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JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

2010 RESULTS ANNOUNCEMENT



Jinhui Holdings Company Limited

HIGHLIGHTS FOR THE YEAR 2010

- ❖ **Revenue for the year: HK\$3,120 million**
- ❖ **Net profit attributable to shareholders for the year: HK\$367 million**
- ❖ **Basic earnings per share: HK\$0.692**
- ❖ **Gearing ratio as at 31 December 2010: 36%**

CHAIRMAN'S STATEMENT

The Board is pleased to present the results of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2010.

2010 ANNUAL RESULTS

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

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2010 (2009: nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2010.

BUSINESS REVIEW

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

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

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

The average daily time charter equivalent rates ("TCE") of the Group's fleet were as follows:

	2010	2009
	US\$	US\$
Capesize	83,678	77,950
Post-Panamax / Panamax	28,982	21,376
Supramax / Handymax	25,131	25,019
In average	29,102	30,149

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

FINANCIAL REVIEW

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

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, reduced to 36% as at 31 December 2010 (2009: 42%). With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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

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

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

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

CHAIRMAN'S STATEMENT

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

OUTLOOK

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

By Order of the Board

Ng Siu Fai

Chairman

Hong Kong, 15 March 2011

CORPORATE GOVERNANCE

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2010, with deviations from code provisions A.2.1, A.4.2 and A.4.1 of the CG Code in respect of the roles of chairman and chief executive officer, the rotation of directors and the service term for non-executive directors.

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

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

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

According to the Articles of Association of the Company, all directors of the Company (“Directors”) other than the Chairman and the Managing Director shall be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the 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. Any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company’s annual general meeting.

Code provision A.4.1 Under code provision A.4.1 of the 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 a deviation from code provision A.4.1 of the CG Code. According to the Articles of Association of the Company, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to retirement provisions. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than those in the CG Code.

CORPORATE GOVERNANCE

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SCOPE OF WORK OF THE AUDITORS

The figures in the preliminary results announcement of the Group for the year ended 31 December 2010 have been agreed by the Group's auditors, Grant Thornton Jingdu Tianhua (the "Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary results announcement.

AUDIT COMMITTEE

The audit committee comprises of three Independent Non-executive Directors. 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 condensed consolidated financial statements for the year ended 31 December 2010.

SUPPLEMENTARY INFORMATION

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 ended 31 December 2010.

ANNUAL GENERAL MEETING AND BOOK CLOSURE

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

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

EMPLOYEES

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

FLEET

The Group's strategy is to maintain a young and modern fleet to serve the growing needs of our customers.

During the year, five newly built Supramaxes named as "Jin Ao", "Jin Heng", "Jin Yue", "Jin Yang" and "Jin Ming", and two newly built Post-Panamaxes named as "Jin Mei" and "Jin Lang" were delivered to the Group.

As at 31 December 2010, the Group had thirty one owned vessels which included two modern Post-Panamaxes, one modern Panamax, twenty seven modern grabs fitted Supramaxes and one Handymax. Apart from the owned vessels, the Group operated five chartered-in vessels which included two Capesizes, one Panamax and two Supramaxes as at 31 December 2010.

Subsequent to the year ended 31 December 2010, a newly built Supramax was delivered to the Group on 24 February 2011 and was named as "Jin Han".

SUPPLEMENTARY INFORMATION

FLEET DETAILS

The fleet details after the year ended 31 December 2010 and up to 24 February 2011 were as follows:

	Number of vessels						
	In operation			Newbuildings / New charters			
	Owned	Chartered	Subtotal	Owned ¹	Chartered	Subtotal	Total
Capesize Fleet							
As at 1 January 2011 and 24 February 2011	-	2	2	-	-	-	2
Post-Panamax Fleet							
As at 1 January 2011 and 24 February 2011	2	-	2	-	-	-	2
Panamax Fleet							
As at 1 January 2011 and 24 February 2011	1	1	2	1	-	1	3
Supramax / Handymax Fleet							
As at 1 January 2011	28	2	30	6	-	6	36
Newbuilding delivery	1	-	1	(1)	-	(1)	-
As at 24 February 2011	29	2	31	5	-	5	36
Handysize Fleet							
As at 1 January 2011 and 24 February 2011	-	-	-	1	-	1	1
Total Fleet							
As at 24 February 2011	32	5	37	7	-	7	44

Note:

- ¹ Includes seven newbuildings ordered by the Group as at 24 February 2011, which we expected to take deliveries of one Panamax and two Supramaxes in 2011, two Supramaxes and one Handysize in 2012 and one Supramax in 2013.

