JINHUI

JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137

Annual Report **2008**

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

QUALIFIED ACCOUNTANT

Ho Suk Lin

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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SHARE LISTING

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

Chairman's Statement

The board of directors (the "Board") of **Jinhui Holdings Company Limited (the "Company")** is pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year 2008.

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$3,885,957,000, representing an increase of 51% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$918,020,000, representing an increase of 150% over net profit attributable to shareholders of the Company of HK$367,724,000 for year 2007. Basic earnings per share for the year was HK$1.763 as compared to basic earnings per share of HK$0.704 of last year.

Year 2008 was a challenging year in dry bulk market marked with unprecedented highs and lows in Baltic Dry Index ("BDI") and wrapped in a global economic downturn. In year 2008, though we achieved our record profits with strong balance sheet, we were not immune to the changing sentiment towards the marine transportation sector caused by the global economic turmoil.

The Group disposed three motor vessels in year 2008 in order to offload part of its capital expenditures and to improve working capital position. The gain of HK$489,728,000 on completion of the disposal of three motor vessels was recognized in the consolidated income statement for year 2008.

During the year, the Group has committed to purchase two Post-Panamax, one Panamax, three Supramax and one Handysize newbuildings, and one second hand Supramax for delivery during the years from 2009 to 2012 at a total consideration of approximately HK$3,251 million.

As scheduled, five Supramaxes and one Handymax were delivered to the Group in year 2008. As at 31 December 2008, the Group had twenty one owned vessels and nine chartered-in vessels in operation with average vessel age of five years and total capacity over deadweight 2 million metric tons.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008 (2007: HK$0.06 per share).

In year 2008, the Board had declared an interim dividend of HK$0.12 per share (2007: nil), totalling HK$62,560,000 which was paid on 3 October 2008.

Chairman's Statement

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.

Dry bulk market in year 2008 was characterized by extreme volatility. In early 2008, the dry bulk market was overwhelmed by the continuous infrastructure investments in China, India and other emerging economies, as well as continuous shipment of industrial raw materials from cargo supplying countries. Supported by extremely bullish sentiment which was characterized by the participation in the industry by non-conventional shipping or shipping related companies and in particular the Forward Freight Agreement ("FFA") activities, BDI reached its record high of 11,793 points on 20 May 2008. Since mid of 2008, charter rates softened and the world economies had been going through a slowdown due to tightening credit markets. The outbreak of Lehman Brothers bankruptcy in the U.S. further exacerbated the disruption of the global banking markets, bringing the world's full attention to the fragile fundamental of some of the western economies due to irresponsible lending practices by some financial institutions which encouraged extreme over-leveraging, as well as exposure to senseless financial engineering products designed by egocentric bankers in some of the world's largest and supposedly reputable, trustworthy and prestigious financial institutions. Dry bulk market had been one of the many industries heavily hit in this unprecedented financial turmoil. A free-fall of BDI was witnessed and charter rates of all kinds of vessels slumped in October 2008. With stagnant trading and shipping activities in global market, there were increasing numbers of vessels in anchorage. BDI dropped to the appalling 663 points on 5 December 2008 and closed at 774 points at end of 2008.

Baltic Dry Index

Source: Bloomberg

BUSINESS REVIEW *(Continued)*

In year 2008, the Group's shipping business enjoyed growth in both turnover and net profit for the year even in the volatile market environment by high fleet utilization and favourable long term charter contracts committed by majority of our fleet in year 2007 and early 2008. Despite the weak freight environment towards the last few months of 2008 that inevitably impacted some of our vessels exposed to the spot charter rates, our fleet still generated robust turnover and cash flows to the Group for the year.

The Group's shipping turnover for the year amounted to HK$3,706,156,000, representing an increase of 60% as compared to year 2007. The Group's shipping business recorded an operating profit of HK$2,077,426,000 for the year, representing an increase of 75% as compared to the operating profit of HK$1,184,648,000 for year 2007. The increase in turnover and net profit of shipping business was mainly due to the overall increase in charter rates during the year and partly attributable to the gain of HK$489,728,000 on completion of the disposal of three motor vessels during the year. The Group achieved record operating profits for the year under the leadership of the senior executive management team. Our staff costs rose by HK$110,929,000 as compared to last year due to the increase in number of employees to cope with rising chartering and ship management activities that arise from expansion of owned vessels and special performance-based remuneration awarded.

Trading and other operations. 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 turnover for the Group's trading business was HK$179,801,000, representing a decrease of 32% as compared to that of last year. The decrease in turnover was mainly attributable to the sharp fall in commodities price and market demand for industrial raw materials since the outbreak of the subprime mortgage financial crisis and increased direct competition with local suppliers in China. In addition, the cost of trading goods was inevitably forced up by the appreciation in Renminbi, surging production and labour costs due to PRC's new Labour Contract Law which came into force on 1 January 2008 and the tightening of environmental protection requirements and other energy and resources conservation policies in China. These posed a great challenge for the Group's trading business. The Group's trading business incurred an operating loss of HK$8,889,000 while an operating profit of HK$4,708,000 was reported in year 2007.

The Group's other operations recorded an operating loss of HK$188,800,000 as compared to an operating loss of HK$378,310,000 for last year. The operating loss for the year was mainly attributable to the unrealized mark-to-market loss on certain securities investments when global stock markets plunged in the last quarter of 2008 and recognition of impairment loss in respect of certain leasehold properties amounted to HK$38,453,000. As a result of tightening of investment policies adopted by the Group since late 2007, the net loss on financial assets and financial liabilities at fair value through profit or loss greatly reduced from HK$363,850,000 for year 2007 to HK$120,494,000 for year 2008. The Group did not enter into any FFA or bunker-related derivatives throughout the year and there were no forward foreign exchange contracts and options or equity-linked investments held as at 31 December 2008.

Chairman's Statement

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, upon receiving the net sale proceeds on completion of the disposal of three motor vessels, set off by financing of various vessel mortgage loans as well as cash used to partially finance the delivery of six additional vessels and installments paid for motor vessels, the total of the Group's equity and debt securities, bank balances and cash increased to HK$864,011,000 as at 31 December 2008 (2007: HK$637,070,000). The Group's bank borrowings decreased to HK$3,470,374,000 as at 31 December 2008 (2007: HK$3,686,192,000), of which 13%, 9%, 27% and 51% are repayable respectively within one year, one to two years, two to five years and over five years.

As a result of strong earnings and continuing healthy operating cash flows, 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 61% as at 31 December 2008 (2007: 112%). All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars. An interest rate swap arrangement has been in place in order to mitigate the risk associated with the increase in interest rates. As at 31 December 2008, credit facilities of approximately HK$3,185 million in relation to the financing of the acquisition of undelivered vessels had been arranged with various international banks. With cash, marketable equity and debt securities in hand and majority of 2009 and 2010 revenue in relation to the shipping business already covered (approximately 90% and 63% respectively) as well as available credit facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2008, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$4,896,172,000 (2007: HK$4,404,517,000), financial assets at fair value through profit or loss of HK$54,517,000 (2007: HK$59,733,000) and deposits of HK$80,838,000 (2007: HK$55,938,000) placed with banks and other financial institution were pledged together with the assignment of twenty one (2007: eighteen) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty one (2007: twenty) 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$2,660,986,000 (2007: HK$3,096,916,000), and on other property, plant and equipment was HK$88,480,000 (2007: HK$1,039,000).

As at 31 December 2008, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$7,244,992,000 (2007: HK$8,095,580,000), representing the Group's outstanding capital expenditure commitments to acquire twenty six (2007: twenty six) newbuildings and one (2007: one) second hand vessel at a total purchase price of approximately HK$9,424,001,000 (2007: HK$9,459,897,000).

The above capital expenditure commitments included two Supramax newbuildings at a total original cost of US$33,820,000 and JPY3,590,500,000, which were contracted to be disposed to a third party at a total consideration of US$34,255,100 and JPY3,703,031,000 at their expected dates of delivery in October 2010 and August 2012 respectively.

FINANCIAL REVIEW *(Continued)*

Contingent liabilities. As at 31 December 2008, the Group had the following contingent liabilities:

(a) a financial guarantee contract has been issued by Jinhui Shipping since 2006 to a third party for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., regarding the acquisition of a vessel by Bocimar Hong Kong Limited for a consideration of approximately HK$259,740,000, and in return, a counter-guarantee was provided by Bocimar International N.V. to Jinhui Shipping; and

(b) a counter-indemnity has been issued by the Group during the year 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.

Save as disclosed above, the Group had no other contingent liabilities as at 31 December 2008.

RISK MANAGEMENT

The Group is principally exposed to various risks and uses derivatives and other 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 changes occur in market factors such as underlying interest rates, exchange rates, equity 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, investments in equity and debts securities and securities derivatives. 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 Objectives and Policies" in note 41 to the financial statements.

RISK MANAGEMENT *(Continued)*

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

Liquidity risk. Liquidity risk is the risk that the Group fails to meet its obligations associated with its financial liabilities. The Group takes conservative treasury policies to maintain sufficient cash reserves 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 2008, the Group had 108 (2007: 103) 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.

SHARE CAPITAL

During the year, the number of issued ordinary shares of the Company was increased from 519,961,480 shares to 521,337,480 shares following the allotment and issue of 1,376,000 new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

Chairman's Statement

OUTLOOK

The global economy remains to be in poor shape and the coming months remain to be unprecedentedly challenging. Globally, financial institutions are still in the progress of deleveraging and as a result, new lending business of most financial institutions remains minimal or non-existent. This resultant abrupt liquidity drought has drastic negative implications across all industries as witnessed today.

The outlook of a number of developed economies remains to be testing, in particular the U.S., European as well as Japanese economies. The continuous decline in home prices, rapid decline in consumer spending and lackluster export volumes will further lead to a vicious cycle, given over-dependence on consumption or export of goods in those respective economies. Globalization means that Asia is not immune despite the impact is in somewhat a lesser magnitude, due to higher savings rate and lower use of financial leverage in most Asian economies.

The BDI was down by around 93% from its peak of 11,793 points on 20 May 2008 to 774 points at end of 2008. It is worth noting that the previous historically high freight rates was likely to be partly driven by the FFA market, where we saw a large number of non shipping players ranging from financial institutions to hedge funds speculating in this over-the-counter paper market, trading such products as financial derivatives. In recent weeks, the BDI has shown nascent signs of rebound, rising 172% from 773 points on 2 January 2009 to around 2,100 points in mid March 2009.

We highlighted before that although with zero participation in the FFA market, the Group will not be 100% immune from a wide number of counterparty defaults. The Group has been fortunate that a good proportion of charterers have been practicing honourable business ethics and have been performing according to the terms and conditions of the charterparties. However, we do see increasing delays in receiving charter-hires from some weaker charterers. Our policy in this regard is plain and simple – We will devote all necessary resources and take appropriate commercial and legal actions against any charterers in breach of charterparties to enforce the performance of contractual obligations under the contracts.

The current status of the dry bulk market remains dull in response to the prevailing negative sentiment. We expect to see increasing failures to honour legally binding contracts in coming months especially by weaker players, which are typically characterized by their short operating histories. Those remaining will become stronger and will command higher credibility in the market.

