



Annual Report
2008

**JINHUI SHIPPING
AND TRANSPORTATION LIMITED**



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

Ng Kam Wah Thomas, *Managing Director and
Deputy Chairman*

Ng Ki Hung Frankie

Ho Suk Lin Cathy

Non-executive Directors

Tsui Che Yin Frank

William Yau

Ng Ham Tim

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

Ng Ham Tim

REMUNERATION COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

Ng Ham Tim

COMPANY SECRETARY

Ho Suk Lin Cathy

AUDITOR

Grant Thornton

Certified Public Accountants

SHARE LISTING

The Company's shares are listed on the Oslo Stock Exchange (stock code: JIN).

SHARE REGISTRARS

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Hamilton HM 11

Bermuda

Nordea Bank Norge ASA

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0107 Oslo, Norway

REGISTERED OFFICE

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Bermuda

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WEBSITE

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Chairman's Statement

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

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.

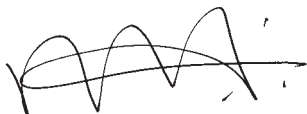
The Group's turnover for the year 2008 amounted to US\$475,148,000, representing an increase of 60% as compared to year 2007. Net profit for the year 2008 reached US\$238,828,000 as compared to the net profit of US\$85,632,000 for year 2007. Basic earnings per share improved almost by 180% from US\$1.0189 for year 2007 to US\$2.8417 for year 2008. The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008 (2007: US\$0.16 per share). The Board had declared an interim dividend of US\$0.27 per share (2007: nil), totalling US\$22,692,000 which was paid on 25 September 2008.

Despite strong operating results for financial year 2008 that outperformed previous year's results, in the midst of the recent global financial crisis, the Board takes a conservative strategy towards the dividend policy of the Company and has resolved to suspend its annual dividend payout starting from the fourth quarter of 2008 in order to preserve cash and enhance liquidity in these extraordinary market conditions.

The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions.

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.

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.



Ng Siu Fai
Chairman

17 March 2009

Strategies and Business Profile

Jinhui Shipping and Transportation Limited ("Jinhui Shipping" or the "Company") is one of the world's largest, focussed grabbers fitted Supramax owners offering high quality marine transportation services. It expands its modern and high quality fleet of dry bulk carriers through well-planned and timely acquisition and chartering of vessels.

Jinhui Shipping was incorporated with limited liability in Bermuda on 16 May 1994. Following a reorganization in June 1994, the Company became the immediate holding company of the shipping and investment group. Since 1994, Jinhui Shipping's shares have been trading under a full listing on the Oslo Stock Exchange (stock code: JIN).

As at date of this report, the major shareholder of the Company is Jinhui Holdings Company Limited ("Jinhui Holdings") which holds approximately 54.77% interests in the Company.

STRATEGIES

The Group's fleet is comprised principally of Supramax class vessels, a larger and more efficient Handymax design that enjoys increasing demand from customers around the world. The Group will continue to look for earnings accretive purchases of Supramax class vessels in both newbuildings and second hand market going forward.

On the revenue side, our strategy is to maintain 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. Financial management is equally important to the Group's future and we will continue to prudently maintain a healthy balance sheet, with the target of reducing the gearing ratio to 50% or below by 2010.

SHIPPING BUSINESS

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 cargo for specific voyages or periods of time.

The Group operates a modern fleet of dry bulk carriers which are either used for carrying cargo or time chartered-out to other shipping operators whichever is expected to bring a higher economic benefit to the Group.

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.

Strategies and Business Profile

SHIPPING BUSINESS *(Continued)*

It is the Group's policy to comply with all applicable environmental legislations and regulations in its shipping operations to avoid the emission of noxious liquids into the environment. Accordingly, all the Group's vessels are equipped with the appropriate preventive, monitoring and control devices to meet legal and regulatory requirements.

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

Strategies and 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	

Strategies and Business Profile

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 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 and a wholly-owned subsidiary of the Company 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			

Strategies and 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.*

Highlights

HIGHLIGHTS FOR THE YEAR 2008

31 January 2008	Cancellation of the two VLOC newbuildings contracts entered into by the Group on 23 November 2007.
22 February 2008	Delivery of the newbuilding "Jin Feng" (2008 – 53,514 dwt).
27 February 2008	Delivery of the newbuilding "Jin Man" (2008 – 55,496 dwt).
10 March 2008	Acquisition of a newbuilding (2011 – 75,000 dwt) which will be named as "Jin Chao" and will be delivered to the Group on or before 30 April 2011.
25 March 2008	Delivery of the newbuilding "Jin Pu" (2008 – 55,496 dwt).
11 April 2008	Disposal of the motor vessel "Jin Hai" (2005 – 55,557 dwt) which was delivered to buyer on 14 July 2008.
16 April 2008	Disposal of the motor vessels "Jin Feng" (2008 – 53,514 dwt) and "Jin Ying" (2007 – 53,562 dwt) which were delivered to buyers on 11 June 2008 and 4 July 2008 respectively.
19 May 2008	Acquisition of a newbuilding (2011 – 59,760 dwt) which will be named as "Jin Ning" and will be delivered to the Group on or before 30 June 2011.
28 June 2008	Acquisition of two newbuildings (both 2010 – 92,500 dwt) which will be named as "Jin Mei" and "Jin Lang" respectively and will be delivered to the Group on or before 30 April 2010 and 31 May 2010 respectively.
30 June 2008	Acquisition of a newbuilding (2012 – 38,000 dwt) which will be named as "Jin Yu" and will be delivered to the Group on or before 30 June 2012.
11 July 2008	Acquisition of a newbuilding (2011 – 57,700 dwt) which will be named as "Jin Feng" and will be delivered to the Group on or before 30 June 2011.
25 July 2008	Acquisition of a newbuilding (2011 – 61,000 dwt) which will be named as "Jin Ying" and will be delivered to the Group during the period between 1 June 2011 and 31 July 2011.
19 August 2008	Delivery of the newbuilding "Jin Sui" (2008 – 56,968 dwt).
24 October 2008	Delivery of the motor vessel "Arran Trader" (2000 – 48,220 dwt) and was renamed as "Jin Bi".
31 October 2008	Delivery of the newbuilding "Jin Tong" (2008 – 56,952 dwt).

HIGHLIGHTS FOR EVENT OCCURRED AFTER 31 DECEMBER 2008

27 February 2009	Delivery of the motor vessel "Canton Trader" (2003 – 52,300 dwt) and was renamed as "Jin Kang".
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Highlights

While the Group's expertise 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 geographically during the year.

Loading Ports Analysis

<i>(Expressed as a percentage of turnover)</i>	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

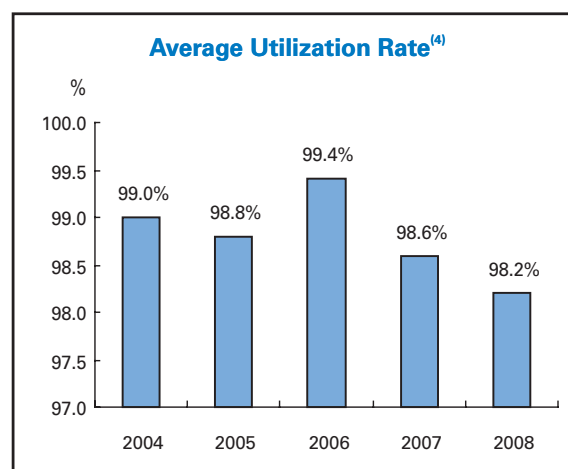
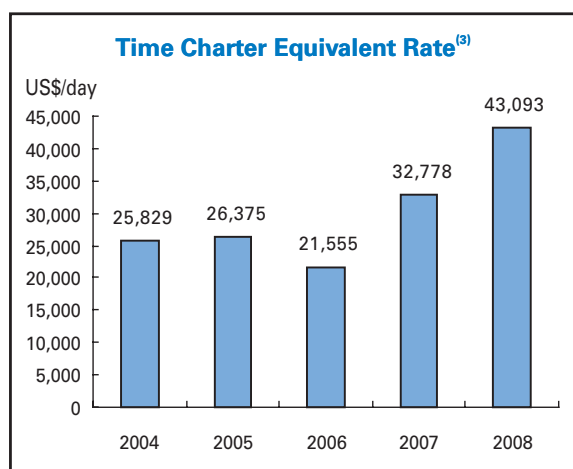
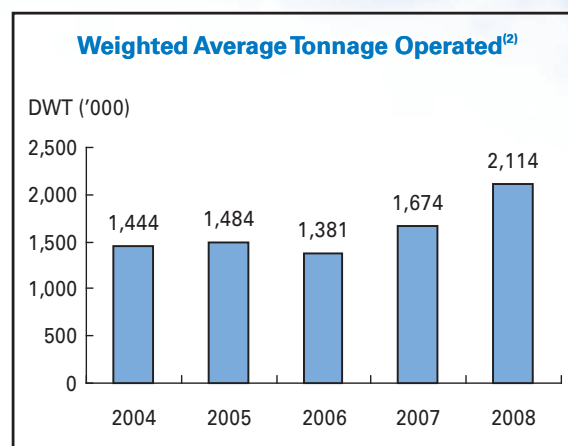
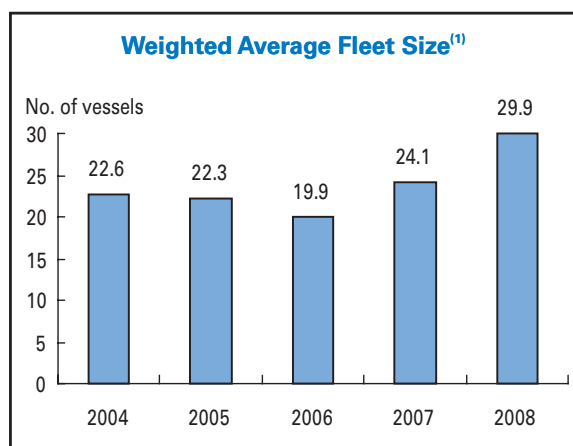
<i>(Expressed as a percentage of turnover)</i>	2008 %	2007 %
China	36.7	33.4
Asia excluding China	33.8	21.0
Europe	12.5	20.5
Africa	7.5	5.8
North America	3.1	7.7
Middle East	2.6	3.9
South America	2.1	3.9
Australia	1.5	3.6
Others	0.2	0.2
	100.0	100.0

Types of Cargoes Carried by the Group's Fleet

	2008		2007	
	Metric Tons <i>(in '000)</i>	%	Metric Tons <i>(in '000)</i>	%
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.