SUPPLEMENTARY INFORMATION

According to the Company's best estimation, the activity of the Group's fleet as at 24 February 2011 was as follows:

Owned and Chartered-in Fleet – revenue covered:

		<i>Unit</i>	2011	2012
Capesize Fleet ¹	Coverage	%	76	50
	Operating days covered	<i>Days</i>	557	360
	Daily TCE	<i>US\$</i>	73,641	51,908
Post-Panamax / Panamax Fleet	Coverage	%	51	26
	Operating days covered	<i>Days</i>	813	360
	Daily TCE	<i>US\$</i>	25,852	38,200
Supramax / Handymax Fleet	Coverage	%	60	33
	Operating days covered	<i>Days</i>	6,855	3,962
	Daily TCE	<i>US\$</i>	27,221	30,784

Chartered-in Fleet – TCE cost:

		<i>Unit</i>	2011	2012
Capesize Fleet	Operating days	<i>Days</i>	730	732
	Daily TCE cost	<i>US\$</i>	40,750	40,750
Panamax Fleet	Operating days	<i>Days</i>	259	N/A
	Daily TCE cost	<i>US\$</i>	22,500	N/A
Supramax Fleet	Operating days	<i>Days</i>	500	366
	Daily TCE cost	<i>US\$</i>	31,680	36,000

Note:

- ¹ The above operating statistics included one Capesize chartered to Korea Line Corporation (“KLC”) under a five-year charter contract with expiry in 2014. KLC filed for protective receivership on 25 January 2011 and received court approval from Seoul Central District Court on 15 February 2011. The default risk associated with this charter is still uncertain and unclear as KLC is now under financial restructuring and its resumption of hire payment is subject to Korean court approval. Except for this charter contract, the Group has not exposed to other contracts with KLC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

		2010	2009
	Note	HK\$'000	HK\$'000
Revenue	2	3,120,053	2,867,606
Other operating income	3	281,638	445,022
Interest income		17,346	9,985
Net gain on disposal of motor vessels		-	66,335
Shipping related expenses		(1,022,087)	(1,405,379)
Impairment loss on owned vessels and vessels under construction	4	(577,454)	-
Cost of trading goods sold		(374,481)	(131,936)
Staff costs		(226,873)	(182,513)
Other operating expenses	5	(157,503)	(143,136)
Operating profit before depreciation and amortization		1,060,639	1,525,984
Depreciation and amortization		(340,407)	(268,781)
Operating profit		720,232	1,257,203
Finance costs		(43,796)	(59,710)
Profit before taxation		676,436	1,197,493
Taxation	6	(404)	(218)
Net profit for the year		676,032	1,197,275
Other comprehensive income			
Change in fair value of available-for-sale financial assets		900	3,240
Reversal of impairment loss on property, plant and equipment		498	2,472
Total comprehensive income for the year		677,430	1,202,987
Net profit for the year attributable to:			
Shareholders of the Company		366,817	655,291
Non-controlling interests		309,215	541,984
		676,032	1,197,275
Total comprehensive income for the year attributable to:			
Shareholders of the Company		368,057	659,731
Non-controlling interests		309,373	543,256
		677,430	1,202,987
Earnings per share for net profit attributable to shareholders of the Company			
- Basic	7	HK\$0.692	HK\$1.255
- Diluted	7	HK\$0.662	HK\$1.221

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		2010	2009
	Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8,429,089	7,680,682
Investment properties		51,460	32,150
Goodwill		39,040	39,040
Available-for-sale financial assets		18,701	17,801
Intangible assets		2,097	2,262
		8,540,387	7,771,935
Current assets			
Inventories		28,689	22,534
Trade and other receivables	9	339,423	303,407
Financial assets at fair value through profit or loss		511,364	135,830
Pledged deposits	10	96,181	514,574
Bank balances and cash	11	1,641,616	1,205,756
		2,617,273	2,182,101
Current liabilities			
Trade and other payables	12	615,329	718,998
Provision for taxation		300	218
Secured bank loans		486,952	512,321
		1,102,581	1,231,537
Net current assets		1,514,692	950,564
Total assets less current liabilities		10,055,079	8,722,499
Non-current liabilities			
Advance receipt		-	100,901
Secured bank loans		3,889,226	3,133,175
		3,889,226	3,234,076
Net assets		6,165,853	5,488,423
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		53,029	53,029
Reserves		3,417,471	3,049,414
		3,470,500	3,102,443
Non-controlling interests		2,695,353	2,385,980
Total equity		6,165,853	5,488,423

