JINHUI

# JINHUI HOLDINGS COMPANY LIMITED

# 金輝集團有限公司

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 137

## 2011 RESULTS ANNOUNCEMENT

JINHUI

## HIGHLIGHTS FOR THE YEAR 2011

- Revenue for the year: HK$2,784 million
- Net profit attributable to shareholders for the year: HK$259 million
- Basic earnings per share: HK$0.489
- Gearing ratio as at 31 December 2011: 37%

## 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 2011.

## 2011 ANNUAL RESULTS

The Group's revenue for the year was HK$2,784,292,000, representing a decrease of 11% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$259,266,000, whereas HK$366,817,000 was reported in 2010.

Basic earnings per share was HK$0.489 for the year as compared to basic earnings per share of HK$0.692 for the year 2010.

## DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2011 (2010: nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2011.

## BUSINESS REVIEW

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

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

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

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

## CHAIRMAN'S STATEMENT

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

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

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

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

| | **2011** | 2010 |
|---|---|---|
| | ***US$*** | *US$* |
| Capesize | **35,532** | 83,678 |
| Post-Panamax / Panamax | **19,660** | 28,982 |
| Supramax / Handymax | **21,224** | 25,131 |
| In average | **21,785** | 29,102 |

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

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

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

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

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

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

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

## FINANCIAL REVIEW

**Liquidity, financial resources and capital structure.** During the year, upon financing of various vessel mortgage loans, and offset by cash used to partially finance the delivery of four additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash decreased to HK$2,110,913,000 as at 31 December 2011 (2010: HK$2,152,980,000). The Group's bank borrowings increased to HK$4,539,620,000 as at 31 December 2011 (2010: HK$4,376,178,000), of which 12%, 11%, 35% and 42% are repayable respectively within one year, one to two years, two to five years and over five years. All bank borrowings were committed on floating rate basis and were denominated in United States Dollars.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, was 37% as at 31 December 2011 (2010: 36%). With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

**Pledge of assets.** As at 31 December 2011, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$8,584,672,000 (2010: HK$7,790,484,000), financial assets at fair value through profit or loss of HK$50,895,000 (2010: HK$69,216,000) and deposits of HK$61,582,000 (2010: HK$84,545,000) placed with banks and other financial institution were pledged together with the assignment of thirty five (2010: thirty one) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty nine (2010: twenty six) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

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

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

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

## OTHER IMPORTANT EVENTS

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

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

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

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

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

## OUTLOOK

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

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

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

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

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

# CHAIRMAN'S STATEMENT

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

By Order of the Board

**Ng Siu Fai**
*Chairman*

Hong Kong, 15 March 2012

## 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 2011, 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 (the "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) 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 2011.

## SCOPE OF WORK OF THE AUDITORS

The figures in the preliminary results announcement of the Group for the year ended 31 December 2011 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 2011.

## 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.

### ANNUAL GENERAL MEETING AND BOOK CLOSURE

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

The register of members of the Company will be closed from Friday, 11 May 2012 to Tuesday, 15 May 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 10 May 2012.

### EMPLOYEES

As at 31 December 2011, the Group had 106 (2010: 105) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

### FLEET

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

As at 31 December 2011, the Group had thirty five owned vessels which included two modern Post-Panamaxes, two modern Panamaxes, thirty modern grabs fitted Supramaxes and one Handymax.

Apart from the owned vessels, the Group operated four chartered-in vessels which included two Capesizes and two Supramaxes as at 31 December 2011.

Subsequent to the year ended 31 December 2011, a newly built Supramax named as “Jin Ze” was delivered to the Group on 17 February 2012.

## SUPPLEMENTARY INFORMATION

## FLEET DETAILS

The fleet details after the year ended 31 December 2011 and up to 27 February 2012 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 2012 and 27 February 2012 | - | 2 | 2 | - | - | - | 2 |
| **Post-Panamax Fleet** | | | | | | | |
| As at 1 January 2012 and 27 February 2012 | 2 | - | 2 | - | - | - | 2 |
| **Panamax Fleet** | | | | | | | |
| As at 1 January 2012 and 27 February 2012 | 2 | - | 2 | - | - | - | 2 |
| **Supramax / Handymax Fleet** | | | | | | | |
| As at 1 January 2012 | 31 | 2 | 33 | 3 | - | 3 | 36 |
| Newbuilding delivery | 1 | - | 1 | (1) | - | (1) | - |
| As at 27 February 2012 | 32 | 2 | 34 | 2 | - | 2 | 36 |
| **Handysize Fleet** | | | | | | | |
| As at 1 January 2012 and 27 February 2012 | - | - | - | 1 | - | 1 | 1 |
| **Total Fleet** | | | | | | | |
| As at 27 February 2012 | 36 | 4 | 40 | 3 | - | 3 | 43 |