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>	2006 <i>US\$'000</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Consolidated Income Statements					
Turnover	<u>475,148</u>	<u>296,285</u>	<u>156,154</u>	<u>214,460</u>	<u>216,410</u>
Profit from operations	254,820	104,165	57,846	99,394	52,683
Interest income	1,854	2,634	1,018	1,283	384
Interest expenses	<u>(17,846)</u>	<u>(21,167)</u>	<u>(9,287)</u>	<u>(4,877)</u>	<u>(2,647)</u>
Profit before taxation	238,828	85,632	49,577	95,800	50,420
Taxation	—	—	—	—	—
Net profit for the year	<u>238,828</u>	<u>85,632</u>	<u>49,577</u>	<u>95,800</u>	<u>50,420</u>
EBITDA	<u>285,880</u>	<u>128,665</u>	<u>72,737</u>	<u>112,856</u>	<u>62,704</u>
Dividend per share	<u>US\$0.270</u>	<u>US\$0.160</u>	<u>—</u>	<u>US\$0.342</u>	<u>US\$0.180</u>
Basic earnings per share	<u>US\$2.8417</u>	<u>US\$1.0189</u>	<u>US\$0.5899</u>	<u>US\$1.1399</u>	<u>US\$0.5345</u>
Consolidated Balance Sheets					
Property, plant and equipment	880,998	728,697	375,003	290,884	150,863
Available-for-sale financial assets/ Other investments	315	192	3,570	3,570	3,570
Current assets	<u>136,248</u>	<u>89,881</u>	<u>73,532</u>	<u>49,901</u>	<u>146,532</u>
Total assets	<u>1,017,561</u>	<u>818,770</u>	<u>452,105</u>	<u>344,355</u>	<u>300,965</u>
Total equity	515,597	312,940	227,308	181,216	121,045
Non-current liabilities	388,829	380,229	183,458	128,552	52,593
Current liabilities	<u>113,135</u>	<u>125,601</u>	<u>41,339</u>	<u>34,587</u>	<u>127,327</u>
Total equity and liabilities	<u>1,017,561</u>	<u>818,770</u>	<u>452,105</u>	<u>344,355</u>	<u>300,965</u>
Return on average equity	<u>58%</u>	<u>32%</u>	<u>24%</u>	<u>63%</u>	<u>46%</u>
Return on total assets	<u>23%</u>	<u>10%</u>	<u>11%</u>	<u>28%</u>	<u>17%</u>
Gearing ratio	<u>68%</u>	<u>128%</u>	<u>68%</u>	<u>62%</u>	<u>Net Cash</u>

Shareholders' Diary

Annual general meeting	22 April 2009
Announcement for the first quarter results 2009	29 May 2009*
Announcement for the second quarter results 2009	31 August 2009*
Announcement for the third quarter results 2009	30 November 2009*
Announcement for the fourth quarter results 2009	26 February 2010*

* *Subject to change*

Corporate Governance Report

Jinhui Shipping recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identify and formulate corporate governance practices appropriate to the Company in terms of practicality and suitability after careful consideration.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Jinhui Shipping has applied the principles as set out in the revised Norwegian Code of Practice for Corporate Governance (the "Code") issued by the Norwegian Corporate Governance Board on 4 December 2007. The Board has reviewed the Code and the Company's implementation of corporate governance, save for certain deviations, the Company has complied with the Code throughout the year of 2008.

To this end, the Company 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 and updated by referencing to the principles set out in the Code. 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. The directors and employees of Jinhui Shipping are subject to a range of rules laid down by legislation and regulations, as well as the Company Code and rules stated in the staff handbooks.

2. BUSINESS

The objects of Jinhui Shipping are set out in its Memorandum of Association, which include the businesses of, inter alia:

- acting and performing all the functions of a holding company;
- acting as ship owners, managers, operators and agents; and
- acquiring, owning, selling, chartering, repairing or dealing in ships.

The Group's main objectives and strategies for our businesses are discussed in the "Strategies and Business Profile" on pages 4 to 8.

According to the Code, the company should publish the object clause stated in the articles of association in the annual report.

For environmental reason, the Company encourages investors to download full version of the Company's Memorandum of Association and Bye-laws from the Company's website at www.jinhuiship.com. As an alternative, the Company may also send printed copies to the investors upon receiving written request.

Corporate Governance Report

3. EQUITY AND DIVIDENDS

Equity

The Group's total equity as at 31 December 2008 was US\$515,597,000, accounting for 51% of total assets. The Board considers the present equity structure to be satisfactory. The Group's capital adequacy is kept under constant review in relation to its objectives, strategies and risk profile.

Dividend policy

Jinhui Shipping shall maximize shareholders' values by increasing the Company's equity value and distributing dividends to shareholders.

According to the dividend policy announced in year 2007, the Board would recommend the payment to shareholders a dividend equivalent to no less than 20% of the annual net profit after deducting the non-recurring and unrealized income, but in any case subject to the amount of distributable profits based on Hong Kong Financial Reporting Standards, the Articles of the Company, any applicable laws and regulations. Declaration of dividends would be subject to the discretion of the Board, depending on the results, working capital, cash positions and capital requirements of the Group and for any final dividend for each financial year would be subject to the approval of shareholders of the Company.

Despite strong operating results for financial year 2008 that outperformed previous year's results, in the midst of the recent global financial crisis, the Board takes a conservative strategy towards the dividend policy of the Company and has resolved to suspend its annual dividend payout starting from the fourth quarter of 2008 in order to preserve cash and enhance liquidity in these extraordinary market conditions. The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008. Thus, the interim dividend of US\$0.27 per share represented the total dividend distribution for year 2008, approximately 13% of the net profit for year 2008 after deducting the non-recurring gain on disposal of motor vessels.

The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions.

Increase in share capital

According to Bye-law 12(1) of the Company, the shareholders shall have the first and preferential right to subscribe for and be allotted any shares of the Company proposed to be issued in proportion to the number of shares held by them, unless the Company by special resolution otherwise decides to waive the shareholders' preferential rights in respect of a particular issue of shares or generally for any period not exceeding five years. At the 2008 Annual General Meeting of the Company, a general mandate has been granted to the Directors to increase not exceeding 20% of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being issued under this authorization in year 2008.

These constitute deviations from the Code which states that (i) any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified; and (ii) the mandate granted to the board of directors to increase the company's share capital should be restricted to defined purposes.

Corporate Governance Report

3. EQUITY AND DIVIDENDS *(Continued)*

Increase in share capital *(Continued)*

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to respond swiftly to the then prevailing market conditions should an equity fund raising exercise is determined to be the appropriate funding channel and proposes this general mandate at the forthcoming annual general meeting.

Purchase of own shares

At the 2008 Annual General Meeting of the Company, a general mandate has been granted to the Directors to purchase not more than 10% of the issued share capital of the Company which would be only valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being repurchased under this authorization in year 2008.

This constitutes a deviation from the Code which states that the mandate granted to the board of directors to purchase the company's share capital should be restricted to defined purposes.

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to make timely decisions according to the then prevailing market conditions should the purchase of own shares is determined to generate the most value for shareholders of the Company and proposes this general mandate at the forthcoming annual general meeting.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment of shareholders

Jinhui Shipping has one class of shares in issue.

Transactions in its own shares

Jinhui Shipping's shares are liquid. In the event the Company carries out transactions in its own shares, it would only carry out such transactions either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company would consider other ways to ensure equal treatment of all shareholders.

Transactions with close associates

In year 2008, there were certain transactions between the Group and its holding company, Jinhui Holdings Company Limited ("Jinhui Holdings") which is listed in Hong Kong. Details of the transactions are disclosed in note 35 to the financial statements.

Jinhui Shipping is a listed issuer on the Oslo Stock Exchange and is a subsidiary of Jinhui Holdings. The Directors and executive management of the Group have the obligations to follow certain rules, regulations and guidelines in relation to transactions with close associates as set out by the Financial Supervisory Authority of Norway, the Stock Exchange of Hong Kong Limited, International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Group has considerable measures and would pay particular attention to obtain independent valuations for any material transactions between the Group and its close associates.

Corporate Governance Report

5. FREELY NEGOTIABLE SHARES

Jinhui Shipping's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board.

In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to Bye-law 48 of the Company. The Board may decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

This constitutes a deviation from the Code which states that shares in listed companies must, in principle, be freely negotiable, and no form of restriction on negotiability should be included in the articles of association.

The Board considers that it is appropriate to impose such restriction which protects the existing Norwegian shareholders from unexpected tax changes in Norway. This type of restriction is normal for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange.

6. GENERAL MEETINGS

Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by giving at least 21 days' notice in writing and any special general meeting shall be called by giving at least 14 days' notice in writing. The notice and the supporting information on the resolutions to be considered at the general meeting are normally published on the Company's website at www.jinhuiship.com and sent to shareholders no later than 21 days prior to the date of general meeting or at the earliest possible opportunity.

The notice calling the 2008 Annual General Meeting provided information on the procedures shareholders must observe in order to participate in and vote at the general meeting, however, it had not included the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting and the web pages where the notice calling the meeting and other supporting documents will be made available.

This constitutes a deviation from the information to be provided in the notice calling the general meeting required by the Code.

The Company will specify the rights of shareholders to propose resolutions and the web pages details matters in the notice calling the general meeting in future.

The 2009 Annual General Meeting is scheduled on 22 April 2009. Notice of 2009 Annual General Meeting will be published on the websites of Oslo Stock Exchange at www.newsweb.no and the Company at www.jinhuiship.com, and despatched to shareholders of the Company together with the 2008 annual report on or before 30 March 2009.

Corporate Governance Report

6. GENERAL MEETINGS *(Continued)*

As a general rule, decisions which shareholders are entitled to make pursuant to Bermuda law may be made by a simple majority of votes cast at a general meeting. However, the Bye-laws of the Company provide that any decision to, inter alia, amend the Bye-laws of the Company or alter the share capital of the Company requires the approval of at least two-thirds of votes cast by those members present in person or by proxy at a general meeting.

In order to comply with the requirements of the Registration Agreement dated 30 September 1994 between the Company and Nordea Bank Norge ASA ("Nordea Bank") and Bermuda law, all of the shares of the Company registered in the Norwegian Verdipapirsentralen (the Norwegian Registry of Securities or known as the "VPS" hereinafter) are registered on the register of shareholders of the Company in the name of Nordea Bank. Nordea Bank alone will be entitled to attend and vote at general meetings in respect of shares so held. Nordea Bank has agreed that whenever it receives a notice that a shareholders' meeting of the Company is called, it shall despatch to each beneficial owner of the shares registered in the VPS (or its nominee), a copy of the notice. Nordea Bank has also agreed not to attend or vote at any such meeting other than in accordance with proxies from shareholders registered in the VPS. In order to vote through Nordea Bank at annual or special general meetings, shareholders must have registered their shareholdings in the VPS.

