.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	61,742	93,280	–	–
Prepayments, deposits and other receivables	369,188	317,496	216	311
	430,930	410,776	216	311

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

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**51,433**	81,353
Over 3 months but within 6 months	**5,615**	3,698
Over 6 months but within 12 months	**3,103**	7,016
Over 12 months	**1,591**	1,213
	61,742	93,280

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	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**37,240**	40,970
Past due but not impaired		
Within 3 months past due	**16,707**	43,001
Over 3 months but within 6 months past due	**3,102**	1,081
Over 6 months but within 12 months past due	**3,103**	7,015
Over 12 months past due	**1,590**	1,213
	24,502	52,310
	61,742	93,280

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**167,673**	150,582
Impairment loss on retention	**–**	21,700
Impairment loss recognized	**8,190**	28,678
Reversal of impairment loss	**(10,160)**	(23,735)
Written off as uncollectible	**(30,065)**	(9,552)
At 31 December	**135,638**	167,673

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$135,638,000 (2011: HK$167,673,000) as individually impaired. The individual impaired trade receivables are due from charterers with prolonged delay in hire payments over the agreed credit terms.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	**192,820**	149,165	**17,955**	22,345
Listed outside Hong Kong	**63,024**	36,610	**4,755**	4,273
	255,844	185,775	**22,710**	26,618
Debt securities				
Listed in Hong Kong	**153,683**	3,274	**–**	–
Listed outside Hong Kong	**46,740**	28,548	**2,331**	8,843
Unlisted	**161,749**	275,062	**–**	–
	362,172	306,884	**2,331**	8,843
	618,016	492,659	**25,041**	35,461

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. AMOUNT DUE FROM SUBSIDIARIES

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank deposits with three months or less to maturity when placed	**354,718**	801,325	**–**	–
Bank balances	**547,175**	607,830	**9,908**	1,943
Cash in hand	**1,204**	1,006	**–**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**903,097**	1,410,161	**9,908**	1,943
Bank deposits with more than three months to maturity when placed	**117,645**	208,093	**–**	–
	1,020,742	1,618,254	**9,908**	1,943

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	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	24,653	14,612	–	–
Accrued charges and other payables	475,617	507,245	530	605
	500,270	521,857	530	605

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

The aging analysis of trade payables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 3 months	8,542	7,652
Over 3 months but within 6 months	1,367	–
Over 6 months but within 12 months	559	1,140
Over 12 months	14,185	5,820
	24,653	14,612

29. PROVISIONS

At the reporting date, provisions represented provision for loss on charter hire of HK$67,547,000 (2011: HK$55,279,000).

The movements for provision for loss on charter hire during the year are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**55,279**	–
Provision recognized	**174,662**	165,192
Provision utilized	**(162,394)**	(109,913)
At 31 December	**67,547**	55,279

30. SECURED BANK LOANS

	Group	
	2012	2011
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**586,475**	536,572
In the second year	**495,974**	482,379
In the third to fifth year	**1,656,380**	1,601,936
Wholly repayable within five years	**2,738,829**	2,620,887
After the fifth year	**1,692,547**	1,918,733
Total secured bank loans	**4,431,376**	4,539,620
Less: Amount repayable within one year	**(586,475)**	(536,572)
Amount repayable after one year	**3,844,901**	4,003,048

At the reporting date, secured bank loans included vessel mortgage loans of HK$4,385,437,000 (2011: HK$4,521,461,000) that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.81% to 2.57% (2011: 0.88% to 2.98%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 39.

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

31. SHARE CAPITAL

Company

	2012 Number of ordinary shares of HK$0.10 each	2012 Amount HK$'000	2011 Number of ordinary shares of HK$0.10 each	2011 Amount HK$'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

32. RESERVES

Details of movements in reserves of the Group and the Company are set out in the "Statements of Changes in Equity" on pages 46 and 47.

At the reporting date, reserves of the Company available for distribution to shareholders amounted to HK$279,357,000 (2011: HK$275,877,000).

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 Hong Kong Companies Ordinance.

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

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

33. 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 2012 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 2012	Number of options exercisable at 31 December 2012
Performance based options	23 December 2004	52,620,000	34,745	1.60	31 March 2006 to 22 December 2014	2 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	4 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 2011 and 2012.

2. As at the dates of grant of options on 23 December 2004 and 29 June 2006, the closing prices per share of the Company were HK$1.53 and HK$1.57 respectively.