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK\$'000	2009 HK\$'000
Net cash from operating activities	1,015,979	1,594,893
Net cash used in investing activities	(1,835,383)	(774,328)
Net cash from (used in) financing activities	1,146,064	(282,897)
Net increase in cash and cash equivalents	326,660	537,668
Cash and cash equivalents at 1 January	1,197,956	660,288
Cash and cash equivalents at 31 December	1,524,616	1,197,956

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2009.

2. Segment information

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Segment information (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

2. Segment information (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

3. Other operating income

The other operating income for the year 2010 included a settlement income of HK\$202,800,000 in relation to two legal proceedings. Upon receiving the settlement sum, the Group shall withdraw the legal proceedings against two charterers for the breach of time-charter contracts in 2009. As at 31 December 2010, the Group had received HK\$88,400,000 and the remaining amount of HK\$114,400,000 would be receivable in 2011.

The other operating income for the year 2009 included an income of HK\$310,771,000 received from a few counterparties to wash out foregoing time-charter contracts by mutual agreements. There was no such income recognized in current year.

4. Impairment loss on owned vessels and vessels under construction

Given the continuous drop in market value of dry bulk vessels since late 2010, the management considered there was indication that the carrying amounts of the Group's owned vessels and vessels under construction may not be recoverable and thus performed an impairment review on owned vessels and vessels under construction on 31 December 2010. Accordingly, an impairment loss of HK\$577,454,000 on owned vessels and vessels under construction was recognized in 2010. There was no such loss recognized in last year.

5. Other operating expenses

The other operating expenses for the year 2010 included a loss on cancellation of shipbuilding contracts amounting to HK\$78,103,000, represented partial installments paid by the Group forfeited in December 2010. There was no such expense recognized in 2009.

The other operating expenses for the year also included an impairment loss of HK\$1,263,000 on trade receivables as compared to that of HK\$80,769,000 recognized in last year when certain charterers were exposed to financial or insolvency problems in the financial turmoil.

NOTES TO THE FINANCIAL STATEMENTS

6. Taxation

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

	2010 HK\$'000	2009 HK\$'000
Hong Kong Profits Tax	34	30
PRC Corporate Income Tax	370	188
	404	218

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

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

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

7. Earnings per share

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

8. Dividends

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

9. Trade and other receivables

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	73,101	71,777
Prepayments, deposits and other receivables	266,322	231,630
	339,423	303,407

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

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

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.

10. Pledged deposits

As at 31 December 2010, the amount included HK\$12 million security money held in the High Court of Hong Kong. As at 31 December 2009, the amount included HK\$346 million deposits placed with a bank as security for the issuance of a bank guarantee in September 2009 in relation to legal proceedings. The relevant bank guarantee was cancelled in September 2010 and the pledged bank deposits of HK\$346 million was paid to the High Court of Hong Kong pursuant to the order of Mr. Justice STONE of the Court of First Instance of the High Court of Hong Kong made by consent as security money. In November 2010, Mr. Justice REYES of the Court of First Instance of the High Court of Hong Kong ordered a release of the security money of HK\$334 million to the Group. The Group received such amount in cash on 29 November 2010 and maintained security money of HK\$12 million in the High Court of Hong Kong. The legal proceedings are still underway in Hong Kong as of date of this report.

NOTES TO THE FINANCIAL STATEMENTS

11. Bank balances and cash

	2010	2009
	HK\$'000	HK\$'000
Cash and cash equivalents for condensed consolidated statement of cash flows purpose	1,524,616	1,197,956
Bank deposits with more than three months to maturity when placed	117,000	7,800
	1,641,616	1,205,756

12. Trade and other payables

	2010	2009
	HK\$'000	HK\$'000
Trade payables	27,229	31,857
Accrued charges and other payables	588,100	687,141
	615,329	718,998

The aging analysis of trade payables is as follows:

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

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2010 containing all the detailed information will be despatched to shareholders of the Company and available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com in due course.

As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.