In light of the risks involved with a global economic slowdown, central banks and governments around the world have been effecting large scale stimulus plans to avoid a complete meltdown in global economic growth. The effectiveness of such actions remains to be seen, but with money supply increasing at astonishing velocity under these credit easing plans, we see risks ahead that as the economic pendulum swings in the opposite direction, hyperinflation could kick in abruptly at speed and magnitude akin to the strike of the current economic crisis.

OUTLOOK *(Continued)*

A common feature within a lot of the various governments' economic stimulus packages is the emphasis on infrastructure investments, and is in our view particularly viable in developing economies given the insufficient level of such vital assets to begin with. We recently witnessed meaningful reduction of stockpiles of key commodities in Chinese ports, increasing numbers of vessel scrapping, coupled with our view that the number of newbuildings to be delivered will be significantly reduced due to lack of funding channel for purchasers or due to questionable viability of a large number of new shipyards, the longer term outlook of global dry bulk seaborne trade demand remains hopeful albeit coming months remain to be critical. Overall, year 2009 remains to be extremely tough even for the largest and strongest shipowners.

The Group remains cautious with the medium term outlook and will monitor the dry bulk market and other key global economic indicators carefully. We will continue to focus on the basics, continue to build up our liquidity, reducing costs and mitigating any business and operating risks wherever possible. The Group will continue to work hard to navigate the stormy waters while preserving the Group's ability to rebound when the global economic environment normalizes.

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, 18 March 2009

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. The Company started diversification of business since 1992 into other businesses such as trading and investments in various industries in China. Following a reorganization in June 1994, Jinhui Shipping and Transportation Limited ("Jinhui Shipping") 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 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 long 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.

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 Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate.

The keys to success in the ship chartering business are timing, performance and relationship. Ship charterers have to know their clients and suppliers well, building up a mutual bond of trust and respect. It is in this important area that the Group has always excelled, helping to cement contracts and maintain reasonable market share even during difficult periods when the economy has been weak.

Business Profile

SHIPPING BUSINESS *(Continued)*

It is the Group's policy to comply with all applicable environmental legislation and regulations in its shipping operation as well as in its daily working environment. Our owned vessels are well maintained and we place great emphasis on their operation in compliance with applicable safety and environmental laws and regulations including but not limited to the International Safety Management Code ("ISM Code") for the safe operation of ships and for pollution prevention; the International Ship and Port Facility Security Code ("ISPS Code"); the International Convention for the Safety of Life at Sea ("SOLAS"); the International Convention for the Prevention of Pollution from Ships ("MARPOL"); the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW Convention"). These conventions have been ratified by the majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries.

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

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2008, the Group had twenty one owned vessels and 521 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Tai	Capesize	2004	Shanghai Waigaoqiao	173,880
Jin He	Panamax	2006	Oshima	77,250
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Man	Supramax	2008	Oshima	55,496
Jin Pu	Supramax	2008	Oshima	55,496
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin An	Supramax	2000	Oshima	50,786
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Hui	Supramax	2000	Oshima	50,777
Jin Rong	Supramax	2000	Mitsui	50,236
Jin Zhou	Supramax	2001	Mitsui	50,209
Jin Bi	Handymax	2000	Oshima	48,220
				1,253,254

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

Taking into account all existing commitments to acquire and dispose of vessels as announced by the Company previously, as at 31 December 2008, the Group committed to acquire twenty four newbuildings under construction and one second hand vessel for delivery during the years from 2009 to 2013.

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin Kang(1)	Supramax	2003	Tsuneishi	52,300	27 Feb 2009
Jin Wan	Supramax	2009	Shanghai Shipyard	57,000	Mar 2009
Jin Shun	Supramax	2009	Oshima	54,200	Mar 2009
Jin Rui	Panamax	2009	Imabari	76,500	May 2009
Jin Gang	Supramax	2009	Shanghai Shipyard	57,000	Jun 2009
Jin Ji	Supramax	2009	Shanghai Shipyard	57,000	Aug 2009
Jin Mao	Supramax	2009	Oshima	54,200	Nov 2009
Jin Jun	Supramax	2009	Shanghai Shipyard	57,000	Dec 2009
Jin Ao	Supramax	2010	Shanghai Shipyard	57,000	Mar 2010
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	92,500	Apr 2010
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	92,500	May 2010
Jin Yue	Supramax	2010	Shanghai Shipyard	57,000	Jun 2010
Jin Heng	Supramax	2010	Nantong Kawasaki	55,000	Jun 2010
Jin Yang	Supramax	2010	Tsuneishi	57,948	Jul 2010
Jin Ming	Supramax	2010	Oshima	60,500	Dec 2010
Jin Han	Supramax	2011	Oshima	60,500	Mar 2011
Jin Chao	Panamax	2011	Sasebo	75,000	Apr 2011
Jin Ning	Supramax	2011	Oshima	59,760	Jun 2011
Jin Feng	Supramax	2011	STX (Dalian)	57,700	Jun 2011
Jin Ying	Supramax	2011	Imabari	61,000	Jun to Jul 2011
Jin Hong	Supramax	2011	Oshima	60,500	Sep 2011
Jin Ze	Supramax	2012	Tsuneishi	57,948	Mar 2012
Jin Yu	Handysize	2012	Naikai Zosen	38,000	Jun 2012
Jin Xiang	Supramax	2012	Oshima	60,500	Sep 2012
Jin Qing	Supramax	2013	Tsuneishi	58,100	Feb 2013
				1,526,656	

SHIPPING BUSINESS *(Continued)*

Ordered Vessels *(Continued)*

Notes:

(1) The motor vessel "Canton Trader" had been chartered-in by the Group since April 2003 with purchase option exercisable by the Group on or after April 2005 at around US$22 million (approximately HK$170 million) which will be de-escalating by US$1 million per annum until April 2010. The Group exercised the purchase option in year 2008 at exercise price of approximately US$18 million (approximately HK$140 million). A wholly-owned subsidiary of Jinhui Shipping was nominated to hold this vessel which was renamed as "Jin Kang" upon delivery on 27 February 2009.

(2) The above list excluded two Supramax newbuildings at a total original cost of US$33,820,000 and JPY3,590,500,000, which were contracted to be disposed to a third party at a total consideration of US$34,255,100 and JPY3,703,031,000 at their expected dates of delivery in October 2010 and August 2012 respectively.

Chartered-in Vessels

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

Name	Type	Built	Size (dwt)	Charter in date	Expiry	Expiry if exercise of chartering option
Scope	Capesize	2006	174,008	Jul 2008	Apr 2013	–
Channel Alliance	Capesize	1996	171,978	Nov 2007	Oct 2009	–
Golden Sakura	Panamax	2007	76,662	Aug 2007	Jul 2009	–
Golden Kiji	Panamax	2007	76,662	Nov 2007	Oct 2009	–
Red Lily	Panamax	2004	76,500	Sep 2004	Jul 2009	Sep 2011
CMB Sakura	Panamax	2006	75,765	May 2008	Sep 2009	–
Tenmyo Maru	Supramax	2008	58,470	Nov 2008	Oct 2013	–
Thermidor	Supramax	2007	53,594	Mar 2008	Aug 2009	–
			763,639			

Business Profile

SHIPPING BUSINESS *(Continued)*

Chartered-in Vessels *(Continued)*

In addition, the Group will charter in three Capesizes in coming year.

Name	Type	Built	Size (dwt)	Expected charter in date	Expiry
Daehan #1	Capesize	2008	170,500	Nov 2008*	Dec 2013
Daehan #2	Capesize	2009	170,500	Jan 2009*	Apr 2014
Golden Shui	Capesize	2009	170,500	Apr 2009	Dec 2013
			511,500		

* *The scheduled deliveries of these Capesizes have been delayed due to problems at the shipyards.*

TRADING

The Group's trading activities have been carried out by Yee Lee Technology Company Limited ("Yee Lee") 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, packaging paper and electronics. The Group has 75% equity interests in the issued capital of Yee Lee.

Highlights

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

Loading Ports Analysis

(Expressed as a percentage of turnover for chartering freight and hire)	2008 %	2007 %
Asia excluding China	26.2	19.4
Australia	24.5	21.4
South America	18.2	22.0
North America	14.7	18.8
China	5.3	7.5
Europe	4.5	3.2
Africa	4.4	7.1
Middle East	2.2	0.1
Others	–	0.5
	100.0	100.0

Discharging Ports Analysis

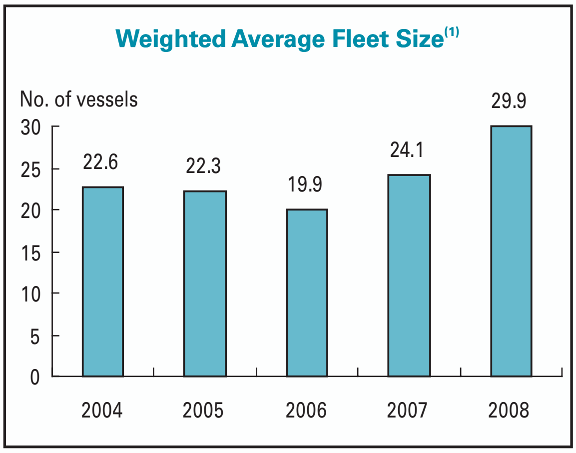
(Expressed as a percentage of turnover for chartering freight and hire)	2008 %	2007 %
China	36.7	33.4
Asia excluding China	33.8	21.0
Europe	12.5	20.5
Africa	7.5	5.8
North America	3.1	7.7
Middle East	2.6	3.9
South America	2.1	3.9
Australia	1.5	3.6
Others	0.2	0.2
	100.0	100.0

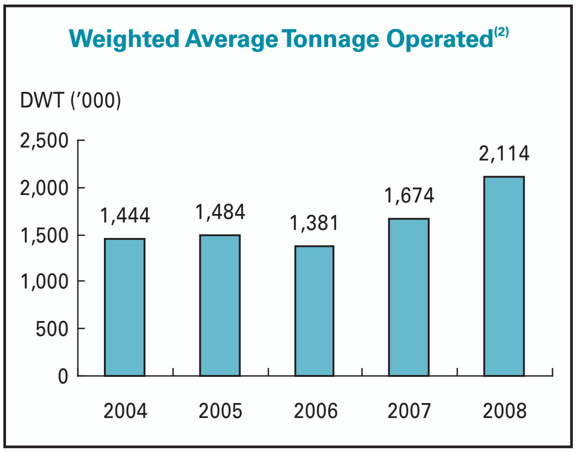
Types of Cargoes Carried by the Group's Fleet