*Note:*

1 Includes three newbuildings ordered by the Group as at 27 February 2012, which we expected to take deliveries of one Supramax 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 27 February 2012 was as follows:

**Owned and Chartered-in Fleet – revenue covered:**

| | | *Unit* | 2012 | 2013 |
|---|---|---|---|---|
| **Capesize Fleet** | Coverage | *%* | 32 | - |
| | Operating days covered | *Days* | 236 | - |
| | Daily TCE | *US$* | 10,748 | - |
| **Post-Panamax / Panamax Fleet** | Coverage | *%* | 42 | 25 |
| | Operating days covered | *Days* | 615 | 360 |
| | Daily TCE | *US$* | 26,319 | 38,200 |
| **Supramax / Handymax Fleet** | Coverage | *%* | 49 | 20 |
| | Operating days covered | *Days* | 6,007 | 2,530 |
| | Daily TCE | *US$* | 22,108 | 32,763 |

**Chartered-in Fleet – TCE cost:**

| | | *Unit* | 2012 | 2013 |
|---|---|---|---|---|
| **Capesize Fleet** | Operating days | *Days* | 732 | 466 |
| | Daily TCE cost | *US$* | 40,750 | 42,591 |
| **Supramax Fleet** | Operating days | *Days* | 457 | 300 |
| | Daily TCE cost | *US$* | 31,569 | 36,000 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| **Revenue** | *2* | **2,784,292** | 3,120,053 |
| Other operating income | *3* | **145,798** | 281,638 |
| Interest income | | **30,075** | 17,346 |
| Shipping related expenses | *4* | **(1,162,569)** | (1,022,087) |
| Impairment loss on owned vessels and vessels under construction | *5* | **(198,330)** | (577,454) |
| Cost of trading goods sold | | **(379,821)** | (374,481) |
| Staff costs | | **(150,442)** | (226,873) |
| Other operating expenses | | **(127,082)** | (157,503) |
| **Operating profit before depreciation and amortization** | | **941,921** | 1,060,639 |
| Depreciation and amortization | | **(406,105)** | (340,407) |
| **Operating profit** | | **535,816** | 720,232 |
| Finance costs | | **(56,922)** | (43,796) |
| **Profit before taxation** | | **478,894** | 676,436 |
| Taxation | *6* | **(1,205)** | (404) |
| **Net profit for the year** | | **477,689** | 676,032 |
| **Other comprehensive income** | | | |
| Change in fair value of available-for-sale financial assets | | **4,980** | 900 |
| Reversal of impairment loss on property, plant and equipment | | **-** | 498 |
| **Total comprehensive income for the year** | | **482,669** | 677,430 |
| **Net profit for the year attributable to:** | | | |
| Shareholders of the Company | | **259,266** | 366,817 |
| Non-controlling interests | | **218,423** | 309,215 |
| | | **477,689** | 676,032 |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the Company | | **264,165** | 368,057 |
| Non-controlling interests | | **218,504** | 309,373 |
| | | **482,669** | 677,430 |
| **Earnings per share** | *7* | | |
| - Basic | | **HK$0.489** | HK$0.692 |
| - Diluted | | **HK$0.484** | HK$0.662 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2011*

| | Note | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **9,005,279** | 8,429,089 |
| Investment properties | | **58,910** | 51,460 |
| Goodwill | | **39,040** | 39,040 |
| Available-for-sale financial assets | | **23,681** | 18,701 |
| Intangible assets | | **1,933** | 2,097 |
| | | **9,128,843** | 8,540,387 |
| **Current assets** | | | |
| Inventories | | **53,472** | 28,689 |
| Trade and other receivables | *9* | **410,776** | 339,423 |
| Financial assets at fair value through profit or loss | | **492,659** | 511,364 |
| Pledged deposits | | **61,582** | 96,181 |
| Bank balances and cash | *10* | **1,618,254** | 1,641,616 |
| | | **2,636,743** | 2,617,273 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **577,136** | 615,329 |
| Provision for taxation | | **308** | 300 |
| Secured bank loans | | **536,572** | 486,952 |
| | | **1,114,016** | 1,102,581 |
| **Net current assets** | | **1,522,727** | 1,514,692 |
| **Total assets less current liabilities** | | **10,651,570** | 10,055,079 |
| **Non-current liabilities** | | | |
| Secured bank loans | | **4,003,048** | 3,889,226 |
| **Net assets** | | **6,648,522** | 6,165,853 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Issued capital | | **53,029** | 53,029 |
| Reserves | | **3,681,636** | 3,417,471 |
| | | **3,734,665** | 3,470,500 |
| **Non-controlling interests** | | **2,913,857** | 2,695,353 |
| **Total equity** | | **6,648,522** | 6,165,853 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2011*

