JINHUI SHIPPING AND TRANSPORTATION LIMITED

Annual Report 2009

Contents

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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2 Church Street
Hamilton HM 11
Bermuda

Nordea Bank Norge ASA
P.O. Box 1166 Sentrum
0107 Oslo, Norway

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

CORRESPONDENCE ADDRESS

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

CONTACTS

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WEBSITE

www.jinhuiship.com

Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Shipping and Transportation Limited** for the financial year 2009.

The dry bulk market environment was extremely challenging in 2009 after the harsh hit of the financial turmoil at end of 2008. The global trade slump had resulted in oversupply of dry bulk vessels and low charter rates over all types of vessels in the sector. However, in the midst of the global financial crisis and the extremely tough environment in the dry bulk sector, we managed to achieve revenue of US$349,340,000 and net profit of US$153,842,000 for year 2009.

The global dry bulk market soared to record high but slumped freefall at end of 2008. As a result, comparing to 2008, the Group's revenue fell 26% from US$475,148,000 to US$349,340,000. It was mainly attributable to the non-performance of certain high earnings longer term time-charter contracts in early 2009 and low spot charter rates upon redeploying the relevant vessels into spot contracts. Hence, the Group's operating results was consequentially affected and the net profit for the year dropped 36% to US$153,842,000 when comparing to record net profit of US$238,828,000 for year 2008.

In the earlier part of 2009, we experienced a number of counterparty defaults. We have been and will continue to devote resources to pursue these counterparties, in particular those who failed to perform their contractual obligations with us but have since devoted financial resources to further their businesses. Majority of our existing reputable charterers continued to honor the time-charter contracts that bring a stable earnings stream and a positive cashflow to the Group in 2009.

During the year, the Group disposed five motor vessels in order to strengthen our financial position. The Group's working capital had been enhanced by the net sale proceeds (after repayment of vessel mortgage loans) of approximately US$88 million while a net gain of US$8,504,000 on disposal of motor vessels was recognized in 2009. With the continued cash flows from profitable operations, the Group's gearing ratio greatly reduced from 68% at end of 2008 to 45% at end of 2009.

We remain cautious with 2010 as we believe the operating environment will remain to be rough for a period of time going forward. We will continue to operate with a cautious and nimble mindset, maintain a first class modern fleet to better serve our customers, seek revenue stability by working with credible counterparties, reduce costs and mitigate any business and operating risks wherever possible and further strengthen our financial position with reduction of debt as our top priorities to ensure the long term success of the Company.

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

5 March 2010

Strategies and Business Profile

Jinhui Shipping is one of the world's largest, focussed grabs 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 annual report, the major shareholder of the Company is Jinhui Holdings Company Limited 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 focus on maintaining a strong financial position and moderate leverage, and continue to look for earnings accretive purchases opportunities of Supramax class vessels in both newbuildings and second hand market going forward.

On the revenue side, our strategy is to maintain a flexible chartering policy to achieve an optimal balance between longer term time charterparties which generates a robust cash inflow, and spot exposure which allows the Group to take advantage of any upside in future charter rates. We will also further boost up our risk management efforts with the objective to minimize potential counterparty risks.

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 cargoes for specific voyages or periods of time.

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

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

It is the Group's policy to comply with all applicable environmental rules and regulations in its shipping operations 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.

Strategies and Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2009, the Group had twenty four owned vessels and 583 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Rui	Panamax	2009	Imabari	76,583
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Mao	Supramax	2009	Oshima	54,768
Jin Shun	Supramax	2009	Oshima	54,768
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin An	Supramax	2000	Oshima	50,786
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Hui	Supramax	2000	Oshima	50,777
Jin Rong	Supramax	2000	Mitsui	50,236
Jin Zhou	Supramax	2001	Mitsui	50,209
Jin Bi	Handymax	2000	Oshima	48,220
				1,304,875

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 2009, the Group committed to acquire seventeen newbuildings under construction for delivery during the years 2010 to 2013.