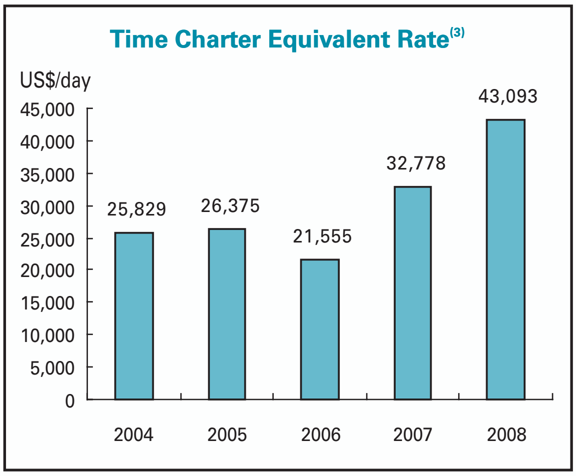
	2008		2007	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	9,683	54.5	7,001	47.4
Coal	4,359	24.6	3,416	23.2
Agricultural products	1,810	10.2	2,497	16.9
Cement	658	3.7	1,212	8.2
Steel products	641	3.6	512	3.5
Fertilizer	455	2.6	66	0.5
Alumina	149	0.8	49	0.3
Others	2	–	–	–
	17,757	100.0	14,753	100.0

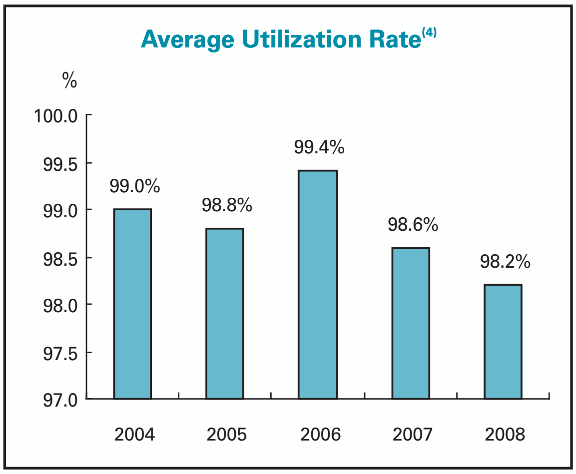
Highlights

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 voyage and time charter 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

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Key Items in the Consolidated Income Statements					
Turnover	**3,885,957**	2,575,790	1,550,763	1,985,235	1,974,661
Profit from operations	**1,879,737**	811,046	477,077	869,660	412,922
Interest income	**16,536**	28,761	20,067	13,983	4,165
Interest expenses	**(139,364)**	(165,961)	(76,052)	(40,213)	(22,972)
Profit before taxation	**1,756,909**	673,846	421,092	843,430	394,115
Taxation	**1,650**	(2,154)	(2,796)	(2,474)	(2,608)
Net profit for the year	**1,758,559**	671,692	418,296	840,956	391,507
Attributable to:					
Shareholders of the Company	**918,020**	367,724	223,192	526,862	227,514
Minority interests	**840,539**	303,968	195,104	314,094	163,993
	1,758,559	671,692	418,296	840,956	391,507
Other Financial Information					
EBITDA	**2,127,666**	1,013,661	608,442	981,969	506,114
Dividend per share	**HK$0.120**	HK$0.060	–	HK$0.190	HK$0.120
Basic earnings per share	**HK$1.763**	HK$0.704	HK$0.421	HK$0.992	HK$0.432

Highlights

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Balance Sheets					
Non-current assets	**7,006,442**	5,832,632	3,107,003	2,459,034	1,375,084
Current assets	**1,220,689**	927,548	884,768	757,381	1,251,242
Current liabilities	**(923,117)**	(1,063,127)	(401,069)	(373,230)	(1,092,536)
Non-current liabilities	**(3,032,865)**	(2,965,787)	(1,430,965)	(1,005,205)	(414,872)
Net assets	**4,271,149**	2,731,266	2,159,737	1,837,980	1,118,918
Equity attributable to shareholders of the Company					
Share capital	**52,134**	51,996	52,538	53,394	52,624
Reserves	**2,376,291**	1,549,486	1,248,579	1,058,258	667,599
	2,428,425	1,601,482	1,301,117	1,111,652	720,223
Minority interests	**1,842,724**	1,129,784	858,620	726,328	398,695
Total equity	**4,271,149**	2,731,266	2,159,737	1,837,980	1,118,918
Other Financial Information					
Return on average equity	**46%**	25%	19%	58%	38%
Gearing ratio	**61%**	112%	49%	38%	Net cash

CORPORATE GOVERNANCE PRINCIPLES

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

To this end, the Group has promulgated a set of Code on Corporate Governance Practices (the "Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices as set out in the Code which came into effect on 1 January 2005. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the Code and ultimately ensuring high transparency and accountability to the Company's shareholders.

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code throughout the year ended 31 December 2008, with deviations from code provisions A.2.1, A.4.2 and A.4.1 of the Code in respect of the roles of chairman and chief executive officer, the rotation of directors and the service term for non-executive directors.

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

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

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

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

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

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

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

BOARD COMPOSITION

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

The Board comprises a total of seven Directors, with four Executive Directors, Mr. Ng Siu Fai (Chairman), Mr. Ng Kam Wah Thomas (Managing Director), Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin; and three Independent Non-executive Directors, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau. Details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are disclosed on pages 28 and 29.

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

BOARD COMPOSITION *(Continued)*

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard as set out therein throughout the year ended 31 December 2008.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2008, the Board held 34 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai, *Chairman*	34
Ng Kam Wah Thomas, *Managing Director*	34
Ng Ki Hung Frankie	31
Ho Suk Lin	32
Independent Non-executive Directors	
Cui Jianhua	7
Tsui Che Yin Frank	7
William Yau	7

BOARD COMMITTEES

The Board is assisted by two Board Committees, that is, 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 by 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 decisions.

Remuneration Committee

The Remuneration Committee was established on 25 August 2005, comprising three Independent Non-executive Directors, Mr. Cui Jianhua (Chairman), Mr. Tsui Che Yin Frank and Mr. William Yau. The role and function of the Remuneration Committee included the determination of the specific remuneration packages of all Executive Directors and senior management, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee should consider factors such as the performance of Directors and senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Group. The Remuneration Committee shall meet at least once a year.

One meeting was held in 2008 and all the committee members were present at the meeting. The Remuneration Committee also held a meeting on 17 March 2009 to consider and approve the directors' fees and other emoluments of the senior management including the Directors. Details of the emoluments of the Directors are set out in note 16 to the financial statements.

BOARD COMMITTEES *(Continued)*

Audit Committee

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

The Audit Committee held three meetings in 2008 and all the committee members were present at the meetings. 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 Group's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Risk Management

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

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Internal Controls

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication and maintaining accountability for assets and liabilities. The key control procedures include establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. Certain of the key internal control systems have been independently reviewed by Grant Thornton during the year and are reviewed by Audit Committee on an ongoing basis so that 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 system, covering all material financial, operational and compliance controls and risk management functions. In particular, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are reviewed. The Board is satisfied that such internal control and accounting systems are effective and appropriate actions have been taken.

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

AUDITORS' REMUNERATION

During the year under review, the performance of the auditors of the Company, Grant Thornton, has been reviewed and it is proposed to re-appoint Grant Thornton as the auditors of the Company in the forthcoming annual general meeting.

In 2008, the remuneration paid and payable to the auditors of the Company for the provision of the Group's audit services, and other services including reviews of the Group's internal control system were HK$1,594,000 and HK$496,000 respectively.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the accounts and the responsibilities of the auditors to the shareholders are set out in the "Independent Auditors' Report" on pages 39 and 40.

COMMUNICATIONS WITH SHAREHOLDERS

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

In order to further promote effective communication, the Company maintains a website (www.jinhuiship.com) to disseminate information to shareholders electronically on a timely basis.

The Annual General Meeting of the Company will be held on Wednesday, 20 May 2009. 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 Monday, 18 May 2009 to Wednesday, 20 May 2009, 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 4:30 p.m. on Friday, 15 May 2009.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 52. 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 46. 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 has 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 55. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments in China. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, *Executive Director*

Aged 45. 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.

BOARD OF DIRECTORS *(Continued)*

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

Aged 54. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

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

Aged 51. 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 and Value Convergence Holdings Limited, both listed in Hong Kong, and a director of Melco China Resorts (Holding) Limited listed in Canada. Mr. Tsui holds a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

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

Aged 41. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited. Mr. Yau graduated with a Bachelor Degree of Computer System Engineering from the Carleton University in Canada.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 34. Joined the Group in 2004 as Vice President, responsible for the corporate finance matters of the Group. Mr. Ching has over 10 years of working experience in finance and banking field in the U.K. and Asia. Prior to joining the Group, he worked in the investment banking division for a US bank. Mr. Ching has 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 55. 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 Ltd. as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 56. 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*

Aged 49. Joined the Group in 1994 as a director of Yee Lee, 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 University and is an associate member of the Hong Kong Institute of Certified Public Accountants.

The board of directors of the Company (the "Board") presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

Segment information of the Group for the year ended 31 December 2008 is set out in note 7 to the financial statements.

REGISTERED OFFICE

The Company is incorporated in Hong Kong and the 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 2008 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 41 to 110.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008 (2007: HK$0.06 per share).

In year 2008, the Board had declared an interim dividend of HK$0.12 per share (2007: nil), totalling HK$62,560,000 which was paid on 3 October 2008.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in note 30 and note 32 to the financial statements respectively.

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 44 and 45.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2008, calculated under Section 79B(2) of the Hong Kong Companies Ordinance amounted to HK$218,805,000 (2007: HK$249,407,000). Details of the distributable reserves of the Company are disclosed in note 31 to the financial statements.

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 19 and 20.

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.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 44 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

Turnover attributable to the largest and the five largest customers accounted for approximately 14% and 49% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 20% and 68% respectively of the total purchases of the Group for the year.

None of the directors of the Company (the "Directors"), their associates or any shareholders which to the best knowledge of the Directors own more than 5% of the Company's issued capital had interest in any of the Group's five largest customers or the five largest suppliers.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK$1,108,000 (2007: HK$583,000).

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 Mr. Ng Kam Wah Thomas 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. Tsui Che Yin Frank will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Board has obtained 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 Directors and senior management are set out in the "Board of Directors and Senior Management" on pages 28 to 30.

DIRECTORS' SERVICE CONTRACTS

None of the Directors, including the directors who are proposed for re-election at the forthcoming annual general meeting, has a service contract with the Group which is not determinable by the Group 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 EXECUTIVE'S INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2008, the interests and short positions of each Director and chief executive 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 Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the "Model Code") were as follows:

Long position

(i) Directors' interests in shares of the Company

Name	Number of shares in the Company held and capacity: Beneficial owner	Interest of spouse	Beneficiary of trust	Total	Percentage of total issued shares of the Company
Ng Siu Fai	19,917,000	16,717,000	342,209,280 *Note*	378,843,280	72.66%
Ng Kam Wah Thomas	5,909,000	–	342,209,280 *Note*	348,118,280	66.77%
Ng Ki Hung Frankie	–	–	342,209,280 *Note*	342,209,280	65.64%
Ho Suk Lin	1,774,000	–	–	1,774,000	0.34%
Cui Jianhua	680,000	–	–	680,000	0.13%
William Yau	241,000	–	–	241,000	0.04%

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 Consultants Limited ("Fairline") which is the legal and beneficial owner of 342,209,280 shares of the Company (representing approximately 65.64% of the total issued shares of the Company) as at 31 December 2008. 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.