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Capital redemption reserve** | **Other asset revaluation reserve** | **Employee share-based compensation reserve** | **Reserve for available-for-sale financial assets** | **Retained profits** | **Subtotal** | **Non-controlling interests** | **Total equity** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| At 1 January 2010 | 53,029 | 324,590 | 4,020 | 4,392 | 26,259 | 7,641 | 2,682,512 | 3,102,443 | 2,385,980 | 5,488,423 |
| Net profit for the year | - | - | - | - | - | - | 366,817 | 366,817 | 309,215 | 676,032 |
| Other comprehensive income for the year | - | - | - | 385 | - | 855 | - | 1,240 | 158 | 1,398 |
| Total comprehensive income for the year | - | - | - | 385 | - | 855 | 366,817 | 368,057 | 309,373 | 677,430 |
| At 31 December 2010 | 53,029 | 324,590 | 4,020 | 4,777 | 26,259 | 8,496 | 3,049,329 | 3,470,500 | 2,695,353 | 6,165,853 |
| At 1 January 2011 | 53,029 | 324,590 | 4,020 | 4,777 | 26,259 | 8,496 | 3,049,329 | 3,470,500 | 2,695,353 | 6,165,853 |
| Net profit for the year | - | - | - | - | - | - | 259,266 | 259,266 | 218,423 | 477,689 |
| Other comprehensive income for the year | - | - | - | - | - | 4,899 | - | 4,899 | 81 | 4,980 |
| Total comprehensive income for the year | - | - | - | - | - | 4,899 | 259,266 | 264,165 | 218,504 | 482,669 |
| **At 31 December 2011** | **53,029** | **324,590** | **4,020** | **4,777** | **26,259** | **13,395** | **3,308,595** | **3,734,665** | **2,913,857** | **6,648,522** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2011*

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **OPERATING ACTIVITIES** | | | |
| Cash generated from operations | | **955,894** | 1,059,490 |
| Interest paid | | **(54,415)** | (43,161) |
| Hong Kong Profits Tax paid | | **(836)** | (36) |
| PRC Corporate Income Tax paid | | **(601)** | (314) |
| **Net cash from operating activities** | | **900,042** | 1,015,979 |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **28,265** | 16,067 |
| Increase in bank deposits with more than three months to maturity when placed | | **(91,093)** | (109,200) |
| Dividend income received | | **4,606** | 724 |
| Purchase of property, plant and equipment | | **(1,181,092)** | (1,746,178) |
| Proceeds from disposal of property, plant and equipment | | **2,959** | 3,204 |
| **Net cash used in investing activities** | | **(1,236,355)** | (1,835,383) |
| **FINANCING ACTIVITIES** | | | |
| New secured bank loans | | **675,285** | 1,277,486 |
| Repayment of secured bank loans | | **(488,026)** | (549,815) |
| Decrease in pledged deposits | | **34,599** | 418,393 |
| **Net cash from financing activities** | | **221,858** | 1,146,064 |
| **Net increase (decrease) in cash and cash equivalents** | | **(114,455)** | 326,660 |
| **Cash and cash equivalents at 1 January** | | **1,524,616** | 1,197,956 |
| **Cash and cash equivalents at 31 December** | *10* | **1,410,161** | 1,524,616 |

## 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 2010.

## 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.

| | Chartering freight and hire | Trading | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *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** |

**2. Segment information (Continued)**

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

## 3. Other operating income

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

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

## 4. Shipping related expenses

The shipping related expenses for the year 2011 included a provision for loss on charter hire of HK$55,279,000, being the expected economic benefits derived from two time-charter contracts to be expired in early 2012 less the fixed costs under two long term chartered-in contracts. There was no such provision recognized in last year.

## 5. Impairment loss on owned vessels and vessels under construction

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

## 6. Taxation

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax | **595** | 34 |
| PRC Corporate Income Tax | **610** | 370 |
| | **1,205** | 404 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax.

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

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

**7. Earnings per share**

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

Diluted earnings per share is calculated on the net profit attributable to shareholders of the Company for the year of HK$259,266,000 (2010: HK$366,817,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

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

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

**8. Dividend**

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2011 (2010: nil).

## 9. Trade and other receivables

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **93,280** | 73,101 |
| Prepayments, deposits and other receivables | **317,496** | 266,322 |
| | **410,776** | 339,423 |

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

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

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. Bank balances and cash

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash and cash equivalents for condensed consolidated statement of cash flows purpose | **1,410,161** | 1,524,616 |
| Bank deposits with more than three months to maturity when placed | **208,093** | 117,000 |
| | **1,618,254** | 1,641,616 |

### 11. Trade and other payables

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

The aging analysis of trade payables is as follows:

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

## PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2011 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.*