According to Bye-law 64 of the Company, every general meeting of the Company should be chaired by the president or the Chairman of the Company, or in his absence, another Director.

This constitutes a deviation from the Code which states that the general meeting should be chaired by an independent chairman.

The Board considers that as the leader of the Group and having sufficient experience and knowledge, the Chairman is the most suitable person to chair a general meeting.

7. NOMINATION COMMITTEE

The Company has not established a nomination committee and there is no provision for establishing such committee in its Bye-laws. This constitutes a deviation from the Code.

The Board considers that it could monitor the need for any changes in the composition of its members and to maintain contacts with shareholders, board committee members and executive management. The Board believes that the current board composition is sufficient to represent the interests of all shareholders.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board has the ultimate responsibility for the management and administration of the affairs of the Company and for supervising day-to-day management and activities in general. Executive management has the responsibility for implementation of the Group's strategic planning and decision made by the Board and monitoring day-to-day operation of the Company.

Corporate Governance Report

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE *(Continued)*

The Board is now composed of the Chairman, the Managing Director, two Executive Directors and three Non-executive Directors. The Chairman is responsible for overseeing the functioning of the Board whilst the Managing Director, supported by the Executive Directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board. The Non-executive Directors, who are independent of executive management and material business contacts, serve the important function of advising the management on strategies development and ensure that the Group maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

All Directors are kept informed on a timely basis of major changes that may affect the Group's business including relevant rules and regulations. The Board meets regularly and approves the Group's overall strategies, major acquisitions and disposals, annual and quarterly results and any other significant operational and financial matters. The Directors will seek independent professional advice in performing their duties where appropriate.

All Directors, apart from the Chairman and the Managing Director, are subject to retirement by rotation at the annual general meeting once every three years. As at date of this report, Directors who hold office of the Company are listed below:

Executive Directors

Ng Siu Fai⁽¹⁾, *Chairman*

Ng Kam Wah Thomas⁽¹⁾, *Managing Director and Deputy Chairman*

Ng Ki Hung Frankie⁽¹⁾

Ho Suk Lin Cathy⁽¹⁾

Non-executive Directors

Tsui Che Yin Frank⁽²⁾

William Yau⁽²⁾

Ng Ham Tim

Notes:

(1) Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin Cathy are executive directors of the Company's holding company, Jinhui Holdings Company Limited.

(2) Mr. Tsui Che Yin Frank and Mr. William Yau are independent non-executive directors of Jinhui Holdings Company Limited.

There are various departures from the Code which states that the majority of the board members should be independent of the company's executive management and material business contacts; at least two directors are independent of the company's main shareholders; the chairman of the board of directors should be elected by the general meeting; and the term of office for members of the board of directors should not be longer than two years at a time.

Corporate Governance Report

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE *(Continued)*

Dry bulk shipping is a highly specialized industry, and requires executives with substantial amount of industry experience to fully comprehend and to monitor the performance of the Company. The Chairman has extensive experience and knowledge in dry bulk shipping business and his duty for overseeing all aspects of the Group's operations is clearly beneficial to the Group. The leadership of the Chairman is vital to the Group's business continuity and stability. In addition, members of the Board are obliged to disqualify themselves from participation in the handling of individual matters in which the board member, or its close associates, have a particular interest. The Company believes the current board composition is sufficient to represent the interests of all shareholders and this will not impair the balance of power and authority between the Board and the management of the Company. The biographical details of the Directors are set out in the "Board of Directors and Executive Management" on pages 26 to 28.

9. WORK OF THE BOARD OF DIRECTORS

The Board deals with matters of strategic and major financial importance to the Company on a regular basis. At least one Board meeting per annum is set aside for discussion of the Group's strategies. During such meetings, the Board reviews the expectation of the Group's business outlook and financial forecast perspective and discusses the overall strategy going forward. In any material event that the Chairman has an active involvement, the board meeting will be chaired by Deputy Chairman, Mr. Ng Kam Wah Thomas. In addition, according to the Company Code, members of the Board are obliged to disqualify themselves from participation in the handling of individual matters in which the board member, or its close associates, have a particular interest. These practices would ensure independence of matters to be considered by the Board.

The Board produces an annual plan with particular emphasis on business objective and strategies. As dry bulk shipping market tends to be highly volatile, affected by multiple events including but not limited to economic, weather, political, and seasonality, the Board therefore from time to time discusses the strategies with relevant forecast or budget reports based on the prevailing market condition. With reference to the 2008 annual plan, the Board had conducted an annual self-evaluation of its work, competence and co-operation with the management in the first quarter of 2009 and satisfied with the performance of year 2008.

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 and members of such committees are restricted to members of the Board who are independent of executive management. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make decisions.

Corporate Governance Report

9. WORK OF THE BOARD OF DIRECTORS *(Continued)*

BOARD COMMITTEES *(Continued)*

Audit committee

The Audit Committee was established on 17 March 2006, comprising of three Non-executive Directors, Mr. Tsui Che Yin Frank (Chairman), Mr. William Yau and Mr. Ng Ham Tim. 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 recommendation in relation to the appointment, re-appointment and removal of the auditor, and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented.

The Audit Committee 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 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.

Remuneration committee

The Remuneration Committee was established on 17 March 2006, comprising three Non-executive Directors, Mr. Tsui Che Yin Frank (Chairman), Mr. William Yau and Mr. Ng Ham Tim. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all Executive Directors and executive management, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Non-executive Directors of the Board. The Remuneration Committee should consider factors such as the performance of Executive Directors and executive management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the Executive Directors and executive 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.

As a matter of principle, no loans or advances are granted to any Director. Presently, no share options are granted to any Director by the Company.

The Remuneration Committee holds a meeting annually to consider the directors' emoluments, subject to approval by the Board and subsequently, by the shareholders at general meeting. The Remuneration Committee also reviews remuneration to other executive management of the Group in such meeting and makes recommendations to the Board for approval.

Corporate Governance Report

10. RISK MANAGEMENT AND INTERNAL CONTROL

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 37 to the financial statements.

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 (i) establishing a structure with defined authorities and proper segregation of duties; (ii) monitoring the strategic plan and performance; (iii) designing an effective accounting and information system; (iv) controlling price sensitive information; and (v) 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 will be reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented.

The Board, through the assistance of Audit Committee, has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2008, covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and the appropriate actions have been taken.

11&12. REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Directors' fees represent remuneration to members for holding capacity as directors of the Company and are determined based on the responsibility and expertise of the members and do not link to the Company's performance. Directors' other emoluments represent remuneration to members for being executive management of the Group. Such remuneration packages are determined by the profitability of the Group for the year, salaries paid by comparable companies, time commitment and responsibilities, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Remuneration to executive management are determined by factors including but not limited to the performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and in line with the market practice.

Corporate Governance Report

11&12. REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT (Continued)

As explained in the discussion of composition of the Board of Directors, the Executive Directors including the Chairman and Managing Director are performing the works as executive management in day-to-day operations and part of their other emoluments are determined based on guidelines for the remuneration of the executive management.

This constitutes a deviation from the Code that remuneration of the members of the Board should not be linked to the Company's performance.

At the meeting held on 26 February 2009, the Remuneration Committee reviewed and approved the fees of the Executive Directors, other emoluments of the Executive Directors and executive management for year 2008, fixed the remuneration packages of the Executive Directors and executive management for year 2009 as well as made recommendations to the Board on the fees for Non-executive Directors. Details of the fees and other emoluments of the Directors for year 2008 are set out in note 15 to the financial statements.

13. INFORMATION AND COMMUNICATIONS

Jinhui Shipping has strike to promote efficient and non-discriminatory communication of information to market participants. In order to further promote effective communication, the Company maintains a website (www.jinhuiship.com) to disseminate shareholder information electronically on a timely basis.

Financial reporting

The Board is responsible for the accounts and the presentation of the financial results to shareholders in general meetings.

Every quarter, the Board addresses the Group's financial position and exposure in a Board meeting. At each Board meeting, the management presents the Group's financial performance and the market situation to the Board where key profitability and financial ratios are reviewed and discussed. Any changes in the Group's strategies in response to changing market situation are also discussed in such meetings.

The quarterly results are released by the Company for each of the financial year's four quarters within two months subsequent to each quarter end. Annual report together with audited financial statements are usually adopted by the Board within four months subsequent to each financial year end and are distributed to shareholders of the Company no later than 21 days prior to the annual general meeting.

Corporate Governance Report

13. INFORMATION AND COMMUNICATIONS *(Continued)*

Financial reporting *(Continued)*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collectively includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and 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 HKICPA and accounting principles generally accepted in Hong Kong.

The Company emphasizes the production of accounts and financial reporting in which shareholders and lenders alike can have confidence. Details of the Group’s significant accounting policies are set out in note 4 to the financial statements.

Other market information

Jinhui Shipping has established guidelines for open communication of market information to market participants other than through general meeting. The Company also published an overview in year 2008 for major events such as its annual general meeting, publication of annual and quarterly reports, financial calendar, public presentations, dividend payment dates, and other material transactions through the Company’s website. The Company will simultaneously send the information electronically to Oslo Stock Exchange for storage and upload to the NewsWeb at www.newsweb.no.

According to the Code, when publishing annual and interim reports, the Company should hold public presentations that are simultaneously broadcast over the internet.

Public presentations to investors and analysts will be available after each quarterly results announcement in an open and equal manner. The Company considers that it would be sufficient to conduct presentations on a regular basis as and when appropriate.

14. TAKE-OVERS

According to the Code, the board of directors should establish guiding principles for how it will act in the event of a take-over bid. However, there is no provision in the Bye-laws of the Company regulating the Board’s competence in the event of a take-over bid.

Nevertheless, the Board will adopt the Code’s provision as the guiding principles for how the Company will act in the event of a take-over bid and will not attempt to influence, hinder or complicate the submission of bids for the acquisition of the Company’s operations or shares, or prevent the execution thereof unless there are particular reasons for this.

In potential take-over situations, the Board will evaluate any offers that are commercially and financially beneficial to all shareholders of the Company, consider and arrange an independent valuation where the bidder is a major shareholder, and commit to act with extensive concern representing the interest of all shareholders. The Board will follow the relevant rules and regulations as set in the Code in due course.

Corporate Governance Report

15. AUDITOR

The board of directors strives to have close and open co-operation with the Company's auditor. Grant Thornton has been appointed by the Board as auditor of the Company with effect from 28 December 2007 and will hold office until the conclusion of the next annual general meeting of the Company. The performance of the auditor of the Company, Grant Thornton, has been reviewed and it is proposed to re-appoint the auditor of the Company in the forthcoming annual general meeting.