(ii) Directors' interests in underlying shares of the Company

A share option scheme was adopted by the Company on 18 November 2004 (the "Share Option Scheme") whereby the Board was authorized to grant share options to Directors, officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. 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.

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

(ii) Directors' interests in underlying shares of the Company ***(Continued)***

As at 31 December 2008, the Directors had the following interests in options to subscribe for shares of the Company under the Share Option Scheme:

Name	Date of grant	Closing price per share at date of grant of options *HK$*	Exercise price per share *HK$*	Period during which options exercisable	Number of options As at 1 January 2008	 Exercised during the year	 As at 31 December 2008
Ng Siu Fai	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	31,570,000	–	**31,570,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Kam Wah Thomas	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	21,050,000	–	**21,050,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Ki Hung Frankie	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	**3,000,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ho Suk Lin	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	**3,000,000**
Cui Jianhua	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	(700,000)	**300,000**
Tsui Che Yin Frank	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	**1,000,000**
William Yau	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	200,000	–	**200,000**
					70,372,000	(700,000)	**69,672,000**

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

(ii) Directors' interests in underlying shares of the Company *(Continued)*

Notes:

1. During the year, no share option was granted to Directors and 700,000 share options were exercised by a Director. Other than that, no share option which had been granted to Directors was exercised, cancelled or lapsed during the year ended 31 December 2008.

2. The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options became exercisable upon the Group having recorded an audited consolidated net profit of not less than HK$400 million for the financial year 2005, which had been achieved. These share options may be exercised during the period from 31 March 2006 to 22 December 2014 or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.

3. The closing price per share of the Company as at 31 December 2008 was HK$1.02.

4. All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

(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	309,000	46,534,800 *Note*	48,058,500	57.18%
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. 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.

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

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 2008.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Long position

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	Beneficial owner	342,209,280	–	65.64%
Wong Yee Man Gloria	Beneficial owner and interest of spouse	378,843,280 *Note 1*	–	72.66%
	Interest of spouse	–	34,754,000 *Note 2*	6.67%

Notes:

1. The interest in shares includes 16,717,000 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).

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed herein, as at 31 December 2008, the Company has not been notified of any person (other than Directors or chief executive 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 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 report.

AUDITORS

Moores Rowland Mazars acted as auditors of the Company for the year ended 31 December 2006. Moores Rowland Mazars changed their name to Moores Rowland on 1 June 2007 and combined their practice with Grant Thornton on that date. The financial statements for the year ended 31 December 2007 and 2008 have been audited by Grant Thornton. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Grant Thornton as auditors of the Company.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 18 March 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") set out on pages 41 to 110, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

Grant Thornton
均富

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 2008 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
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

18 March 2009

Consolidated Income Statement

Year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	6	3,885,957	2,575,790
Gain on disposal of motor vessel(s)		489,728	158,004
Other operating income	8	112,970	91,250
Shipping related expenses		(1,734,352)	(1,065,290)
Cost of trading goods sold		(167,919)	(243,405)
Depreciation and amortization		(231,393)	(173,854)
Staff costs	15	(191,657)	(80,728)
Other operating expenses		(283,597)	(450,721)
Profit from operations	9	1,879,737	811,046
Interest income		16,536	28,761
Interest expenses	10	(139,364)	(165,961)
Profit before taxation		1,756,909	673,846
Taxation	11	1,650	(2,154)
Net profit for the year		1,758,559	671,692
Attributable to:			
Shareholders of the Company	12	918,020	367,724
Minority interests		840,539	303,968
		1,758,559	671,692
Dividends recognized as distribution	13(a)	93,758	–
Dividend declared after the balance sheet date	13(b)	–	31,198
Earnings per share for net profit attributable to shareholders of the Company			
– Basic	14(a)	HK$1.763	HK$0.704
– Diluted	14(b)	HK$1.637	HK$0.641

Balance Sheets

As at 31 December 2008

		Group		Company	
	Note	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000 (restated)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	6,926,665	5,748,017	–	–
Investment properties	18	23,750	30,010	–	–
Goodwill	19	39,040	39,040	–	–
Available-for-sale financial assets	20	14,561	12,975	7,500	7,505
Intangible assets	21	2,426	2,590	–	–
Investments in subsidiaries	22	–	–	478,281	478,281
		7,006,442	5,832,632	485,781	485,786
Current assets					
Inventories	23	24,733	16,590	–	–
Trade and other receivables	24	248,659	211,452	436	433
Financial assets at fair value through profit or loss	25	87,305	70,812	39,031	44,974
Tax recoverable		1,064	–	–	–
Due from subsidiaries	26	–	–	128,165	157,732
Pledged deposits	38(b)	80,838	55,938	582	21,362
Bank balances and cash	27	778,090	572,756	27,752	12,714
		1,220,689	927,548	195,966	237,215
Current liabilities					
Trade and other payables	28	461,184	306,328	15,154	13,991
Financial liabilities at fair value through profit or loss	25	24,347	35,444	2,056	16,056
Provision for taxation		77	950	–	–
Secured bank loans	29	437,509	720,405	–	–
		923,117	1,063,127	17,210	30,047
Net current assets (liabilities)		297,572	(135,579)	178,756	207,168
Total assets less current liabilities		7,304,014	5,697,053	664,537	692,954
Non-current liabilities					
Secured bank loans	29	3,032,865	2,965,787	–	–
Net assets		4,271,149	2,731,266	664,537	692,954

Balance Sheets

As at 31 December 2008

		Group		Company	
	Note	**2008** *HK$'000*	2007 *HK$'000*	**2008** *HK$'000*	2007 *HK$'000* (restated)
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	*30*	**52,134**	51,996	**52,134**	51,996
Reserves	*31*	**2,376,291**	1,549,486	**612,403**	640,958
		2,428,425	1,601,482	**664,537**	692,954
Minority interests		**1,842,724**	1,129,784	**–**	–
Total equity		**4,271,149**	2,731,266	**664,537**	692,954

Approved and authorized for issue by the Board of Directors on 18 March 2009

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2008

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*	Reserve for available-for-sale financial assets *HK$'000*	Employee share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2007	52,538	301,088	2,938	3,038	2,506	26,259	912,750	1,301,117	858,620	2,159,737
Change in fair value of available-for-sale financial assets	–	–	–	–	1,558	–	–	1,558	–	1,558
Net income recognized directly in equity	–	–	–	–	1,558	–	–	1,558	–	1,558
Net profit for the year	–	–	–	–	–	–	367,724	367,724	303,968	671,692
Total recognized income	–	–	–	–	1,558	–	367,724	369,282	303,968	673,250
Shares issued upon exercise of share options	540	8,103	–	–	–	–	–	8,643	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	–	(45)	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	–	(44,157)	(44,157)	–	(44,157)
Acquisition of minority interests in a subsidiary	–	–	–	–	–	–	(33,358)	(33,358)	(32,804)	(66,162)
	(542)	8,058	1,082	–	–	–	(77,515)	(68,917)	(32,804)	(101,721)
At 31 December 2007	51,996	309,146	4,020	3,038	4,064	26,259	1,202,959	1,601,482	1,129,784	2,731,266
At 1 January 2008	51,996	309,146	4,020	3,038	4,064	26,259	1,202,959	1,601,482	1,129,784	2,731,266
Change in fair value of available-for-sale financial assets	–	–	–	–	491	–	–	491	(112)	379
Net income (expenses) recognized directly in equity	–	–	–	–	491	–	–	491	(112)	379
Net profit for the year	–	–	–	–	–	–	918,020	918,020	840,539	1,758,559
Total recognized income	–	–	–	–	491	–	918,020	918,511	840,427	1,758,938
2007 final dividend paid	–	–	–	–	–	–	(31,198)	(31,198)	–	(31,198)
2008 interim dividend paid	–	–	–	–	–	–	(62,560)	(62,560)	–	(62,560)
Dividends to minority interests	–	–	–	–	–	–	–	–	(127,487)	(127,487)
Shares issued upon exercise of share options	138	2,064	–	–	–	–	–	2,202	–	2,202
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	–	(12)	–	(12)
	138	2,052	–	–	–	–	(93,758)	(91,568)	(127,487)	(219,055)
At 31 December 2008	**52,134**	**311,198**	**4,020**	**3,038**	**4,555**	**26,259**	**2,027,221**	**2,428,425**	**1,842,724**	**4,271,149**

Statements of Changes in Equity

Year ended 31 December 2008

Company

	Issued capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Reserve for available-for-sale financial assets *HK$'000*	Employee share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
					(restated)		(restated)
At 1 January 2007 as previously reported	52,538	301,088	2,938	1,541	6,549	327,655	692,309
Effect on change in accounting policy*	–	–	–	–	37,111	–	37,111
At 1 January 2007 (restated)	52,538	301,088	2,938	1,541	43,660	327,655	729,420
Change in fair value of available-for-sale financial assets	–	–	–	964	–	–	964
Net income recognized directly in equity	–	–	–	964	–	–	964
Net loss for the year	–	–	–	–	–	(1,871)	(1,871)
Total recognized income (expenses)	–	–	–	964	–	(1,871)	(907)
Shares issued upon exercise of share options	540	8,103	–	–	–	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	(44,157)	(44,157)
	(542)	8,058	1,082	–	–	(44,157)	(35,559)
At 31 December 2007 (restated)	51,996	309,146	4,020	2,505	43,660	281,627	692,954
At 1 January 2008	51,996	309,146	4,020	2,505	43,660	281,627	692,954
Change in fair value of available-for-sale financial assets	–	–	–	(5)	–	–	(5)
Net expenses recognized directly in equity	–	–	–	(5)	–	–	(5)
Net profit for the year	–	–	–	–	–	63,156	63,156
Total recognized income (expenses)	–	–	–	(5)	–	63,156	63,151
2007 final dividend paid	–	–	–	–	–	(31,198)	(31,198)
2008 interim dividend paid	–	–	–	–	–	(62,560)	(62,560)
Shares issued upon exercise of share options	138	2,064	–	–	–	–	2,202
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	(12)
	138	2,052	–	–	–	(93,758)	(91,568)
At 31 December 2008	**52,134**	**311,198**	**4,020**	**2,500**	**43,660**	**251,025**	**664,537**

* *Details of the effect on change in accounting policy is set out in note 3 to the financial statements.*

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	33	1,732,836	1,017,961
Interest paid		(140,172)	(156,613)
Hong Kong Profits Tax paid		(283)	(3,636)
PRC Corporate Income Tax paid		(5)	–
Net cash from operating activities		1,592,376	857,712
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,750,299)	(3,097,955)
Purchase of available-for-sale financial assets		(1,207)	–
Proceeds from disposal of property, plant and equipment		1,790,490	397,987
Proceeds from disposal of an investment property		–	12,272
Deposits paid for purchase of a motor vessel		(14,040)	–
Net cash outflow on acquisition of partial interests in a subsidiary		–	(66,162)
Interest received		16,489	29,501
Increase in bank deposits with more than three months to maturity when placed		(117,802)	–
Net amount of loan received		4,573	13,607
Dividend income received from equity investments		1,647	580
Dividend income received from unlisted investment		–	5,479
Net cash used in investing activities		(1,070,149)	(2,704,691)
FINANCING ACTIVITIES			
New secured bank loans		1,787,882	2,731,406
Repayment of secured bank loans		(1,978,622)	(658,497)
(Increase) Decrease in pledged deposits		(24,900)	14,335
Dividends paid to shareholders of the Company		(93,758)	–
Dividends paid to minority interests		(127,487)	–
Proceeds from exercise of share options		2,202	8,643
Share issuance expenses related to exercise of share options		(12)	(45)
Repurchase of own shares		–	(44,157)
Net cash (used in) from financing activities		(434,695)	2,051,685
Net increase in cash and cash equivalents		87,532	204,706
Cash and cash equivalents at 1 January		572,756	368,050
Cash and cash equivalents at 31 December	27	660,288	572,756

1. GENERAL INFORMATION

Jinhui Holdings Company Limited (the "Company") 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 31. 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 the People's Republic of China (the "PRC").