3. The closing price per share of the Company as at 31 December 2012 was HK$1.50.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**279,958**	478,894
Adjustments for:		
Depreciation and amortization	**446,031**	406,105
Interest income	**(36,686)**	(30,075)
Interest expenses	**68,299**	56,922
Provision for loss on charter hire	**12,268**	55,279
Settlement income	**(10,237)**	–
(Reversal of impairment loss) Impairment loss on trade receivables	**(1,970)**	4,943
Bad debts written off	**–**	720
Dividend income	**(5,549)**	(5,319)
Impairment loss on owned vessels and vessels under construction	**–**	198,330
Valuation gain of investment properties	**(3,572)**	(7,450)
Net (gain) loss on disposal / write-off of property, plant and equipment	**12**	(2,328)
Changes in working capital:		
Inventories	**(55,621)**	(24,783)
Trade and other receivables	**(24,161)**	(74,966)
Financial assets at fair value through profit or loss	**(108,051)**	19,418
Trade and other payables	**7,174**	(18,895)
Advance receipt	**–**	(100,901)
Cash generated from operations	**567,895**	955,894

35. DEFERRED TAXATION

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Deductible temporary differences	**296**	909
Tax losses	**1,813,115**	1,763,943
	1,813,411	1,764,852

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.

36. OPERATING LEASE COMMITMENTS

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within one year:		
Premises	**–**	96
Time charter hire	**239,051**	345,199
	239,051	345,295
In the second to fifth year:		
Premises	**–**	65
Time charter hire	**14,071**	253,122
	14,071	253,187
	253,122	598,482

37. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within one year:		
Premises	**1,421**	1,827
Owned vessels	**816,881**	987,469
Chartered-in vessels	**32,921**	21,879
Others	**57**	180
	851,280	1,011,355
In the second to fifth year:		
Premises	**–**	975
Owned vessels	**70,875**	833,589
	70,875	834,564
	922,155	1,845,919

38. 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$339,333,000 (2011: HK$1,227,135,000), representing the Group's outstanding capital expenditure commitments to acquire two (2011: five) newbuildings at total contract price of US$17,500,000 and JPY6,410,500,000 (2011: US$35,000,000 and JPY16,221,000,000). The 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.

Events after the reporting date

Subsequent to the reporting date, the acquisition of the abovementioned Supramax newbuilding and the disposal of this newbuilding were mutually terminated with the respective vendor and purchaser in March 2013. The termination of the acquisition and the termination of the disposal would not have any material adverse effect on the financial position and operations of the Group as the consideration paid to the vendor of approximately HK$170 million had been fully refunded to the Group and the consideration received from the purchaser of approximately HK$170 million had been fully refunded to the purchaser in March 2013.

39. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's property, plant and equipment and investment properties with an aggregate net book value of HK$9,193,277,000 (2011: HK$8,584,672,000);

(b) Deposits totalling HK$154,248,000 (2011: HK$61,582,000) of the Group placed with banks; and

(c) Assignment of thirty eight (2011: thirty five) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of thirty two (2011: twenty nine) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

40. 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:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**66,262**	113,988
Contributions to retirement benefits schemes	**1,222**	932
	67,484	114,920

40. RELATED PARTY TRANSACTIONS *(Continued)*

Company

(a) Payment of an administrative fee of HK$1,767,000 (2011: HK$1,749,000) to a subsidiary;

(b) Receipt of interest income of HK$7,091,000 (2011: HK$6,961,000) from subsidiaries;

(c) Payment of rental charges of HK$1,800,000 (2011: HK$1,800,000) to subsidiaries;

(d) Guarantees provided to banks to secure credit facilities granted to subsidiaries amounting to HK$57,250,000 (2011: HK$57,250,000), and the amount of such facilities utilized was HK$45,939,000 (2011: HK$18,301,000) at the reporting date; and

(e) Compensation of key management personnel as follows:

	2012 *HK$'000*	2011 *HK$'000*
Salaries and other benefits	4,790	4,737
Contributions to retirement benefits schemes	86	86
	4,876	4,823