The Board obtains annual confirmation that the auditor satisfies the independence and objectivity requirements. The auditor submits an annual audit plan and presents the main features and scope of the planned work to the Board before commencement of annual audit. The Board particularly assesses whether the auditor exercises an adequate control function.

The auditor participates in meetings of the Board that deal with the annual accounts. At these meetings, the auditor reviews the material changes in the Group's accounting principles and policies, identifies the significant risks and exposures of the Group, and comments on the Group's accounting and internal control system during the course of audit. In addition, a meeting with auditor and the Board without the attendance of Executive Directors had been arranged on 19 December 2008. The auditor also attends the annual general meeting of the Company.

The Board has issued guidelines that regulate management's access to use the auditor of the Company for various services as follows:

Audit services – include audit services provided in connection with the audit of the consolidated financial statements.

Other services – include services that would normally be provided by an auditor other than audit services, for example, audit of the Group's provident fund, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of system and/or processes, and issuance of special audit reports for tax or other purposes. The auditor is to be invited to undertake those services that it must or is best placed to undertake in capacity as auditor.

Other specific services – include audits and reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial system consultations. The auditor is also permitted to assist management with internal investigations and fact-finding into alleged improprieties, where appropriate and necessary. These services are subject to specific approval by the Audit Committee.

In year 2008, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit and other services were US\$141,000 and US\$17,000 respectively.

Board of Directors and Executive Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, Chairman

Aged 52. Appointed as a Director of the Company in 1994. As one of the two founders of the Group in 1987, Mr. Ng was appointed as the chairman of Jinhui Holdings, the Company's holding company, in 1991. His responsibility is to formulate 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 and Deputy Chairman

Aged 46. Appointed as a Director of the Company in 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings in 1991. He is responsible for the Group's shipping activities. 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. Appointed as a Director of the Company in 1994 and a director of Jinhui Holdings in 1991. 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 Cathy, Executive Director

Aged 45. Appointed as a Director and the Company Secretary of the Company in 1994 and a director of Jinhui Holdings in 1993. 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 and Executive Management

BOARD OF DIRECTORS *(Continued)*

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

Aged 51. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 1994. 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 Hong Kong listed). 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, *Non-executive Director*

Aged 41. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 2004. 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.

Mr. Ng Ham Tim, *Non-executive Director*

Aged 34. Appointed as a Non-executive Director of the Company since 2006. Mr. Ng has about 10 years working experience and he is at present the chairman of Yijian Investment Corporation Limited. Mr. Ng worked in an international bank specializing in investment banking covering Hong Kong, Beijing and Seoul before starting his own investment business. Mr. Ng holds a Bachelor Degree of Computer Engineering from the Lehigh University in USA.

Board of Directors and Executive Management

EXECUTIVE 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.

Directors' Report

The board of directors (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

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

REGISTERED OFFICE

The Company is an exempted company registered in Bermuda and the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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 46 to 100.

ALLOCATION OF NET INCOME

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008. The Board has proposed the net profit of the Group for the year 2008 amounting to US\$238,828,000, less interim dividend paid which disclosed in note 12 to the financial statements, to be allocated to retained profits so as to strengthen the equity position of the Group. The reserves of the Company available for distribution to shareholders as at 31 December 2008 was US\$284,655,000 which disclosed in note 25 to the financial statements.

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 page 47.

Directors' Report

DIVIDEND POLICY

Despite strong operating results for financial year 2008 that outperformed previous year's results, in the midst of the recent global financial crisis, the Board takes a conservative strategy towards the dividend policy of the Company and has resolved to suspend its annual dividend payout starting from the fourth quarter of 2008 in order to preserve cash and enhance liquidity in these extraordinary market conditions.

The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2008 (2007: US\$0.16 per share).

The Board had declared an interim dividend of US\$0.27 per share (2007: nil), totalling US\$22,692,000 which was paid on 25 September 2008.

REVIEW OF OPERATIONS

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.

Directors' Report

REVIEW OF OPERATIONS *(Continued)*

Baltic Dry Index



Source: Bloomberg

In year 2008, the Group enjoyed growth in both turnover and net profit for the year even in the volatile market environment by improved 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 of US\$475,148,000 and cash flows to the Group for the year. The Group achieved record operating profits for the year and exceeded the target goals and objectives as set out in the Group's 2008 annual plan under the leadership of the senior executive management team. Our staff costs rose by US\$13,905,000 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.

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 US\$62,786,000 on completion of the disposal of three motor vessels was recognized in the consolidated income statement for year 2008.

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 US\$46,750,000 for year 2007 to US\$8,176,000 for year 2008. The loss 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. 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.

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 US\$417 million.

Directors' Report

REVIEW OF OPERATIONS *(Continued)*

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.

FINANCIAL REVIEW

Liquidity and financial resources. During the year ended 31 December 2008, 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 securities, bank balances and cash increased to US\$95,890,000 (2007: US\$68,998,000) and bank borrowings decreased to US\$444,869,000 (2007: US\$469,294,000) as at 31 December 2008.

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 securities, bank balances and cash) over total equity, reduced to 68% as at 31 December 2008 (2007: 128%). As at 31 December 2008, credit facilities of approximately US\$408 million in relation to the financing of the acquisition of undelivered vessels had been arranged with various international banks. With cash, marketable equity securities in hand and majority of 2009 and 2010 revenue 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 with an aggregate net book value of US\$624,689,000 (2007: US\$561,023,000), deposits of US\$10,288,000 (2007: US\$2,301,000) placed with banks and other financial institution, financial assets at fair value through profit or loss of US\$724,000 (2007: US\$558,000) 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 ended 31 December 2008, capital expenditure on additions of the owned vessels and vessels under construction was US\$341,152,000 (2007: US\$397,042,000) and on other property, plant and equipment was US\$11,319,000 (2007: US\$92,000).

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 US\$928,845,000 (2007: US\$1,037,895,000), 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 US\$1,208,205,000 (2007: US\$1,212,807,000).

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.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 40 to the financial statements.

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

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 35 to the financial statements.

GOING CONCERN

We confirm that the consolidated financial statements have been prepared under the assumption of going concern. This assumption is based on sound financial positions backed by continuing revenue from profitable operations, cash and marketable equity securities, existing and available credit facilities and the Group's long term strategic and income forecasts. There exists good basis for the continue operations of the Group.

AUDITOR

The financial statements for the year ended 31 December 2008 have been audited by Grant Thornton. A resolution for the re-appointment of Grant Thornton as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

POST BALANCE SHEET EVENT

No significant events occurred after balance sheet date and up to the date of signing this report.

Directors' Report

WORKING ENVIRONMENT

While the working environment is considered to be good, accident prevention and efforts for improvement in working environment are given high priority in the management, conventions and all parts of operations of the Group to promote a safer and healthier working environment.

During the year 2008, absence due to sickness was 2% (2007: 1.6%) of the total hours worked by employees and there were no serious injuries or accidents of any kind among the employees of the Group. We provide welfare to our employees including but not limited to physical examinations, healthy meals, medical insurance and other preventative medical measures to improve employees' well being and to prevent absence due to sickness.

EXTERNAL ENVIRONMENT ISSUES

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 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 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 vessels. We ensure that all crew employed on board in our vessels are trained and certificated in accordance with this Convention. Our 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.

The Group also promotes environmental friendly processes including responsible use of energy and materials through reduce, recycle and reuse materials and resources within the office.

Directors' Report

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. The Group remunerates its employees, including the Executive Directors, in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. As far as the Group is aware, it complies with all relevant applicable regulations concerning employment, social benefits and labour safety.

The Group pursues a policy of gender equality. Workload and working hours depend on positions while promotion and recruitment depend on performance and experience. As at 31 December 2008, the Group has 68 (2007: 59) full-time employees, of which 35 (2007: 34) employees were male and 33 (2007: 25) employees were female. The Board consists of seven members, of which six members are male and one member is female. Procedures regarding recruitment, promotion and salary review are carefully reviewed with due consideration to avoid gender discrimination.

The Group has a good relationship with its employees and crew and has never experienced any disruption of its operation as a result of industrial disputes.

DIRECTORS

The directors of the Company (the "Directors") who held office 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 Cathy

Non-executive Directors:

Mr. Tsui Che Yin Frank
Mr. William Yau
Mr. Ng Ham Tim

In accordance with the Company's Bye-laws, Ms. Ho Suk Lin Cathy and Mr. Ng Ham Tim will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Brief biographical details of the Directors and executive management are set out on pages 26 to 28.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS

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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(i) Directors' interests in shares of the Company and Jinhui Holdings Company Limited ("Jinhui Holdings")

Name	Type of interests	No. of shares of the Company	No. of shares of Jinhui Holdings
Ng Siu Fai	Personal interests	1,214,700	19,917,000
	Family interests (Note 2)	309,000	16,717,000
	Other interests	Note 1	Note 1
Ng Kam Wah Thomas	Personal interests	50,000	5,909,000
	Other interests	Note 1	Note 1
Ng Ki Hung Frankie	Other interests	Note 1	Note 1
Ho Suk Lin Cathy	Personal interests	–	1,774,000
William Yau	Personal interests	–	241,000

Directors' Report

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

(i) Directors' interests in shares of the Company and Jinhui Holdings Company Limited ("Jinhui Holdings") *(Continued)*

Notes:

1. 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 Jinhui Holdings (representing approximately 65.64 per cent. of the total issued shares of Jinhui Holdings) and 500,000 shares of the Company (representing approximately 0.59% of the total issued shares of the Company) as at 31 December 2008. Jinhui Holdings is the legal and beneficial owner of 46,034,800 shares of the Company (representing approximately 54.77% 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.
2. The spouse of Mr. Ng Siu Fai was the beneficial owner of 309,000 shares of the Company and 16,717,000 shares of Jinhui Holdings as at 31 December 2008.

(ii) Directors' rights to acquire shares of Jinhui Holdings under the share option scheme

A share option scheme was adopted by Jinhui Holdings on 18 November 2004 (the "Share Option Scheme") whereby the directors of Jinhui Holdings were authorized to grant options to the directors, officers and employees of Jinhui Holdings and its subsidiaries ("Jinhui Holdings Group") and other person(s) selected by the board of Jinhui Holdings who have contributed or will contribute to Jinhui Holdings Group. The option is unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each of Jinhui Holdings.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES (Continued)

(ii) Directors' rights to acquire shares of Jinhui Holdings under the share option scheme (Continued)

As at 31 December 2008, the directors of the Company had the following interests in options to subscribe for shares of Jinhui Holdings 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/ Lapsed 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 <i>Note 2</i>	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 <i>Note 2</i>	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 Cathy	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	3,000,000
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
					69,372,000	–	69,372,000

Directors' Report

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

(ii) Directors' rights to acquire shares of Jinhui Holdings under the share option scheme *(Continued)*

Notes:

1. During the year, no share option was granted, cancelled and lapsed in relations to directors of the Company.
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 Jinhui Holdings at the extraordinary general meeting of Jinhui Holdings on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options became exercisable upon Jinhui Holdings 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 commencing on 31 March 2006 (the business day immediately after the day of the issue and publication of the audited consolidated results of Jinhui Holdings Group for the financial year of 2005) 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 Jinhui Holdings 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.