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

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 consolidated financial statements are also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In current year, the Company and its subsidiaries (the "Group") have applied for the first time the HK(IFRIC) Interpretation 11 HKFRS 2 – Group and Treasury Share Transactions issued by HKICPA, which is relevant to and effective for the Company's financial statements for the accounting period beginning on 1 January 2008.

According to HKFRS 2, share-based payment transactions in which an entity receives services from its employees as consideration for equity instruments of the entity are accounted for as equity-settled share-based payment transactions. Upon the adoption of the HK(IFRIC) Interpretation 11 HKFRS 2 – Group and Treasury Share Transactions, the Company changed the accounting policy in respect of the equity-settled share-based payment transactions and recognized the grants of equity instruments to eligible persons including directors, officers and employees of its subsidiaries as capital contributions to its subsidiaries on the grant dates. In the prior years, the Company had not recognized any amounts for the grants of equity instruments in the Company's financial statements. The change in accounting policy resulted in an increase of HK$37,111,000 in both the Company's employee share-based compensation reserve and investments in subsidiaries. This amount has been retrospectively accounted for and restated in the "Statement of Changes in Equity" of the Company on page 45 and in the "Investments in Subsidiaries" in note 22.

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

At the date of authorization of these financial statements, certain new or amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group. The management anticipates 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.

HKAS 1 (Revised) Presentation of Financial Statements (effective from 1 January 2009)
The amendment affects the presentation of the financial statements and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single "Statement of Comprehensive Income" with sub-totals, or presented in two separate statements under "Income Statement" and "Statement of Comprehensive Income". This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 8 Operating Segments (effective from 1 January 2009)
This standard replaces HKAS 14 which requires entities to identify segments by business and geographical segments based on the risks and rewards of separate segments. HKFRS 8 requires entities to identify segments based on internal management reporting information that is regularly reviewed by the chief operating decision-maker. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, the adoption of this new standard will not have significant impact on the Group's financial statements.

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 or financial liabilities 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.

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

4.1 Basis of preparation *(Continued)*

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 Group 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.

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. 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.

In the Company's balance sheet, 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 balance sheet date.

4.4 Minority interests

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company. Profit or loss attributable to the shareholders of the Company and minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interest in the subsidiary's equity, the excess and any further losses applicable to the minority are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

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

4.5 Acquisition of minority interests in a subsidiary

Acquisition of minority interests is accounted for as transaction between equity holders and no gain or loss is recognized. The carrying amount of the minority interests shall be adjusted to reflect the change of the Group's interest in the net assets of the subsidiary. Any difference between the amount by which the minority interests is so adjusted and the fair value of consideration paid is recognized directly in equity and attributed to shareholders of the Company.

4.6 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 balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognized in the income statement.

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 balance sheet 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. Any differences arising from this procedure have been dealt with separately in the currency translation reserve in equity.

4.7 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:

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

4.7 Revenue recognition *(Continued)*

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.

4.8 Borrowing costs

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

4.9 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 balance sheet 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 the income statement.

Deferred tax is provided using the liability method on temporary differences at the balance sheet 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 balance sheet date.

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

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

4.9 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 the income statement, or in equity if they relate to items that are charged or credited directly to equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.10 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 the income statement.

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 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.

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

Drydocking and special survey costs are capitalized and depreciated over the drydocking cycle of two to three years on straight-line basis. Upon disposal of vessels, any relevant carrying amounts not yet written off are transferred to the income statement. Vessel repairs and survey costs are expensed as incurred.

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

4.10 Property, plant and equipment *(Continued)*

Vessels under construction are stated at cost less necessary provision for 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 brought into use, the costs are transferred to motor vessels and depreciated in accordance with the policy as stated below.

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

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

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

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

No depreciation is provided in respect of vessels under construction until it is completed.

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 the income statement.

4.11 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. These include land held for a currently undetermined future use.

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.

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

4.11 Investment properties *(Continued)*

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 balance sheet date.

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

4.12 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, plus any costs directly attributable to the business combination.

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.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of gain or loss on disposal.

4.13 Intangible assets

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

Club entrance fee	36 years
Berth license	10 years

Amortization commences when the intangible assets are available for use.

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

4.14 Impairment of non-financial assets

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

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

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

Impairment loss recognized for cash-generating units, to which goodwill has been allocated, are firstly allocated to reduce the carrying amount of goodwill. Any remaining impairment loss recognized are 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.

4.15 Inventories

Inventories comprise ship stores and trading goods. Initial ship stores are capitalized as part of the costs of the vessels. Subsequent purchases of ship stores are charged as operating expenses to the extent that they are consumed during the year.

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

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

4.16 Financial assets

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

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

Financial assets at fair value through profit or loss

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

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 an active market provided by financial institutions. Any changes in fair value are recognized in the income statement. Dividend income from financial assets at fair value through profit or loss is recognized when the right to receive payment is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated taking into account any discount or premium, transaction cost on acquisition and includes fees paid that are 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 directly in equity, except for impairment loss and foreign exchange gains and losses on monetary assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity would be recognized in the income statement. Upon disposal, the cumulative gain or loss previously recognized in equity is transferred to the income statement.

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

4.16 Financial assets *(Continued)*

Available-for-sale financial assets (Continued)

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 balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than 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 the income statement 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 recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the declined amount is removed from equity and recognized in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement. Any subsequent increase in fair value of the available-for-sale financial assets are not reversed through the income statement but is recognized directly in equity as reversal of impairment loss.

When there is objective evidence that available-for-sale financial assets carried at costs is 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 investments in equity securities carried at cost recognized in the income statement in any interim period or prior years are not reversed in subsequent periods.

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

4.17 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.

Where an existing financial liability is replaced by another financial liabilities with substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is accounted for as a derecognition of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts of financial liabilities is recognized in the income statement.

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial liabilities 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 an active market provided by financial institutions. Any changes in fair value are recognized in the income statement.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement 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 balance sheet date.

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

4.18 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 the income statement on initial recognition of any deferred income.

The amount of the financial guarantee initially recognized as deferred income is amortized as income in the income statement 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.

4.19 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 cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.20 Share capital

Ordinary shares are classified as equity. 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.

4.21 Employee share-based compensation

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

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

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

4.21 Employee share-based compensation *(Continued)*

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

Employee share-based compensation is recognized as an expense in the Group's consolidated income statement with a corresponding increase in the Group's 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.

4.22 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 the income statement 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.

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 balance sheet date.

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

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

4.23 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 the income statement 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 the income statement as an integral part of the aggregate net lease payments made.

Assets leased out under operating leases (as lessor)

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

Rental income receivable from operating leases is recognized in the income statement 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 the income statement as an integral part of the aggregate net income receivable from the lease.

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

4.24 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 balance sheet 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 occurs so that an outflow is probable, it will then be recognized as a provision.

4.25 Related parties

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

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

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

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

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

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

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

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

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

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

4.26 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments as the principal reporting format and geographical segments analysis as secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditures represent the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Unallocated items mainly comprise goodwill, pledged deposits, bank balances and cash, interest income and taxation.

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. Apart from information disclosed elsewhere in these financial statements, the following summarize: (a) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year; and (b) significant judgements made in the process of applying the Group's accounting policies.

Impairment of non-financial assets

In determining whether a non-financial asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing:

(a) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence;

(b) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continue use of the asset; and

(c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

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 the area of asset impairment, particularly in assessing whether there is any objective evidence of impairment.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment of financial assets *(Continued)*

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(a) significant financial difficulty of the counterparty;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the counterparty will enter bankruptcy or other financial reorganization;

(d) significant changes in the technological, market, economic or legal environment that have an adverse effect on the counterparty; and

(e) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Impairment of trade receivables is based on the evaluation of collectability and aging analysis of the trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were deteriorated, resulting in an impairment of their ability to make payments, impairment loss on trade receivables will be recognized.

Provision for inventories

The management reviews an aging analysis of inventories at each balance sheet date, and make provision for obsolete and slow-moving inventory items identified that are no longer recoverable or suitable for use in production. The management estimates the net realizable value for trading goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items.

6. TURNOVER AND REVENUE

Revenue, which is also the Group's turnover, represents chartering freight and hire income, and the aggregate of the invoiced value of goods sold. Revenue recognized during the year is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charter from owned vessels	**1,888,560**	1,130,176
Other chartering freight and hire income	**1,817,596**	1,180,850
Sale of goods	**179,801**	264,764
Revenue	**3,885,957**	2,575,790

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined chartering freight and hire, trading and other operations as its major business segments.

(a) Primary reporting by business segments – 2008

	Chartering freight and hire HK$'000	Trading HK$'000	Other operations HK$'000	Total HK$'000
Turnover	3,706,156	179,801	–	3,885,957
Profit (Loss) from operations	2,077,426	(8,889)	(188,800)	1,879,737
Interest expenses	(139,025)	(139)	(200)	(139,364)
Segment results	1,938,401	(9,028)	(189,000)	1,740,373
Unallocated income				
Interest income				16,536
Profit before taxation				1,756,909
Taxation				1,650
Net profit for the year				1,758,559
Segment assets	6,986,273	41,613	301,277	7,329,163
Unallocated assets				
Goodwill				39,040
Pledged deposits				80,838
Bank balances and cash				778,090
Total assets				8,227,131
Segment liabilities	3,748,865	2,792	204,325	3,955,982
Total liabilities				3,955,982
Other segment information				
Depreciation and amortization	221,203	207	9,983	231,393
Impairment loss on property, plant and equipment	–	–	38,453	38,453
Revaluation deficit of investment properties	–	–	6,260	6,260
Impairment loss on trade and other receivables	41,536	–	–	41,536
Capital expenditures	2,661,254	172	88,040	2,749,466

7. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting by business segments – 2007

	Chartering freight and hire HK$'000	Trading HK$'000	Other operations HK$'000	Total HK$'000
Turnover	2,311,026	264,764	–	2,575,790
Profit (Loss) from operations	1,184,648	4,708	(378,310)	811,046
Interest expenses	(159,021)	(721)	(6,219)	(165,961)
Segment results	1,025,627	3,987	(384,529)	645,085
Unallocated income				
Interest income				28,761
Profit before taxation				673,846
Taxation				(2,154)
Net profit for the year				671,692
Segment assets	5,751,604	90,210	250,632	6,092,446
Unallocated assets				
Goodwill				39,040
Pledged deposits				55,938
Bank balances and cash				572,756
Total assets				6,760,180
Segment liabilities	3,894,269	27,600	107,045	4,028,914
Total liabilities				4,028,914
Other segment information				
Depreciation and amortization	166,086	234	7,534	173,854
Reversal of impairment loss on property, plant and equipment	–	–	23,847	23,847
Revaluation surplus of investment properties	–	–	8,260	8,260
Impairment loss on trade and other receivables	1,672	–	–	1,672
Capital expenditures	3,096,916	378	661	3,097,955

7. SEGMENT INFORMATION *(Continued)*

(b) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 70% (2007: 73%) and 29% (2007: 25%) of the Group's trading business was carried out in Hong Kong and the PRC respectively. The Group's other operations mainly comprised investment holding, property investments, and investments in equity and debt securities which were mainly carried out in Hong Kong in both years.