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204	Mar 2010
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920	Mar 2010
Jin Heng	Supramax	2010	Nantong Kawasaki	55,091	Mar 2010
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	92,500	May 2010
Jin Yue	Supramax	2010	Shanghai Shipyard	57,000	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
				1,062,171	

Note:

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 five chartered-in vessels as at date of this annual report.

Name	Type	Built	Size (dwt)	Charter in date	Expiry
Scope	Capesize	2006	174,008	Jul 2008	Apr 2013
Golden Shui	Capesize	2009	170,500	May 2009	Feb 2014
Red Lily	Panamax	2004	76,500	Sep 2004	Sep 2011
Tenmyo Maru	Supramax	2008	58,470	Nov 2008	Oct 2013
Aston Trader	Supramax	2008	55,496	Jun 2009	May 2010
			534,974		

Highlights

HIGHLIGHTS FOR YEAR 2009

27 February 2009	Delivery of the motor vessel "Canton Trader" (2003 – 52,454 dwt) and was renamed as "Jin Kang".
27 March 2009	Delivery of the newbuilding "Jin Wan" (2009 – 56,897 dwt).
30 March 2009	Disposal of motor vessels "Jin Pu" (2008 – 55,496 dwt) and "Jin Man" (2008 – 55,496 dwt) which were delivered to buyers on 8 June 2009 and 19 June 2009 respectively.
31 March 2009	Delivery of the newbuilding "Jin Shun" (2009 – 54,768 dwt).
25 May 2009	Delivery of the newbuilding "Jin Rui" (2009 – 76,583 dwt).
2 June 2009	Disposal of the motor vessel "Jin Kang" (2003 – 52,454 dwt) which was delivered to buyer on 20 July 2009.
4 June 2009	Disposal of the motor vessel "Jin He" (2006 – 77,250 dwt) which was delivered to buyer on 11 December 2009.
25 June 2009	Delivery of the newbuilding "Jin Gang" (2009 – 56,927 dwt).
26 June 2009	Disposal of the motor vessel "Jin Tai" (2004 – 173,880 dwt) which was delivered to buyer on 30 July 2009.
25 September 2009	Delivery of the newbuilding "Jin Ji" (2009 – 56,913 dwt).
12 November 2009	Delivery of the newbuilding "Jin Mao" (2009 – 54,768 dwt).
10 December 2009	Delivery of the newbuilding "Jin Jun" (2009 – 56,887 dwt).

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

	2009	2008
(Expressed as a percentage of revenue)	%	%
South America	31.3	18.2
Asia excluding China	29.1	26.2
Australia	13.8	24.5
North America	11.4	14.7
Africa	6.2	4.4
Europe	5.6	4.5
China	2.6	5.3
Middle East	–	2.2
	100.0	100.0

Discharging Ports Analysis

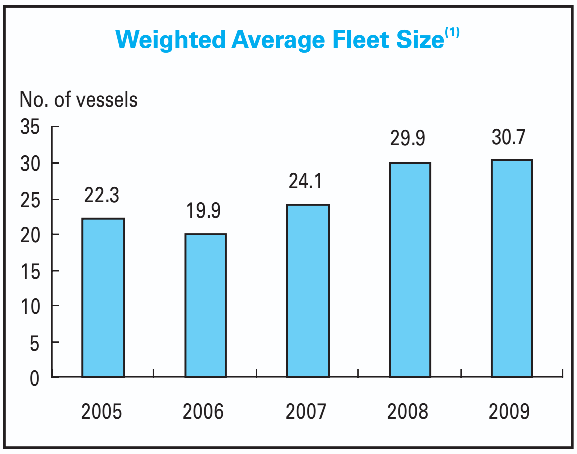
	2009	2008
(Expressed as a percentage of revenue)	%	%
China	50.0	36.7
Asia excluding China	23.4	33.8
Africa	8.4	7.5
Middle East	7.4	2.6
Europe	6.4	12.5
South America	2.4	2.1
North America	2.0	3.1
Australia	–	1.5
Others	–	0.2
	100.0	100.0