Save as disclosed herein, none of the directors or their associates had any interest either beneficially or non-beneficially in any shares of the Company, its holding company or any of its subsidiaries and associated corporations at balance sheet date and at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or any of their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 the fluctuations in charter rates of the shipping market and changes in demand in the dry bulk market may have a negative effect on the Group's cash flows and operations; drop in vessel values may result in impairment loss of the Group's assets; changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs may have a negative effect on the Group's cash flows and operations.

Directors' Report

RISK MANAGEMENT *(Continued)*

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 floating rate bank borrowings, investments in equity securities and securities derivatives and certain Japanese Yen bank deposits with regards to payment for the newbuildings contracted with Japanese shipyards. 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 37 to the financial statements.

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 and deposits or other financial assets placed 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.

RISK FACTORS

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including the Company's management's examination of historical operating trends. Although the Company believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties which are difficult or impossible to predict and are beyond its control, the Company cannot give assurance that it will achieve or accomplish these expectations, beliefs or targets.

Key risk factors that could cause actual results to differ materially from those discussed in this report will include but not limited to the way world economies, currencies and interest rate environment may evolve going forward, general market conditions including fluctuations in charter rates and vessel values, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company.

Directors' Report

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 154% from 773 points on 2 January 2009 to 1,960 points on 25 February 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.

Directors' Report

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.

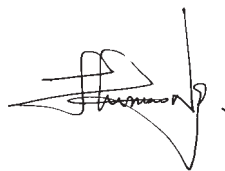
PUBLICATION OF FINANCIAL INFORMATION

This report is available on the websites of Oslo Stock Exchange at www.newsweb.no and the Company at www.jinhuiship.com.

17 March 2009



Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director



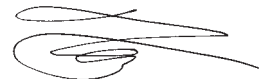
Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director



Ng Ham Tim
Non-executive Director

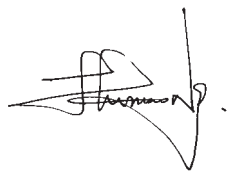
Responsibility Statement

We confirm that, to the best of our knowledge, that the audited financial statements for the year from 1 January to 31 December 2008 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the Company, and that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group and the Company together with a description of the key principal risks and uncertainty factors that the Group and the Company face.

17 March 2009



Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director




Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director



Ng Ham Tim
Non-executive Director

Independent Auditors' Report



Member of Grant Thornton International Ltd

To the members of
Jinhui Shipping and Transportation Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jinhui Shipping and Transportation Limited (the "Company") set out on pages 46 to 100, 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 International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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 90 of the Bermuda Companies Act 1981 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



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 policies 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 International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

Grant Thornton

Grant Thornton

Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

17 March 2009

Consolidated Income Statement

Year ended 31 December 2008

		2008	2007	2006
	Note	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Turnover	6	475,148	296,285	156,154
Gain on disposal of motor vessel(s)		62,786	20,257	26,294
Other operating income	8	13,887	8,597	5,900
Shipping related expenses		(222,353)	(136,576)	(100,348)
Depreciation and amortization		(29,206)	(21,866)	(13,873)
Staff costs	14	(20,478)	(6,573)	(6,978)
Other operating expenses		(24,964)	(55,959)	(9,303)
Profit from operations	9	254,820	104,165	57,846
Interest income		1,854	2,634	1,018
Interest expenses	10	(17,846)	(21,167)	(9,287)
Profit before taxation		238,828	85,632	49,577
Taxation	11	-	-	-
Net profit for the year attributable to shareholders of the Company		238,828	85,632	49,577
Dividends recognized as distribution	12(a)	36,139	-	-
Dividend declared after the balance sheet date	12(b)	-	13,447	-
Earnings per share for net profit attributable to shareholders of the Company	13	US\$2.8417	US\$1.0189	US\$0.5899

Statements of Changes in Equity

Year ended 31 December 2008

	Share Capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000	Reserve for available- for-sale financial assets US\$'000	Employee share-based compensation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
Group								
At 1 January 2007	4,202	72,087	719	16,297	-	4,758	129,245	227,308
Net profit for the year	-	-	-	-	-	-	85,632	85,632
At 31 December 2007	4,202	72,087	719	16,297	-	4,758	214,877	312,940
At 1 January 2008	4,202	72,087	719	16,297	-	4,758	214,877	312,940
Change in fair value of available-for-sale financial assets	-	-	-	-	(32)	-	-	(32)
Net expenses recognized directly in equity	-	-	-	-	(32)	-	-	(32)
Net profit for the year	-	-	-	-	-	-	238,828	238,828
Total recognized income (expenses)	-	-	-	-	(32)	-	238,828	238,796
2007 final dividend paid	-	-	-	-	-	-	(13,447)	(13,447)
2008 interim dividend paid	-	-	-	-	-	-	(22,692)	(22,692)
	-	-	-	-	-	-	(36,139)	(36,139)
At 31 December 2008	4,202	72,087	719	16,297	(32)	4,758	417,566	515,597
Company								
At 1 January 2007	4,202	72,087	719	16,297	-	4,161	97,873	195,339
Net profit for the year	-	-	-	-	-	-	77,846	77,846
At 31 December 2007	4,202	72,087	719	16,297	-	4,161	175,719	273,185
At 1 January 2008	4,202	72,087	719	16,297	-	4,161	175,719	273,185
Net profit for the year	-	-	-	-	-	-	128,778	128,778
2007 final dividend paid	-	-	-	-	-	-	(13,447)	(13,447)
2008 interim dividend paid	-	-	-	-	-	-	(22,692)	(22,692)
At 31 December 2008	4,202	72,087	719	16,297	-	4,161	268,358	365,824

Balance Sheets

At 31 December 2008

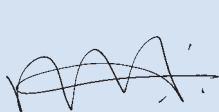
	Note	Group		Company	
		2008 <u>US\$'000</u>	2007 <u>US\$'000</u>	2008 <u>US\$'000</u>	2007 <u>US\$'000</u>
ASSETS					
Non-current assets					
Property, plant and equipment	16	880,998	728,697	-	-
Investments in subsidiaries	17	-	-	8,724	8,724
Available-for-sale financial assets	18	315	192	-	-
		<u>881,313</u>	<u>728,889</u>	<u>8,724</u>	<u>8,724</u>
Current assets					
Inventories	19	1,994	32	-	-
Trade and other receivables	20	27,899	17,717	-	198
Financial assets at fair value					
through profit or loss	21	4,519	1,557	177	811
Due from subsidiaries	22	-	-	340,883	247,748
Pledged deposits	34(b)	10,288	2,301	-	-
Bank balances and cash	23	91,548	68,274	16,910	16,698
		<u>136,248</u>	<u>89,881</u>	<u>357,970</u>	<u>265,455</u>
Total assets		<u>1,017,561</u>	<u>818,770</u>	<u>366,694</u>	<u>274,179</u>

Balance Sheets

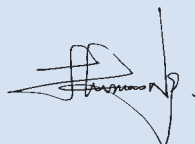
At 31 December 2008

	Note	Group		Company	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	4,202	4,202	4,202	4,202
Reserves	25	511,395	308,738	361,622	268,983
Total equity		515,597	312,940	365,824	273,185
Non-current liabilities					
Secured bank loans	26	388,829	380,229	–	–
Current liabilities					
Trade and other payables	27	54,275	34,625	288	411
Financial liabilities at fair value					
through profit or loss	21	2,761	1,853	–	–
Due to subsidiaries	22	–	–	523	525
Due to holding company	22	59	58	59	58
Secured bank loans	26	56,040	89,065	–	–
		113,135	125,601	870	994
Total equity and liabilities		1,017,561	818,770	366,694	274,179

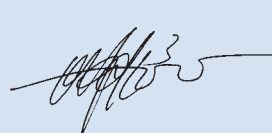
Approved and authorized for issue on 17 March 2009



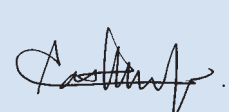
Ng Siu Fai
Chairman



Ng Kam Wah Thomas
Managing Director and
Deputy Chairman



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director



Ng Ham Tim
Non-executive Director

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2008 <u>US\$'000</u>	2007 <u>US\$'000</u>
OPERATING ACTIVITIES			
Cash generated from operations	29	232,836	126,570
Interest paid		(17,950)	(19,968)
Net cash from operating activities		<u>214,886</u>	<u>106,602</u>
INVESTING ACTIVITIES			
Interest received		1,846	2,688
Increase in bank deposits with more than three months to maturity when placed		(15,103)	–
Dividend income received from equity investments		76	8
Dividend income received from unlisted investment		–	703
Deposit paid for purchase of a motor vessel		(1,800)	–
Purchase of property, plant and equipment		(352,578)	(397,134)
Proceeds from disposal of property, plant and equipment		229,550	51,023
Purchase of available-for-sale financial assets		(155)	–
Net cash used in investing activities		<u>(138,164)</u>	<u>(342,712)</u>
FINANCING ACTIVITIES			
New secured bank loans		228,890	349,372
Repayment of secured bank loans		(253,315)	(83,644)
(Increase) Decrease in pledged deposits		(7,987)	1,726
Dividends paid to shareholders of the Company		(36,139)	–
Net cash (used in) from financing activities		<u>(68,551)</u>	<u>267,454</u>
Net increase in cash and cash equivalents		8,171	31,344
Cash and cash equivalents at 1 January		<u>68,274</u>	<u>36,930</u>
Cash and cash equivalents at 31 December	23	<u><u>76,445</u></u>	<u><u>68,274</u></u>

Notes to the Financial Statements

Year ended 31 December 2008

1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited (the “Company”) is an exempted company registered in Bermuda. The registered office of the Company is disclosed in the “Directors’ Report” on page 29. The Company’s shares are listed on the Oslo Stock Exchange.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering and ship owning which are carried out internationally.