While the segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location, around 6% (2007: 10%) of the segment assets under the other two business segments are located in the PRC and the remaining are mainly located in Hong Kong.

8. OTHER OPERATING INCOME

The other operating income included the following items:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Dividend income from equity investments	**1,647**	580
Gross rental income from operating leases on investment properties	**1,018**	590
Gain on disposal of an investment property	**–**	1,708
Net exchange gain	**9,190**	5,069

9. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**2,090**	2,186
Hire payments under time charters	**1,098,294**	681,240
Cost of inventories	**203,997**	251,944
Operating lease payments in respect of premises	**3,920**	3,787
Net loss on financial assets and financial liabilities at fair value through profit or loss	**120,494**	363,850
Amortization of intangible assets	**164**	165
Impairment loss (Reversal of impairment loss) on property, plant and equipment	**38,453**	(23,847)
Revaluation deficit (surplus) of investment properties	**6,260**	(8,260)
Impairment loss on available-for-sale financial assets	**–**	26,346
Impairment loss on trade and other receivables	**41,536**	1,672
Bad debts written off	**4,220**	–
Outgoings in respect of investment properties	**178**	129

10. INTEREST EXPENSES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	**22,579**	30,613
Not wholly repayable within five years	**123,532**	145,491
	146,111	176,104
Less: Interest expenses capitalized into vessels under construction	**(6,747)**	(10,143)
	139,364	165,961

11. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) 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 since its operation in year 2008.

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

The amount of taxation (credited)/charged to the consolidated income statement represents:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**1**	2,133
(Over) Under provision in prior years	**(1,732)**	21
PRC Corporate Income Tax:		
Current year	**81**	–
	(1,650)	2,154

11. TAXATION *(Continued)*

Reconciliation between taxation (credit)/charge and accounting profit at the applicable tax rates:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**1,756,909**	673,846
Income tax at the applicable tax rates in the tax jurisdiction concerned	**(55,835)**	(72,687)
Non-deductible expenses	**8,979**	7,467
Tax exempt revenue	**(2,048)**	(5,234)
Unrecognized tax losses	**47,647**	75,263
Unrecognized temporary differences	**198**	(607)
Utilization of previously unrecognized tax losses	**(106)**	(2,355)
Recognition of previously unrecognized temporary differences	**716**	281
Reversal of previously recognized temporary differences	**531**	–
(Over) Under provision in prior years	**(1,732)**	21
Others	**–**	5
Taxation (credit)/charge for the year	**(1,650)**	2,154

The applicable tax rates are the weighted average of current rates of taxation ruling in the relevant countries of the Company and its subsidiaries.

12. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year of HK$918,020,000 (2007: HK$367,724,000) included a net profit of HK$63,156,000 (2007: net loss of HK$1,871,000) of the Company which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
(a) Dividends recognized as distribution:		
– 2007 final dividend of HK$0.06 per share	31,198	–
– 2008 interim dividend of HK$0.12 per share	62,560	–
	93,758	–
(b) Dividend declared after the balance sheet date:		
– 2007 final dividend of HK$0.06 per share	–	31,198

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008.

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated on the net profit attributable to shareholders of the Company for the year of HK$918,020,000 (2007: HK$367,724,000) and the weighted average number of 520,633,622 (2007: 522,618,116) ordinary shares in issue during the year.

14. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share is calculated on the net profit attributable to shareholders of the Company for the year of HK$918,020,000 (2007: HK$367,724,000) 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:

	2008 **Number of shares**	2007 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**520,633,622**	522,618,116
Deemed issue of ordinary shares on granting of share options	**40,284,975**	51,195,651
	560,918,597	573,813,767

15. STAFF COSTS

	Group	
	2008 ***HK$'000***	2007 *HK$'000*
Salaries and other benefits	**188,899**	78,430
Contributions to retirement benefits schemes	**2,758**	2,298
	191,657	80,728

16. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Executive Directors and Independent Non-executive Directors

Name	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Executive Directors					
Ng Siu Fai	**1,933**	**4,004**	**69,240**	**173**	**75,350**
Ng Kam Wah Thomas	**1,933**	**3,780**	**69,240**	**173**	**75,126**
Ng Ki Hung Frankie	**1,326**	**1,958**	**76**	**54**	**3,414**
Ho Suk Lin	**421**	**1,390**	**145**	**80**	**2,036**
Independent Non-executive Directors					
Cui Jianhua	**100**	**–**	**–**	**–**	**100**
Tsui Che Yin Frank	**235**	**–**	**–**	**–**	**235**
William Yau	**190**	**–**	**–**	**–**	**190**
	6,138	**11,132**	**138,701**	**480**	**156,451**
2007					
Executive Directors					
Ng Siu Fai	1,933	2,907	14,760	115	19,715
Ng Kam Wah Thomas	1,933	2,640	14,660	115	19,348
Ng Ki Hung Frankie	1,326	1,542	2,560	43	5,471
Ho Suk Lin	421	1,151	928	68	2,568
Independent Non-executive Directors					
Cui Jianhua	100	–	–	–	100
Tsui Che Yin Frank	235	–	–	–	235
William Yau	190	–	–	–	190
	6,138	8,240	32,908	341	47,627

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

(b) The five highest paid individuals

The five highest paid individuals included four (2007: four) directors whose details of emoluments are presented above. Emoluments of the remaining one (2007: 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	
	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**2,180**	2,059
Discretionary bonus	**145**	278
Contributions to retirement benefits schemes	**34**	30
	2,359	2,367

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Motor vessels and improvement and capitalized drydocking costs HK$'000	Vessels under construction 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 2007	203,396	2,897,664	257,872	322	36,426	3,395,680
Reclassification	–	509,762	(454,699)	–	–	55,063
Additions	–	1,598,353	1,498,563	268	771	3,097,955
Disposals/write-off	–	(272,316)	–	–	(515)	(272,831)
At 31 December 2007	203,396	4,733,463	1,301,736	590	36,682	6,275,867
Reclassification	–	1,777,100	(1,777,509)	–	35	(374)
Additions	83,959	251,944	2,409,042	–	4,521	2,749,466
Disposals/write-off	–	(1,362,165)	–	–	(62)	(1,362,227)
At 31 December 2008	**287,355**	**5,400,342**	**1,933,269**	**590**	**41,176**	**7,662,732**
Accumulated depreciation and impairment loss						
At 1 January 2007	100,919	280,205	–	299	29,621	411,044
Charge for the year	4,884	166,059	–	35	2,711	173,689
Eliminated on disposals/write-off	–	(32,551)	–	–	(485)	(33,036)
Impairment loss reversed	(23,847)	–	–	–	–	(23,847)
At 31 December 2007	81,956	413,713	–	334	31,847	527,850
Charge for the year	7,185	221,155	–	61	2,828	231,229
Eliminated on disposals/write-off	–	(61,445)	–	–	(20)	(61,465)
Impairment loss recognized	38,453	–	–	–	–	38,453
At 31 December 2008	**127,594**	**573,423**	**–**	**395**	**34,655**	**736,067**
Net book value						
At 31 December 2008	**159,761**	**4,826,919**	**1,933,269**	**195**	**6,521**	**6,926,665**
At 31 December 2007	121,440	4,319,750	1,301,736	256	4,835	5,748,017

At balance sheet date, net interest capitalized included in vessels under construction was HK$12,411,000 (2007: HK$10,143,000).

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

Group

The analysis of the cost or valuation of the above assets by category is as follows:

	Leasehold land and buildings HK$'000	Motor vessels and improvement and capitalized drydocking costs HK$'000	Vessels under construction HK$'000	Plant and machinery HK$'000	Leasehold improvement, utility vessels, furniture and equipment HK$'000	Total HK$'000
2007						
At cost	150,396	4,733,463	1,301,736	590	36,682	6,222,867
At professional valuation in 1994	53,000	–	–	–	–	53,000
	203,396	4,733,463	1,301,736	590	36,682	6,275,867
2008						
At cost	**234,355**	**5,400,342**	**1,933,269**	**590**	**41,176**	**7,609,732**
At professional valuation in 1994	**53,000**	**–**	**–**	**–**	**–**	**53,000**
	287,355	**5,400,342**	**1,933,269**	**590**	**41,176**	**7,662,732**

If leasehold land and buildings had not been revalued at balance sheet date, the carrying amount at cost less accumulated depreciation and impairment loss would have been HK$144,725,000 (2007: HK$101,613,000).

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Held in Hong Kong:		
On long term leases (over 50 years)	**101,761**	121,440
On medium term lease (10-50 years)	**58,000**	–
	159,761	121,440

18. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
At fair value		
At 1 January	**30,010**	32,314
Disposal	**–**	(10,564)
Revaluation (deficit) surplus	**(6,260)**	8,260
At 31 December	**23,750**	30,010

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

At balance sheet date, the investment properties were revalued by Centaline Surveyors Limited, an independent qualified professional valuer, on the market value basis.

19. GOODWILL

	Group	
	2008	2007
	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 and Transportation Limited ("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 cash-generating unit ("CGU"), which represent subsidiaries principally engaged in chartering freight and hire of the Group. The recoverable amounts for the above CGU were determined based on value in use.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted club debentures, at fair value				
Cost of club debentures	**7,410**	7,410	**5,000**	5,000
Changes in fair value	**4,690**	4,064	**2,500**	2,505
	12,100	11,474	**7,500**	7,505
Unlisted club membership, at fair value				
Cost of club membership	**1,207**	–	**–**	–
Changes in fair value	**(247)**	–	**–**	–
	960	–	**–**	–
Unlisted investments, at cost				
Co-operative joint ventures	**27,847**	27,847	**–**	–
Less: Impairment loss	**(26,346)**	(26,346)	**–**	–
	1,501	1,501	**–**	–
Other unlisted investments, at cost	**23**	23	**–**	–
Less: Impairment loss	**(23)**	(23)	**–**	–
	–	–	**–**	–
	14,561	12,975	**7,500**	7,505

Unlisted club debentures and unlisted club membership are stated at fair values determined directly by reference to published price quotations in active markets.