41. FINANCIAL RISK MANAGEMENT AND POLICIES

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

41. 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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets				
Unlisted club debentures	**21,000**	20,600	**14,800**	14,000
Unlisted club membership	**1,580**	1,580	**–**	–
Unlisted investments in co-operative joint ventures	**1,501**	1,501	**–**	–
	24,081	23,681	**14,800**	14,000
Financial assets at fair value through profit or loss				
Equity securities	**255,844**	185,775	**22,710**	26,618
Debt securities	**362,172**	306,884	**2,331**	8,843
	618,016	492,659	**25,041**	35,461
Loans and receivables				
Trade and other receivables	**216,156**	250,169	**20**	124
Amount due from subsidiaries	**–**	–	**218,960**	213,000
Pledged deposits	**154,248**	61,582	**–**	5
Bank balances and cash	**1,020,742**	1,618,254	**9,908**	1,943
	1,391,146	1,930,005	**228,888**	215,072
	2,033,243	2,446,345	**268,729**	264,533
Financial liabilities				
Trade and other payables	**298,041**	346,854	**530**	605
Borrowings				
Secured bank loans	**4,431,376**	4,539,620	**–**	–
	4,729,417	4,886,474	**530**	605

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

(b) Interest rate risk

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

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

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

Sensitivity analysis*

Based on the exposures to bank borrowings of HK$4,431,376,000 (2011: HK$4,539,620,000) at the reporting date, it was estimated that an increase of 40 basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by approximately HK$17,726,000 (2011: HK$18,158,000).

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.

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in debt securities denominated in Renminbi amounting to RMB113,201,000 and RMB142,150,000 (2011: RMB20,694,000 and RMB222,903,000) respectively.

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

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

(c) Foreign currency risk ***(Continued)***

Sensitivity analysis*

At the reporting date, based on the net exposures to the bank deposits and debt securities denominated in Renminbi of RMB255,351,000 (2011: RMB243,597,000), it was estimated that a depreciation of 5% in exchange rate of Renminbi against Hong Kong Dollars would result in a decrease to the Group's net profit by approximately HK$15,121,000 (2011: HK$14,314,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Renminbi against Hong Kong Dollars taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

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

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

The Group's portfolio of financial instruments that exposed to price risk at the reporting date is set out in note 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 approximately HK$25,584,000 (2011: HK$18,578,000).

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 approximately HK$36,217,000 (2011: HK$30,688,000).

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

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

(e) Credit risk

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

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its 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 financial institutions.

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

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

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

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

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

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

(f) Liquidity risk

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

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

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

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

	Within one year HK$'000	In the second year HK$'000	In the third to fifth year HK$'000	After the fifth year HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
2012						
Trade and other payables	**298,041**	**–**	**–**	**–**	**298,041**	**298,041**
Secured bank loans	**643,101**	**545,942**	**1,765,969**	**1,748,754**	**4,703,766**	**4,431,376**
	941,142	**545,942**	**1,765,969**	**1,748,754**	**5,001,807**	**4,729,417**
2011						
Trade and other payables	346,854	–	–	–	346,854	346,854
Secured bank loans	600,024	539,266	1,730,555	1,992,610	4,862,455	4,539,620
	946,878	539,266	1,730,555	1,992,610	5,209,309	4,886,474

42. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

(b) to provide adequate returns for shareholders;

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

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

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

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**586,475**	536,572
Secured bank loans repayable after one year	**3,844,901**	4,003,048
Total secured bank loans	**4,431,376**	4,539,620
Less: Equity and debt securities	**(618,016)**	(492,659)
Less: Bank balances and cash	**(1,020,742)**	(1,618,254)
Net debts	**2,792,618**	2,428,707
Total equity	**6,928,340**	6,648,522
Gearing ratio	**40%**	37%

43. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
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
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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
Incorporated in Hong Kong *(Continued)*					
Linkford International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	54.77%	54.77%	Property investment	Hong Kong
Ringo Star Company Limited	2 shares of HK$1 each	54.77%	54.77%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK$100 each	75%	75%	Trading of chemical and industrial raw materials	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
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
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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
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
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
Jinqing 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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
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
Jinyu Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2012	Attributable equity interest at 31/12/2011	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
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.*

44. COMPARATIVE FIGURES

Certain comparative figures have been included / reclassified in order to conform to the current year's presentation.

Glossary

This glossary contains the abbreviations and main terms used in the 2012 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;
CG Code	The Corporate Governance Code and Corporate Governance Report as set out in the amended Appendix 14 of the Listing Rules (effective on 1 April 2012);
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 2012;
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 2012, 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;
RMB	Renminbi, the lawful currency of the PRC; and
US$	United States Dollars, the lawful currency of the United States of America.