The Company and its subsidiaries (the “Group”) are controlled by Jinhui Holdings Company Limited (“Jinhui Holdings”), a company incorporated in Hong Kong which holds approximately 54.77% of the Company’s shares at the balance sheet date. The ultimate holding company of Jinhui Holdings 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 International Financial Reporting Standards (“IFRSs”), which collectively includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and 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”) and accounting principles generally accepted in Hong Kong.

HKFRSs were fully converged with IFRSs with effect from 1 January 2005. These financial statements are the first published financial statements in which the Group makes an explicit and unreserved statement of compliance with IFRSs in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards.

The date of the Group’s transition to IFRSs was determined to be 1 January 2007, being the earliest period for which the Group presents full comparative information in these financial statements. With due regard to the requirements of IFRS 1 and the Group’s accounting policies, the adoption of IFRS 1 does not have significant impact on the Group’s financial statements and no adjustment was required to the amounts reported under HKFRSs either at the date of transition to IFRSs or for the year ended 31 December 2007. Accordingly, these financial statements continue to include a statement of compliance with HKFRSs and include for the first time an explicit and unreserved statement of compliance with IFRSs.

Notes to the Financial Statements

Year ended 31 December 2008

3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs

In current year, the Group has applied for the first time the IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions issued by IASB, and HK (IFRIC) Interpretation 11 HKFRS 2 – Group and Treasury Share Transactions issued by HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008. The adoption of these new interpretations do not have any material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

At the date of authorization of these financial statements, certain new or amended IFRSs and 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.

IAS 1 (Revised) Presentation of Financial Statements (effective from 1 January 2009)

HKAS 1 (Revised) Presentation of Financial Statements (effective from 1 January 2009)

The amendments affect the presentation of the financial statements and introduce 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 subtotals, or presented in two separate statements under "Income Statement" and "Statement of Comprehensive Income". These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

IFRS 8 Operating Segments (effective from 1 January 2009)

HKFRS 8 Operating Segments (effective from 1 January 2009)

These standards replace IAS 14 and HKAS 14 which require entities to identify segments by business and geographical segments based on the risks and rewards of separating segments. IFRS 8 and HKFRS 8 require entities to identify segments based on internal management reporting information that is regularly reviewed by the chief operating decision-maker. As the only business segment – chartering freight and hire business reported by the Group in accordance with the requirements of IAS 14 and HKAS 14 are the same as the operating segment provided to chief operating decision-makers as required by IFRS 8 and HKFRS 8, the adoption of these new standards 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.

Notes to the Financial Statements

Year ended 31 December 2008

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 except for 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.

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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.4 Foreign currency translation

The financial statements are presented in United States 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 transaction. 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 United States Dollars. Assets and liabilities have been translated into United States Dollars at the closing rates at the balance sheet date. Income and expenses have been converted into United States 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.

4.5 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.

Revenue from the operations of ship chartering or owning business comprises chartering freight and hire income, net of discounts, and is recognized on the percentage of completion basis measured by time proportion.

4.6 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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.7 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.

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.

4.8 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.

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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.8 Property, plant and equipment *(Continued)*

Vessels under construction are stated at cost less necessary provision for impairment loss and are not depreciated. 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.

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.

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 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
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.

4.9 Impairment of non-financial assets

Property, plant and equipment and investment in subsidiaries are subject to impairment testing whenever there are indications that the asset's carrying amount 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.

Notes to the Financial Statements

Year ended 31 December 2008

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

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

For the purposes 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.

Impairment loss recognized for cash-generating units are allocated to reduce the carrying amount of the 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 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.

4.10 Inventories

Inventories comprise ship stores. 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.

Ship stores unused at the balance sheet date 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 selling expenses.

4.11 Financial assets

Financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the 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:

Notes to the Financial Statements

Year ended 31 December 2008

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

4.11 Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking. 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 instruments in an active market provided by financial institutions. Any changes in fair value are recognized in 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 on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. 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.

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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.11 Financial assets *(Continued)*

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.

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. 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 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.

4.12 Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognized as an expense in finance costs in the income statement.

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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.12 Financial liabilities *(Continued)*

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes 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 instruments in an active market provided by financial institutions. Any changes in fair value are recognized in 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.

4.13 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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.13 Financial guarantee issued *(Continued)*

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.

4.14 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.

4.15 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.

4.16 Employee share-based compensation

Jinhui Holdings operates a share option scheme for remuneration to eligible persons including officers and employees of Jinhui Holdings and its subsidiaries.

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 value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

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

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

Notes to the Financial Statements

Year ended 31 December 2008

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

4.17 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.

4.18 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

Notes to the Financial Statements

Year ended 31 December 2008

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

4.18 Leases *(Continued)*

Classification of assets leased to the Group (Continued)

- 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 the percentage of completion basis measured by time proportion.

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 the percentage of completion basis measured by time proportion.

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

4.19 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 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.

Notes to the Financial Statements

Year ended 31 December 2008

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

4.19 Provisions and contingent liabilities *(Continued)*

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.

4.20 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.

Notes to the Financial Statements

Year ended 31 December 2008

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.

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.

Notes to the Financial Statements

Year ended 31 December 2008

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

Impairment of financial assets *(Continued)*

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.

6. TURNOVER AND REVENUE

Revenue, which is also the Group's turnover, represents chartering freight and hire income. Revenue recognized during the year is as follows:

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Chartering freight and hire income:		
Hire income under time charter from owned vessels	242,123	144,894
Other chartering freight and hire income	233,025	151,391
Revenue	475,148	296,285

7. SEGMENT INFORMATION

More than 90% of the Group's turnover and operating results were attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, and accordingly, no analysis by either business or geographical segment is included in the financial statements.

Notes to the Financial Statements

Year ended 31 December 2008

8. OTHER OPERATING INCOME

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Dividend income from equity investments	76	8
Gain on disposal/write-off of property, plant and equipment, other than motor vessels	–	23
Reversal of impairment loss on property, plant and equipment	–	2,110
Net exchange gain	1,497	551
Other income	12,314	5,905
	<u>13,887</u>	<u>8,597</u>

9. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Auditor's remuneration	158	175
Hire payments under time charters	140,807	87,338
Cost of inventories	4,625	1,095
Impairment loss (Reversal of impairment loss) on property, plant and equipment	4,152	(2,110)
Impairment loss on available-for-sale financial assets	–	3,378
Impairment loss on trade and other receivables	5,325	215
Operating lease payments in respect of premises	102	102
Net loss on financial assets and financial liabilities at fair value through profit or loss included in other operating expenses	8,176	46,750

Notes to the Financial Statements

Year ended 31 December 2008

10. INTEREST EXPENSES

	Group	
	2008 US\$'000	2007 US\$'000
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	2,874	3,814
Not wholly repayable within five years	15,837	18,653
	18,711	22,467
Less: Interest expenses capitalized into vessels under construction	(865)	(1,300)
	17,846	21,167

11. TAXATION

Taxation has not been provided as the Group has no assessable profit for the year.

There was no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company for the year.

The Company has received from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset gain or appreciation or any tax in the nature of estate duty or inheritance tax, the imposition of such tax shall not until 28 March 2016 be applicable to the Company or to any of its operations, or to the shares, debentures or other obligations of the Company.

Notes to the Financial Statements

Year ended 31 December 2008

11. TAXATION (Continued)

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

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Profit before taxation	<u>238,828</u>	<u>85,632</u>
Income tax at the rates applicable to losses in the tax jurisdiction concerned	(4,919)	(9,436)
Non-deductible expenses	788	723
Tax exempt revenue	(141)	(388)
Unrecognized tax losses	4,273	9,188
Unrecognized temporary differences	13	(77)
Utilization of previously unrecognized tax losses	<u>(14)</u>	<u>(10)</u>
Taxation charge for the year	<u>–</u>	<u>–</u>

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. DIVIDENDS

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
(a) <i>Dividends recognized as distribution:</i>		
– 2007 final dividend of US\$0.16 per share	13,447	–
– 2008 interim dividend of US\$0.27 per share	<u>22,692</u>	–
	<u>36,139</u>	–
(b) <i>Dividend declared after the balance sheet date:</i>		
– 2007 final dividend of US\$0.16 per share	<u>–</u>	<u>13,447</u>

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

Notes to the Financial Statements

Year ended 31 December 2008

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of the Company for the year of US\$238,828,000 (2007: US\$85,632,000) and the weighted average number of 84,045,341 (2007: 84,045,341) ordinary shares in issue during the year.

Diluted earnings per share is not shown as there is no potential ordinary share in issue in all relevant years presented.

14. STAFF COSTS

	Group	
	2008	2007
	<i>US\$'000</i>	<i>US\$'000</i>
Directors' emoluments (excluding directors' fees):		
Salaries and other benefits	16,529	3,010
Contributions to retirement benefits schemes	35	24
Other staff costs:		
Salaries and other benefits	3,731	3,379
Contributions to retirement benefits schemes	183	160
	20,478	6,573

Notes to the Financial Statements

Year ended 31 December 2008

15. DIRECTORS' EMOLUMENTS

Name	Directors'	Salaries	Discretionary	Contributions	Total
	fees	and allowances	bonus	to retirement benefits schemes	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2008					
Executive Directors					
Ng Siu Fai	248	231	7,968	14	8,461
Ng Kam Wah Thomas	248	231	7,968	14	8,461
Ng Ki Hung Frankie	170	55	5	3	233
Ho Suk Lin Cathy	54	66	5	4	129
Non-executive Directors					
Tsui Che Yin Frank	15	-	-	-	15
William Yau	12	-	-	-	12
Ng Ham Tim	12	-	-	-	12
	<u>759</u>	<u>583</u>	<u>15,946</u>	<u>35</u>	<u>17,323</u>
2007					
Executive Directors					
Ng Siu Fai	248	154	1,243	9	1,654
Ng Kam Wah Thomas	248	154	1,231	9	1,642
Ng Ki Hung Frankie	170	46	68	3	287
Ho Suk Lin Cathy	54	46	68	3	171
Non-executive Directors					
Tsui Che Yin Frank	15	-	-	-	15
William Yau	12	-	-	-	12
Ng Ham Tim	12	-	-	-	12
	<u>759</u>	<u>400</u>	<u>2,610</u>	<u>24</u>	<u>3,793</u>

Notes to the Financial Statements

Year ended 31 December 2008

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vessels and improvement and capitalized drydocking costs	Vessels under construction	Leasehold land and buildings	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost					
At 1 January 2007	371,495	33,060	14,165	3,505	422,225
Reclassification	65,354	(58,295)	–	–	7,059
Additions	204,918	192,124	–	92	397,134
Disposals/write-off	(34,913)	–	–	(66)	(34,979)
At 31 December 2007	606,854	166,889	14,165	3,531	791,439
Reclassification	227,833	(227,886)	–	5	(48)
Additions	32,300	308,852	10,764	555	352,471
Disposals/write-off	(174,636)	–	–	(8)	(174,644)
At 31 December 2008	692,351	247,855	24,929	4,083	969,218
Accumulated depreciation and impairment loss					
At 1 January 2007	35,923	–	8,345	2,954	47,222
Charge for the year	21,289	–	299	278	21,866
Eliminated on disposals/write-off	(4,173)	–	–	(63)	(4,236)
Impairment loss reversed	–	–	(2,110)	–	(2,110)
At 31 December 2007	53,039	–	6,534	3,169	62,742
Charge for the year	28,353	–	551	302	29,206
Eliminated on disposals/write-off	(7,877)	–	–	(3)	(7,880)
Impairment loss recognized	–	–	4,152	–	4,152
At 31 December 2008	73,515	–	11,237	3,468	88,220
Net book value					
At 31 December 2008	618,836	247,855	13,692	615	880,998
At 31 December 2007	553,815	166,889	7,631	362	728,697

Notes to the Financial Statements

Year ended 31 December 2008

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

Net interest capitalized included in vessels under construction is US\$1,591,000 (2007: US\$1,300,000).