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	
	2008	2007
	HK$'000	*HK$'000*
Club entrance fee and berth license		
Cost		
At 1 January	**2,799**	1,599
Addition	**–**	1,200
At 31 December	**2,799**	2,799
Accumulated amortization		
At 1 January	**209**	44
Charge for the year	**164**	165
At 31 December	**373**	209
Net book value		
At 31 December	**2,426**	2,590

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
		(restated)
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	**441,157**	441,157
Unlisted shares, at cost	**13**	13
Effect on change in accounting policy – Employee share-based compensation in subsidiaries	**37,111**	37,111
	478,281	478,281

Details of the effect on change in accounting policy and the principal subsidiaries of the Company are set out in note 3 and note 44 respectively.

At balance sheet date, the Company held 46,034,800 (2007: 46,034,800) shares of Jinhui Shipping with market value amounted to approximately HK$380,918,000 (2007: HK$3,936,236,000).

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Ship stores	**15,553**	249
Trading goods	**9,180**	16,341
	24,733	16,590

Inventories at balance sheet date were carried at cost.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**68,654**	79,328	**–**	–
Prepayments, deposits and other receivables	**180,005**	132,124	**436**	433
	248,659	211,452	**436**	433

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	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**61,667**	64,579
Over 3 months but within 6 months	**5,176**	13,084
Over 6 months but within 12 months	**926**	890
Over 12 months	**885**	775
	68,654	79,328

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**28,296**	53,225
Past due but not impaired		
Within 3 months past due	**36,252**	22,003
Over 3 months but within 6 months past due	**2,321**	2,580
Over 6 months but within 12 months past due	**902**	745
Over 12 months past due	**883**	775
	40,358	26,103
	68,654	79,328

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**37,968**	36,294
Impairment loss recognized	**41,536**	1,674
At 31 December	**79,504**	37,968

The Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2008, the Group had determined trade and other receivables of HK$79,504,000 (2007: HK$37,968,000) as individually impaired. The individual impaired trade receivables are due from charterers with prolonged delay in hire payments over the agreed credit terms. Based on the assessment, impairment loss of HK$41,536,000 (2007: HK$1,674,000) had been recognized during the year.

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

25. FINANCIAL ASSETS/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysis of financial assets at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	**64,948**	33,587	**18,058**	25,414
Listed outside Hong Kong	**2,677**	3,628	**2,677**	3,628
	67,625	37,215	**20,735**	29,042
Debt securities				
Listed outside Hong Kong	**18,296**	15,932	**18,296**	15,932
Unlisted	**–**	11,167	**–**	–
	18,296	27,099	**18,296**	15,932
Derivative financial instruments				
Interest rate swap	**1,384**	2,845	**–**	–
Forward foreign exchange contracts and options	**–**	3,483	**–**	–
Securities derivatives	**–**	170	**–**	–
	1,384	6,498	**–**	–
	87,305	70,812	**39,031**	44,974
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Forward foreign exchange contracts and options	**–**	7,896	**–**	–
Securities derivatives	**24,347**	27,548	**2,056**	16,056
	24,347	35,444	**2,056**	16,056

At balance sheet 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 an active market provided by financial institutions.

26. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank deposits with three months or less to maturity when placed	**531,015**	372,610	**15,607**	–
Bank balances	**129,034**	199,899	**12,145**	12,714
Cash in hand	**239**	247	**–**	–
Cash and cash equivalents for consolidated cash flow statement purpose	**660,288**	572,756	**27,752**	12,714
Bank deposits with more than three months to maturity when placed	**117,802**	–	–	–
	778,090	572,756	**27,752**	12,714

All bank deposits and bank balances carry interest rates ranging from 0.01% to 3.40% (2007: 4.40% to 4.65%) per annum and are eligible for immediate cancellation without receiving any interest for the last deposit period.

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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**21,347**	17,433	**–**	–
Accrued charges and other payables	**439,837**	288,895	**15,154**	13,991
	461,184	306,328	**15,154**	13,991

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	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**10,907**	7,284
Over 3 months but within 6 months	**1,506**	4
Over 6 months but within 12 months	**43**	187
Over 12 months	**8,891**	9,958
	21,347	17,433

29. SECURED BANK LOANS

	Group	
	2008	2007
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**437,509**	720,405
In the second year	**325,582**	368,984
In the third to fifth year	**951,924**	881,336
Wholly repayable within five years	**1,715,015**	1,970,725
After the fifth year	**1,755,359**	1,715,467
Total secured bank loans	**3,470,374**	3,686,192
Less: Amount repayable within one year	**(437,509)**	(720,405)
Amount repayable after one year	**3,032,865**	2,965,787

At balance sheet date, secured bank loans included vessel mortgage loans of approximately HK$3,469,979,000 (2007: HK$3,660,496,000) that were denominated in United States Dollars and were committed on floating rate basis at 1.11% to 5.96% (2007: 5.49% to 5.95%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 38.

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

30. SHARE CAPITAL

Company

	2008		2007	
	Number of ordinary shares of HK$0.10 each	Amount	Number of ordinary shares of HK$0.10 each	Amount
		HK$'000		*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	519,961,480	51,996	525,383,480	52,538
Shares issued upon exercise of share options	1,376,000	138	5,402,000	540
Shares repurchased and cancelled	–	–	(10,824,000)	(1,082)
At 31 December	521,337,480	52,134	519,961,480	51,996

During the year, 1,376,000 (2007: 5,402,000) ordinary shares of the Company were allotted and issued at the exercise price of HK$1.60 per share as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company. All the shares issued during the year rank pari passu with the existing shares of the Company in all respects.

31. RESERVES

Details of movements in reserves of the Group and the Company are disclosed in the "Statements of Changes in Equity" on pages 44 and 45.

Group

The application of the share premium account and the capital redemption reserve is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance.

Company

The retained profits of the Company includes HK$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK$218,805,000 (2007: HK$249,407,000).

32. EMPLOYEE SHARE-BASED COMPENSATION

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

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

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

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

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

(a) Number, terms and conditions of the share options granted by the Company:

	Number of options granted	Value of options at grant dates *HK$'000*
Options granted to Directors:		
Granted on 23 December 2004		
Performance based options	52,620,000	34,745
Non-performance based options *(Note 1)*	10,500,000	6,933
Granted on 29 June 2006		
Non-performance based options	9,552,000	3,435
	72,672,000	45,113
Options granted to employees other than Directors:		
Granted on 23 December 2004		
With vesting schedules	8,298,000	5,479
Without vesting schedule *(Note 1)*	5,374,000	3,549
	13,672,000	9,028
	86,344,000	54,141

Notes:

1. Under the transitional provisions of HKFRS 2, these share options were granted to Directors or employees after 7 November 2002 which had vested before 1 January 2005 and therefore no employee share-based compensation was required to be recognized.

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

(b) Movements in the number of share options and weighted average share price of the Company at dates of exercise of options in year 2008:

	Performance based options granted to Directors	Non-performance based options granted to Directors	Options with vesting schedules granted to employees other than Directors	Options without vesting schedule granted to employees other than Directors
Number of options				
Outstanding at beginning of the year	52,620,000	17,752,000	1,476,000	740,000
Exercised during the year *(Note 2)*	–	(700,000)	(376,000)	(300,000)
Lapsed during the year *(Note 2)*	–	–	(88,000)	–
Outstanding at end of the year	**52,620,000**	**17,052,000**	**1,012,000**	**440,000**
Exercisable at end of the year	**52,620,000**	**17,052,000**	***Note 3***	**440,000**
Weighted average share price of the Company at dates of exercise of options in year 2008	N/A	HK$5.09	HK$4.50	HK$3.90

Notes:

2. The weighted average exercise price for the share options exercised/lapsed during the year was HK$1.60.

3. These share options are under vesting schedules, which began in January 2005 with monthly exercisable limit of about 10% of the share options granted. According to the terms of the exercise conditions set out by the Company at date of grant, these share options are not exercisable as at 31 December 2008.

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

(c) Share options outstanding as at 31 December 2008 had the following remaining contractual lives and exercise prices:

	Number of outstanding share options as at 31 December 2008	Remaining contractual lives	Exercise price HK$
Options granted on 23 December 2004			
Performance based options granted to Directors	52,620,000	6 years	1.60
Non-performance based options granted to Directors	7,500,000	1 year	1.60
Options with vesting schedules granted to employees other than Directors	1,012,000	1 year	1.60
Options without vesting schedule granted to employees other than Directors	440,000	1 year	1.60
Options granted on 29 June 2006			
Non-performance based options granted to Directors	9,552,000	8 years	1.57
	71,124,000		

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Group	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**1,756,909**	673,846
Depreciation and amortization	**231,393**	173,854
Interest income	**(16,536)**	(28,761)
Interest expenses	**139,364**	165,961
Dividend income from equity investments	**(1,647)**	(580)
Gain on disposal/write-off of property, plant and equipment	**(489,728)**	(158,192)
Gain on disposal of an investment property	**–**	(1,708)
Impairment loss (Reversal of impairment loss) on property, plant and equipment	**38,453**	(23,847)
Revaluation deficit (surplus) of investment properties	**6,260**	(8,260)
Impairment loss on available-for-sale financial assets	**–**	26,346
Impairment loss on trade and other receivables	**41,536**	1,672
Bad debts written off	**4,220**	–
Changes in working capital:		
Inventories	**(8,143)**	(2,999)
Trade and other receivables	**(73,448)**	(27,358)
Financial assets and financial liabilities at fair value through profit or loss	**(27,590)**	113,947
Trade and other payables	**131,793**	114,040
Cash generated from operations	**1,732,836**	1,017,961

34. DEFERRED TAXATION

Group

Deferred taxation was calculated on temporary differences under the liability method using the applicable tax rate of 16.5% (2007: 17.5%).

The movements of the recognized deferred tax (liabilities) assets during the year and the offset amounts were as follows:

	Accelerated tax depreciation	Revaluation of investment properties	Losses available for offset against future taxable profit	Net deferred tax assets (liabilities)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	–	–	–	–
Deferred tax (charged) credited to the consolidated income statement	(461)	(1,445)	1,906	–
At 31 December 2007	(461)	(1,445)	1,906	–
Effect on change in tax rates	26	82	(108)	–
Deferred tax credited (charged) to the consolidated income statement	232	441	(673)	–
At 31 December 2008	**(203)**	**(922)**	**1,125**	**–**

Deferred tax assets for the year have not been recognized in respect of the followings:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Deductible temporary differences	**3,740**	1,052
Tax losses	**1,243,490**	933,995
	1,247,230	935,047

Both deductible temporary differences and tax losses do not expire under current tax legislation.

35. OPERATING LEASE COMMITMENTS

At balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year:		
Premises	**293**	509
Time charter hire	**861,489**	1,101,183
	861,782	1,101,692
In the second to fifth year:		
Premises	**333**	119
Time charter hire	**1,658,440**	2,636,595
	1,658,773	2,636,714
After the fifth year:		
Time charter hire	**–**	406,676
	2,520,555	4,145,082

36. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year:		
Premises	**1,564**	660
Owned vessels	**1,883,027**	1,634,135
Chartered-in vessels	**1,029,802**	907,466
Others	**226**	164
	2,914,619	2,542,425
In the second to fifth year:		
Premises	**1,644**	550
Owned vessels	**6,199,813**	895,703
Chartered-in vessels	**1,677,973**	635,557
	7,879,430	1,531,810
After the fifth year:		
Owned vessels	**335,030**	–
Chartered-in vessels	**48,515**	163,577
	383,545	163,577
	11,177,594	4,237,812

37. CAPITAL EXPENDITURE COMMITMENTS

At balance sheet date, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$7,244,992,000 (2007: HK$8,095,580,000), representing the Group's outstanding capital expenditure commitments to acquire twenty six (2007: twenty six) newbuildings and one (2007: one) second hand vessel at a total purchase price of approximately HK$9,424,001,000 (2007: HK$9,459,897,000).