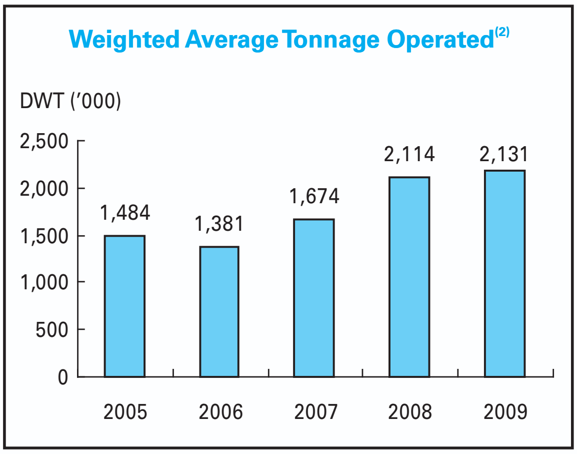
Types of Cargoes Carried by the Group's Fleet

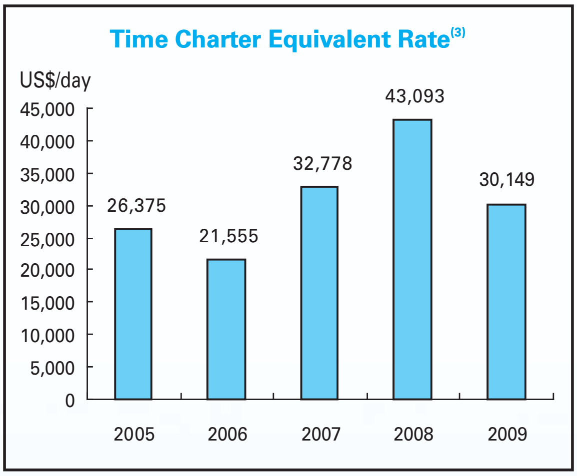
	2009		2008	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	8,910	55.2	9,683	54.5
Coal	3,836	23.8	4,359	24.6
Agricultural products	1,646	10.2	1,810	10.2
Cement	781	4.8	658	3.7
Steel products	633	3.9	641	3.6
Alumina	194	1.2	149	0.8
Fertilizer	152	0.9	455	2.6
Others	2	–	2	–
	16,154	100.0	17,757	100.0

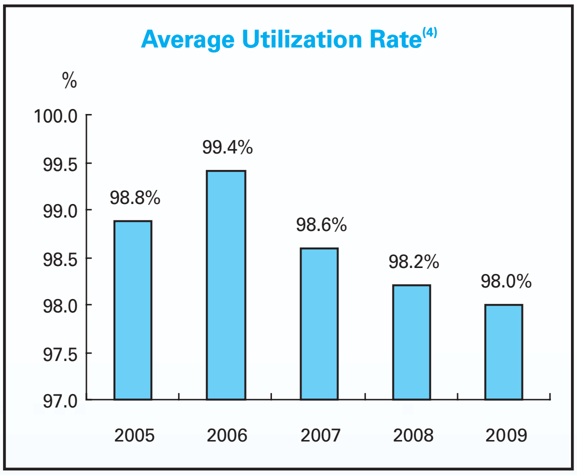
Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS









Notes:

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

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

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

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

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2009 *US$'000*	2008 *US$'000*	2007 *US$'000*	2006 *US$'000*	2005 *US$'000*
Key Items in the Consolidated Statement of Comprehensive Income					
Revenue	**349,340**	475,148	296,285	156,154	214,460
Operating profit	**161,484**	256,674	106,799	58,864	100,677
Finance costs	**(7,642)**	(17,846)	(21,167)	(9,287)	(4,877)
Profit before taxation	**153,842**	238,828	85,632	49,577	95,800
Taxation	**–**	–	–	–	–
Net profit for the year	**153,842**	238,828	85,632	49,577	95,800
Other comprehensive income	**44**	(32)	–	–	–
Total comprehensive income for the year attributable to shareholders of the Company	**153,886**	238,796	85,632	49,577	95,800
Other Financial Information					
EBITDA	**195,522**	285,880	128,665	72,737	112,856
Dividend per share	**–**	US$0.270	US$0.160	–	US$0.342
Basic earnings per share	**US$1.8305**	US$2.8417	US$1.0189	US$0.5899	US$1.1399