All motor vessels and improvement and capitalized drydocking costs are held for use under operating leases. The leasehold land and buildings are held under medium or long term leases and located in Hong Kong.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	US\$'000	US\$'000
Unlisted shares, at cost	8,724	8,724

Details of the Company's principal subsidiaries are set out in note 40.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	US\$'000	US\$'000
Unlisted investments, at cost		
Co-operative joint ventures	3,570	3,570
Less: Impairment loss	(3,378)	(3,378)
	192	192
Unlisted club membership, at fair value		
Cost of club membership	155	–
Changes in fair value	(32)	–
	123	–
	315	192

Notes to the Financial Statements

Year ended 31 December 2008

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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.

Unlisted club membership is stated at fair value determined directly by reference to published price quotation in active market.

19. INVENTORIES

Inventories at balance sheet date were carried at cost.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Trade receivables	5,857	2,907	–	–
Prepayments, deposits and other receivables	22,042	14,810	–	198
	<u>27,899</u>	<u>17,717</u>	<u>–</u>	<u>198</u>

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 37(d).

Notes to the Financial Statements

Year ended 31 December 2008

20. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables (net of impairment loss) that are past due but not individually considered to be impaired are as follows:

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Neither past due nor impaired	1,844	2,289
Within 3 months past due	3,512	361
Over 3 months but within 6 months past due	281	72
Over 6 months but within 12 months past due	107	96
Over 12 months past due	113	89
	<u>5,857</u>	<u>2,907</u>

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

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
At 1 January	4,868	4,653
Impairment loss recognized	5,325	215
At 31 December	<u>10,193</u>	<u>4,868</u>

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 US\$10,193,000 (2007: US\$4,868,000) 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 US\$5,325,000 (2007: US\$215,000) had been recognized.

No impairment allowance in respect of remaining receivables was provided since these charterers 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.

Notes to the Financial Statements

Year ended 31 December 2008

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

	Group		Company	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Analysis of financial assets				
at fair value through profit or loss:				
<i>Held for trading or not qualifying as hedges</i>				
Equity securities listed in Hong Kong	4,342	724	-	-
Derivative financial instruments				
Interest rate swap	177	365	177	365
Forward foreign exchange contracts and options	-	446	-	446
Securities derivatives	-	22	-	-
	<u>4,519</u>	<u>1,557</u>	<u>177</u>	<u>811</u>
Analysis of financial liabilities				
at fair value through profit or loss:				
<i>Held for trading or not qualifying as hedges</i>				
Derivative financial instruments				
Forward foreign exchange contracts and options	-	1,012	-	-
Securities derivatives	2,761	841	-	-
	<u>2,761</u>	<u>1,853</u>	<u>-</u>	<u>-</u>

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.

22. DUE FROM/TO SUBSIDIARIES/HOLDING COMPANY

The amounts due from/to subsidiaries/holding company are unsecured, interest-free and have no fixed repayment term. The carrying amounts of the amounts due are considered to be a reasonable approximation of their fair values.

Notes to the Financial Statements

Year ended 31 December 2008

23. BANK BALANCES AND CASH

	Group		Company	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Bank deposits with three months or less to maturity when placed	66,078	47,770	11,804	5,104
Bank balances	10,337	20,472	5,106	11,594
Cash in hand	30	32	-	-
Cash and cash equivalents for consolidated cash flow statement purpose	76,445	68,274	16,910	16,698
Bank deposits with more than three months to maturity when placed	15,103	-	-	-
	91,548	68,274	16,910	16,698

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.

Notes to the Financial Statements

Year ended 31 December 2008

24. SHARE CAPITAL

Company

	2008		2007	
	Number of ordinary shares of US\$0.05 each	Amount US\$'000	Number of ordinary shares of US\$0.05 each	Amount US\$'000
Authorized:				
At 1 January and 31 December	<u>800,000,000</u>	<u>40,000</u>	<u>800,000,000</u>	<u>40,000</u>
Issued and fully paid:				
At 1 January and 31 December	<u>84,045,341</u>	<u>4,202</u>	<u>84,045,341</u>	<u>4,202</u>

At balance sheet date, the Company had 3,752 (2007: 1,944) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at balance sheet date were as follows:

Shareholder's name	Percentage of total issued capital
Jinhui Holdings Company Limited*	39.90%
Genco Investments LLC	19.44%
Euroclear Bank S.A./N.V. ('BA')*	18.22%
Pictet & Cie Banquiers	1.56%
Bank of New York Mellon	1.02%
	<u>80.14%</u>

* Euroclear Bank S.A./N.V. ('BA') held 12,502,300 shares of the Company in custodian for Jinhui Holdings Company Limited as at 31 December 2008 and hence Jinhui Holdings Company Limited held approximately 54.77% beneficial interests in the Company.

Notes to the Financial Statements

Year ended 31 December 2008

25. RESERVES

Details of movements in reserves of the Group and the Company are disclosed in the “Statements of Changes in Equity” on page 47.

Share premium

The application of the share premium account is governed by Section 40(2) of the Companies Act 1981 of Bermuda.

Capital redemption reserve

The capital redemption reserve represents the par value of the repurchased and cancelled shares.

Contributed surplus

The contributed surplus will be dealt with in accordance with Section 54 of the Companies Act 1981 of Bermuda.

Reserves of the Company available for distribution to shareholders amounted to US\$284,655,000 (2007: US\$192,016,000).

Reserve for available-for-sale financial assets

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

Employee share-based compensation reserve

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

Notes to the Financial Statements

Year ended 31 December 2008

26. SECURED BANK LOANS

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
The maturity of secured bank loans is as follows:		
Within one year	56,040	89,065
In the second year	41,741	47,305
In the third to fifth year	122,042	112,992
Wholly repayable within five years	219,823	249,362
After the fifth year	225,046	219,932
	444,869	469,294
Less: Amount repayable within one year	(56,040)	(89,065)
Amount repayable after one year	<u>388,829</u>	<u>380,229</u>

At balance sheet date, secured bank loans represented vessel mortgage loans 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 34.

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

Notes to the Financial Statements

Year ended 31 December 2008

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	2,564	2,066	–	–
Accrued charges and other payables	51,711	32,559	288	411
	<u>54,275</u>	<u>34,625</u>	<u>288</u>	<u>411</u>

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

28. EMPLOYEE SHARE-BASED COMPENSATION

Jinhui Holdings 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 of directors of Jinhui Holdings may grant share options to acquire the shares of Jinhui Holdings to the directors, officers and employees of Jinhui Holdings and its subsidiaries ("Jinhui Holdings Group") and other persons selected by the board of Jinhui Holdings who have contributed or will contribute to Jinhui Holdings 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, Jinhui Holdings Group. The option is unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each of Jinhui Holdings.

The weighted average value per option granted by Jinhui Holdings 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

Notes to the Financial Statements

Year ended 31 December 2008

28. EMPLOYEE SHARE-BASED COMPENSATION (Continued)

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 Jinhui Holdings over four years immediately preceding to the options granted. Because the share options of Jinhui Holdings 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 Jinhui Holdings.

(a) Number, terms and conditions of the share options granted to the Group by Jinhui Holdings:

	Number of options granted	Value of options at grant dates <i>US\$'000</i>
Options granted to Directors:		
Granted on 23 December 2004		
Performance based options	44,727,000	3,786
Non-performance based options (Note 1)	6,800,000	576
Granted on 29 June 2006		
Non-performance based options	8,119,200	375
	<u>59,646,200</u>	<u>4,737</u>
Options granted to employees other than Directors:		
Granted on 23 December 2004		
With vesting schedules	7,053,300	597
Without vesting schedule (Note 1)	4,567,900	387
	<u>11,621,200</u>	<u>984</u>
	<u><u>71,267,400</u></u>	<u><u>5,721</u></u>

Notes:

- 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.

Notes to the Financial Statements

Year ended 31 December 2008

28. EMPLOYEE SHARE-BASED COMPENSATION (Continued)

- (b) Movements in the number of share options and weighted average share price of Jinhui Holdings 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	44,727,000	13,219,200	1,254,600	629,000
Exercised during the year (Note 2)	–	–	(319,600)	(255,000)
Lapsed during the year (Note 2)	–	–	(74,800)	–
Outstanding at end of the year	44,727,000	13,219,200	860,200	374,000
Exercisable at end of the year	44,727,000	13,219,200	Note 3	374,000
Weighted average share price of Jinhui Holdings at dates of exercise of options in year 2008				
	N/A	N/A	HK\$4.50	HK\$3.90

Notes:

- The weighted average exercise price for the share options exercised/lapsed during the year was HK\$1.60.
- 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 Jinhui Holdings at date of grant, these share options are not exercisable as at 31 December 2008.