The above capital expenditure commitments included two Supramax newbuildings at a total original cost of US$33,820,000 and JPY3,590,500,000, which were contracted to be disposed to a third party at a total consideration of US$34,255,100 and JPY3,703,031,000 at their expected dates of delivery in October 2010 and August 2012 respectively.

38. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's property, plant and equipment and investment property with an aggregate net book value of HK$4,896,172,000 (2007: HK$4,404,517,000);

(b) Deposits totalling HK$80,838,000 (2007: HK$55,938,000) of the Group placed with banks and other financial institution;

(c) Financial assets at fair value through profit or loss of HK$54,517,000 (2007: HK$59,733,000); and

(d) Assignment of twenty one (2007: eighteen) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of twenty one (2007: twenty) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

39. RELATED PARTY TRANSACTIONS

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

Group

Compensation of key management personnel as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	155,449	47,925
Contributions to retirement benefits schemes	658	687
	156,107	48,612

Company

(a) Receipt of dividends of HK$154,401,000 (2007: nil) from a subsidiary;

(b) Payment of an administrative fee of HK$3,836,000 (2007: HK$3,220,000) to a subsidiary;

(c) Receipt of interest income of HK$6,429,000 (2007: HK$6,254,000) from its subsidiaries;

(d) Payment of rental charges of HK$1,800,000 (2007: HK$1,440,000) to its subsidiaries;

(e) Guarantees provided to banks to secure credit facilities granted to subsidiaries amounting to HK$53,500,000 (2007: HK$105,320,000), and the amount of such facilities utilized was HK$395,000 (2007: HK$25,696,000) at balance sheet date; and

(f) Compensation of key management personnel as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	20,909	17,668
Contributions to retirement benefits schemes	209	155
	21,118	17,823

40. CONTINGENT LIABILITIES

As at 31 December 2008, the Group had the following contingent liabilities:

(a) a financial guarantee contract has been issued by Jinhui Shipping since 2006 to a third party for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., regarding the acquisition of a vessel by Bocimar Hong Kong Limited for a consideration of approximately HK$259,740,000, and in return, a counter-guarantee was provided by Bocimar International N.V. to Jinhui Shipping; and

(b) a counter-indemnity has been issued by the Group during the year to a bank for issuing a guarantee on behalf of a subsidiary of Jinhui Shipping in favour of a charterer of a vessel amounted to approximately HK$26,845,000 as security for the arbitration proceedings underway in London regarding a claim against the subsidiary for the loss and damage as a result of a stowage dispute.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Categories of financial instruments

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Financial assets				
Available-for-sale financial assets – carrying amount				
Unlisted club debentures	12,100	11,474	7,500	7,505
Unlisted club membership	960	–	–	–
Unlisted investments in co-operative joint ventures	1,501	1,501	–	–
Financial assets at fair value through profit or loss				
Equity securities held for trading	67,625	37,215	20,735	29,042
Debt securities held for trading	18,296	27,099	18,296	15,932
Derivative financial instruments	1,384	6,498	–	–
Loans and receivables measured at amortized costs				
Trade and other receivables	95,359	113,766	249	249
Due from subsidiaries	–	–	128,165	157,732
Pledged deposits	80,838	55,938	582	21,362
Bank balances and cash	778,090	572,756	27,752	12,714
	1,056,153	826,247	203,279	244,536
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	24,347	35,444	2,056	16,056
Financial liabilities measured at amortized costs				
Trade and other payables	330,425	164,734	15,154	13,991
Secured bank loans	3,470,374	3,686,192	–	–
	3,825,146	3,886,370	17,210	30,047

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

(b) Interest rate risk

(i) 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 all committed on floating rate basis. The Group receives fixed interest income from investments in debt securities.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 29 and through the use of interest rate swaps so as to mitigate the interest rate exposures.

As at 31 December 2008 and 2007, the Group had an interest rate swap contract which was entered into in 2004 with notional contract amount of US$50 million for five years up to June 2009 through cap at 4.3% with a knock out at 6.5%. The fair value of the interest rate swap amounted to HK$1,384,000 (2007: HK$2,845,000) was recognized as financial assets in consolidated balance sheet.

(ii) Sensitivity analysis*

Based on the exposures to bank borrowings of HK$3,470,374,000 (2007: HK$3,686,192,000) as at balance sheet date, it is estimated that a decrease of 100 (2007: 225) basis points in interest rate, with all other variables remaining constant, the Group's net profit would increase by approximately HK$34,704,000 (2007: HK$82,934,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the balance sheet date. The basis of 100 points decrease 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 balance sheet date.

(c) Foreign currency risk

(i) 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. To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored and forward foreign exchange contracts and options are entered into in accordance with the Group's risk management policies.

The Group's transactions, assets and liabilities for the year ended 31 December 2008 are mainly denominated in Hong Kong Dollars and United States Dollars which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars. As at 31 December 2008, the Group does not expect to incur material losses on exposure to foreign currency risk.

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

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

(c) Foreign currency risk *(Continued)*

(i) Exposures to foreign currency risk and the Group's risk management policies *(Continued)*

As at 31 December 2007, the Group was exposed to foreign currency risk primarily through maintaining certain Japanese Yen bank deposits amounting to approximately JPY1,407 million and trading of forward foreign exchange contracts and options with fair value of HK$3,483,000 recognized as financial assets at fair value through profit or loss and HK$7,896,000 recognized as financial liabilities at fair value through profit or loss.

(ii) Sensitivity analysis*

As at 31 December 2008, the Group did not expose to significant foreign currency risk and it is expected that changes in exchange rates of foreign currencies, including Japanese Yen or Hong Kong Dollars, would not result in any material effects on the net profit of the Group.

As at 31 December 2007, based on the net exposures to Japanese Yen of approximately JPY1,885 million, it was estimated that an appreciation of 5% from 112 to 106 in exchange rate of Japanese Yen against United States Dollar would result in an increase to the Group's net profit by approximately HK$2,729,000 and other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Japanese Yen against United States Dollar taking place at the beginning of the year and held constant throughout the year.

(d) Equity price risk

(i) Exposures to equity price risk and the Group's risk management policies

Equity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Group is exposed to equity price risk primarily through its investments in listed equity securities and securities derivatives.

The Group's portfolio of financial instruments that exposed to equity price risk at balance sheet dates are set out in note 25.

(ii) Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group as at balance sheet dates, if the quoted prices of the listed equity securities had been increased or decreased by 10%, the Group's net profit would increase or decrease by approximately HK$6,763,000 (2007: HK$3,722,000).

Based on the portfolio of securities derivatives held by the Group as at balance sheet dates, if the quoted prices of the equity securities underlying in the securities derivatives had been increased by 10%, the Group's net profit would increase by approximately HK$1,334,000 (2007: HK$14,997,000).

Based on the portfolio of securities derivatives held by the Group as at balance sheet dates, if the quoted prices of the equity securities underlying in the securities derivatives had been decreased by 10%, the Group's net profit would decrease by approximately HK$1,334,000 (2007: HK$15,986,000).

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 customers in the ordinary course of its operations, investments in equity and debt securities and other financial instruments, and placing deposits with banks and financial institutions.

At balance sheet date, the Group's maximum exposure to credit risk on recognized financial assets is limited to each of their carrying amount as summarized below:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
– carrying amount				
Unlisted club debentures	**12,100**	11,474	**7,500**	7,505
Unlisted club membership	**960**	–	**–**	–
Equity securities held for trading	**67,625**	37,215	**20,735**	29,042
Debt securities held for trading	**18,296**	27,099	**18,296**	15,932
Derivative financial assets	**1,384**	6,498	**–**	–
Trade and other receivables	**95,359**	113,766	**249**	249
Due from subsidiaries	**–**	–	**128,165**	157,732
Pledged deposits	**80,838**	55,938	**582**	21,362
Bank balances and cash	**778,090**	572,756	**27,752**	12,714
	1,054,652	824,746	**203,279**	244,536

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 60 to 120 days following the month in which sales take place.

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

(e) Credit risk *(Continued)*

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

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

Trading of investment securities and derivative financial instruments are mainly entered with counterparties with sound credit rating and bank deposits are only placed with creditworthy financial institutions. The management does not expect any counterparty or financial institution to fail to meet its obligations. In this regard, the Group does not expect to incur material credit losses on managing these financial instruments.

(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 securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

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

(f) Liquidity risk *(Continued)*

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

The analysis below set out the remaining contractual maturity based on undiscounted cash flow of the Group's financial liabilities as at balance sheet 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
2008						
Non-derivative financial liabilities						
Trade and other payables	330,425	–	–	–	330,425	330,425
Secured bank loans	550,695	422,288	1,178,967	1,906,060	4,058,010	3,470,374
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss	24,347	–	–	–	24,347	24,347
	905,467	422,288	1,178,967	1,906,060	4,412,782	3,825,146
2007						
Non-derivative financial liabilities						
Trade and other payables	164,734	–	–	–	164,734	164,734
Secured bank loans	921,467	529,414	1,253,976	1,991,713	4,696,570	3,686,192
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss	35,444	–	–	–	35,444	35,444
	1,121,645	529,414	1,253,976	1,991,713	4,896,748	3,886,370

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 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 balance sheet date is calculated as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**437,509**	720,405
Secured bank loans repayable after one year	**3,032,865**	2,965,787
Total secured bank loans	**3,470,374**	3,686,192
Less: Equity and debt securities	**(85,921)**	(64,314)
Less: Bank balances and cash	**(778,090)**	(572,756)
Net debts	**2,606,363**	3,049,122
Total equity	**4,271,149**	2,731,266
Gearing ratio	**61%**	112%

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation or have been restated as a result of the change in accounting policy as discussed in note 3.

44. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2008	Attributable equity interest at 31/12/2007	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	54.77%	54.77%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	54.77%	54.77%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	54.77%	54.77%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	54.77%	54.77%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	75%	75%	Investment holding	Hong Kong
Incorporated in Hong Kong					
Carpa Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2008	Attributable equity interest at 31/12/2007	Principal activities	Place of operation
Incorporated in Hong Kong ***(Continued)***					
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
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

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2008	Attributable equity interest at 31/12/2007	Principal activities	Place of operation
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	54.77%	54.77%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Jinan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinhe Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2008	Attributable equity interest at 31/12/2007	Principal activities	Place of operation
Incorporated in the Republic of Panama ***(Continued)***					
Jinhui Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common 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
Jinman 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
Jinpu 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
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

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2008	Attributable equity interest at 31/12/2007	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jintai 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
Jinxing Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	54.77%	54.77%	Ship owning	Worldwide
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.*