Notes to the Financial Statements

Year ended 31 December 2008

28. 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 <i>HK\$</i>
Options granted on 23 December 2004			
Performance based options granted to Directors	44,727,000	6 years	1.60
Non-performance based options granted to Directors	5,100,000	1 year	1.60
Options with vesting schedules granted to employees other than Directors	860,200	1 year	1.60
Options without vesting schedule granted to employees other than Directors	374,000	1 year	1.60
Options granted on 29 June 2006			
Non-performance based options granted to Directors	8,119,200	8 years	1.57
	<u>59,180,400</u>		

Notes to the Financial Statements

Year ended 31 December 2008

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Profit before taxation	238,828	85,632
Depreciation and amortization	29,206	21,866
Interest income	(1,854)	(2,634)
Interest expenses	17,846	21,167
Dividend income from equity investments	(76)	(8)
Gain on disposal/write-off of property, plant and equipment	(62,786)	(20,280)
Impairment loss (Reversal of impairment loss)		
on property, plant and equipment	4,152	(2,110)
Impairment loss on available-for-sale financial assets	-	3,378
Impairment loss on trade and other receivables	5,325	215
<i>Changes in working capital:</i>		
Inventories	(1,962)	(8)
Trade and other receivables	(13,699)	(5,787)
Financial assets and financial liabilities		
at fair value through profit or loss	(2,054)	9,061
Trade and other payables	19,909	16,032
Due to holding company	1	46
Cash generated from operations	232,836	126,570

Notes to the Financial Statements

Year ended 31 December 2008

30. DEFERRED TAXATION

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

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Deductible temporary differences	458	270
Tax losses	133,137	106,492
At 31 December	133,595	106,762

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

31. 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 <i>US\$'000</i>	2007 <i>US\$'000</i>
Within one year:		
Premises	29	27
Time charter hire	110,447	141,177
	110,476	141,204
In the second to fifth year:		
Premises	42	–
Time charter hire	212,621	338,025
	212,663	338,025
After the fifth year:		
Time charter hire	–	52,138
	323,139	531,367

Notes to the Financial Statements

Year ended 31 December 2008

32. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2008	2007
	US\$'000	US\$'000
Within one year:		
Owned vessels	241,414	209,505
Chartered-in vessels	132,026	116,342
	373,440	325,847
In the second to fifth year:		
Owned vessels	794,848	114,834
Chartered-in vessels	215,125	81,481
	1,009,973	196,315
After the fifth year:		
Owned vessels	42,952	–
Chartered-in vessels	6,220	20,971
	49,172	20,971
	1,432,585	543,133

33. 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 US\$928,845,000 (2007: US\$1,037,895,000), 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 US\$1,208,205,000 (2007: US\$1,212,807,000).

Notes to the Financial Statements

Year ended 31 December 2008

33. CAPITAL EXPENDITURE COMMITMENTS *(Continued)*

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.

34. 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 with an aggregate net book value of US\$624,689,000 (2007: US\$561,023,000);
- (b) Deposits totalling US\$10,288,000 (2007: US\$2,301,000) of the Group placed with banks and other financial institution;
- (c) Financial assets at fair value through profit or loss of US\$724,000 (2007: US\$558,000); 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.

35. 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

- (a) Receipt of an administrative fee of US\$492,000 (2007: US\$413,000) from Jinhui Holdings;
- (b) Payment of rental charges in the amount of US\$17,000 (2007: US\$17,000) to a fellow subsidiary; and

Notes to the Financial Statements

Year ended 31 December 2008

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel as follows:

	Group	
	2008 US\$'000	2007 US\$'000
Salaries and other benefits	17,099	3,729
Contributions to retirement benefits schemes	47	60
	<u>17,146</u>	<u>3,789</u>

Company

(a) Receipt of interim dividends of US\$120,000,000 (2007: US\$80,000,000) from a subsidiary; and

(b) Guarantees provided for its subsidiaries as follows:

- (i) guarantees in favour of the contractors, vendors or builder pursuant to which the Company agrees to guarantee the prompt and punctual performances by its wholly-owned subsidiaries in accordance with the terms of the contracts or agreements in respect of the acquisition of motor vessels. At balance sheet date, twenty six (2007: twenty five) guarantees which the Company agrees to guarantee the full and punctual payment of the purchase prices of US\$587,290,000 and JPY54,776,000,000 (2007: US\$602,190,000 and JPY40,836,000,000) were provided;
- (ii) guarantees to banks to secure credit facilities granted to subsidiaries amounting to US\$447,158,000 (2007: US\$471,583,000), and the amount of such facilities utilized was US\$444,869,000 (2007: US\$469,294,000) at balance sheet date; and
- (iii) guarantees to a bank for due and punctual payments of contractual installments and interests thereon in relation to the acquisition of three (2007: seven) newbuildings by subsidiaries and the amount of installments and interests thereon was US\$12,408,000 (2007: US\$28,951,000) at balance sheet date.

36. CONTINGENT LIABILITIES

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

- (a) a financial guarantee contract has been issued by the Company 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 US\$33,300,000, and in return, a counter-guarantee was provided by Bocimar International N.V. to the Company; 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 the Company in favour of a charterer of a vessel amounted to US\$3,442,000 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.

Notes to the Financial Statements

Year ended 31 December 2008

37. 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, 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 placed for many years and are considered to be effective.

(a) Categories of financial instruments

	Group		Company	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Financial assets				
<i>Available-for-sale financial assets</i>				
– carrying amount				
Unlisted investments in				
co-operative joint ventures	192	192	–	–
Unlisted club membership	123	–	–	–
<i>Financial assets at fair value</i>				
<i>through profit or loss</i>				
Equity securities held for trading	4,342	724	–	–
Derivative financial instruments	177	833	177	811
<i>Loans and receivables measured</i>				
<i>at amortized costs</i>				
Trade and other receivables	8,641	6,081	–	198
Due from subsidiaries	–	–	340,883	247,748
Pledged deposits	10,288	2,301	–	–
Bank balances and cash	91,548	68,274	16,910	16,698
	115,311	78,405	357,970	265,455
Financial liabilities				
<i>Financial liabilities at fair value</i>				
<i>through profit or loss</i>				
Derivative financial instruments	2,761	1,853	–	–
<i>Financial liabilities measured</i>				
<i>at amortized costs</i>				
Trade and other payables	37,511	16,472	72	50
Due to subsidiaries	–	–	523	525
Due to holding company	59	58	59	58
Secured bank loans	444,869	469,294	–	–
	485,200	487,677	654	633

Notes to the Financial Statements

Year ended 31 December 2008

37. 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 manages interest rate risk by monitoring its interest rate profile as set out in note 26 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 year 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 US\$177,000 (2007: US\$365,000) was recognized as financial assets in consolidated balance sheet.

(ii) *Sensitivity analysis**

Based on the exposures to bank borrowings of US\$444,869,000 (2007: US\$469,294,000) 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 US\$4,449,000 (2007: US\$10,559,000).

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 sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of 31 December 2008. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

Notes to the Financial Statements

Year ended 31 December 2008

37. 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)

The Group's transactions, assets and liabilities for the year ended 31 December 2008 are mainly denominated in United States Dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Hong Kong Dollars which is linked to United States 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.

As at 31 December 2007, the Group was exposed to foreign currency risk primarily through maintaining certain Japanese Yen bank deposits amounting to approximately JPY1,386 million and trading of forward foreign exchange contracts and options with fair value of US\$446,000 recognized as financial assets at fair value through profit or loss and US\$1,012,000 recognized as financial liabilities at fair value through profit or loss.

(ii) Sensitivity analysis*

As at 31 December 2008, the Group does 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 JPY1,864 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 US\$339,000 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) 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 in the ordinary course of its operations, investment in equity securities and other financial instruments, and placing deposits with banks and financial institutions.

* The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of 31 December 2008. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.

Notes to the Financial Statements

Year ended 31 December 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Credit risk (Continued)

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

The Group's maximum exposure to credit risk on recognized financial assets is limited to their carrying amounts at the balance sheet date as summarized below:

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Financial assets				
– carrying amount				
Unlisted club membership	123	–	–	–
Equity securities held for trading	4,342	724	–	–
Derivative financial assets	177	833	177	811
Trade and other receivables	8,641	6,081	–	198
Due from subsidiaries	–	–	340,883	247,748
Pledged deposits	10,288	2,301	–	–
Bank balances and cash	91,548	68,274	16,910	16,698
	115,119	78,213	357,970	265,455

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.

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

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.

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Year ended 31 December 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) 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 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.

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.

2008

	Within one year <i>US\$'000</i>	In the second year <i>US\$'000</i>	In the third to fifth year <i>US\$'000</i>	After the fifth year <i>US\$'000</i>	Total undiscounted amount <i>US\$'000</i>	Carrying amount <i>US\$'000</i>
Non-derivative financial liabilities						
Trade and other payables	37,511	-	-	-	37,511	37,511
Due to holding company	59	-	-	-	59	59
Secured bank loans	70,551	54,139	151,150	244,367	520,207	444,869
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss	2,761	-	-	-	2,761	2,761
	<u>110,882</u>	<u>54,139</u>	<u>151,150</u>	<u>244,367</u>	<u>560,538</u>	<u>485,200</u>

Notes to the Financial Statements

Year ended 31 December 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

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

2007

	Within one year <i>US\$'000</i>	In the second year <i>US\$'000</i>	In the third to fifth year <i>US\$'000</i>	After the fifth year <i>US\$'000</i>	Total undiscounted amount <i>US\$'000</i>	Carrying amount <i>US\$'000</i>
Non-derivative						
financial liabilities						
Trade and other payables	16,472	–	–	–	16,472	16,472
Due to holding company	58	–	–	–	58	58
Secured bank loans	114,842	67,874	160,766	255,348	598,830	469,294
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss	1,853	–	–	–	1,853	1,853
	<u>133,225</u>	<u>67,874</u>	<u>160,766</u>	<u>255,348</u>	<u>617,213</u>	<u>487,677</u>

38. 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.

Notes to the Financial Statements

Year ended 31 December 2008

38. CAPITAL MANAGEMENT (Continued)

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 securities, bank balances and cash) over total equity.

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

	Group	
	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Short term secured bank loans	56,040	89,065
Long term secured bank loans	388,829	380,229
Total secured bank loans	444,869	469,294
Less: Equity securities	(4,342)	(724)
Less: Bank balances and cash	(91,548)	(68,274)
Net debts	<u>348,979</u>	<u>400,296</u>
Total equity	<u>515,597</u>	<u>312,940</u>
Gearing ratio	<u>68%</u>	<u>128%</u>

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

Notes to the Financial Statements

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40. 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	100%	100%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US\$1 each	100%	100%	Investment	Worldwide
# Jin Hui Shipping Inc.	50,000 shares of US\$1 each	100%	100%	Investment holding	Worldwide
# Jinhui Investments Limited	1 share of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Fair Fait 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	100%	100%	Ship management services, shipping agent and investment	Hong Kong
Monocosmic Limited	10,000 shares of HK\$1 each	100%	100%	Property investment	Hong Kong
Ringo Star Company Limited	2 shares of HK\$1 each	100%	100%	Property investment	Hong Kong

Notes to the Financial Statements

Year ended 31 December 2008

40. 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	100%	100%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Jinan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhe Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

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40. 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)					
Jinkang Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinman Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinpu Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

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40. 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)					
Jintong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

These are direct subsidiaries of the Company. All other companies are indirect subsidiaries.