Highlights

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Key Items in the Consolidated Statement of Financial Position					
Property, plant and equipment	977,323	880,998	728,697	375,003	290,884
Available-for-sale financial assets	359	315	192	3,570	3,570
Current assets	254,534	136,248	89,881	73,532	49,901
Total assets	1,232,216	1,017,561	818,770	452,105	344,355
Total equity	669,483	515,597	312,940	227,308	181,216
Non-current liabilities	414,625	388,829	380,229	183,458	128,552
Current liabilities	148,108	113,135	125,601	41,339	34,587
Total equity and liabilities	1,232,216	1,017,561	818,770	452,105	344,355
Other Financial Information					
Return on average equity	26%	58%	32%	24%	63%
Return on total assets	12%	23%	10%	11%	28%
Gearing ratio	45%	68%	128%	68%	62%

Shareholders' Diary

Annual general meeting	27 April 2010
Announcement for the first quarter results 2010	31 May 2010*
Announcement for the second quarter results 2010	31 August 2010*
Announcement for the third quarter results 2010	30 November 2010*
Announcement for the fourth quarter results 2010	28 February 2011*

* *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 issued by the Norwegian Corporate Governance Board on 21 October 2009. 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 2009.

To this end, the Company has promulgated a set of Company Code which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared and updated by referencing to the principles 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 6.

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 2009 was US$669,483,000, accounting for 54% 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.

In light of the global financial crisis and extraordinary market conditions, Jinhui Shipping has suspended its fixed annual dividend payout since the fourth quarter of 2008 in order to preserve cash and enhance liquidity and does not anticipate paying any cash dividends in the short term. 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 2009 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 2009.

This constitutes a deviation from the Code which states that the mandate granted to the board of directors to increase 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 response 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 2009 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 2009.

3. EQUITY AND DIVIDENDS *(Continued)*

Purchase of own shares *(Continued)*

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. All shares have equal voting rights.

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 2009, there was a transaction between the Group and its holding company, Jinhui Holdings Company Limited which is listed on the Hong Kong Stock Exchange. Details of the transaction are disclosed in note 36 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 personnel 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, the International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants. 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.

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.

Corporate Governance Report

5. FREELY NEGOTIABLE SHARES *(Continued)*

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 the company's shares 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 and the auditor will be present at the annual general meeting. The notice of calling general meeting and the supporting information, including the procedures for representation at the meeting through a proxy, the information for each resolution to be considered at the general meeting and for each of the candidates nominated for election, are published on the Company's website at www.jinhuiship.com no later than 21 days prior to the date of the general meeting.

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, and Bermuda law, all of the shares of the Company registered in the VPS 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 (usually registration of shares takes 3 business days) and have deposited a valid proxy form at Nordea Bank not less than 48 hours before the time appointed for holding the general meeting.

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.

Corporate Governance Report

6. GENERAL MEETINGS *(Continued)*

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.

For Directors who are subject to retirement by rotation at the annual general meeting, shareholders are given the opportunity to vote separately for each candidate nominated for election or re-election as director of the Company. The Chairman and the Board also ensure appropriate arrangements and separate voting instructions in the proxy form have been given for each candidate nominated for election or re-election as director of the Company.

The 2010 Annual General Meeting is scheduled on 27 April 2010. Notice of 2010 Annual General Meeting will be published on the website of the Company and the NewsWeb of the Oslo Stock Exchange and will be despatched to shareholders of the Company together with the 2009 annual report on or before 30 March 2010.

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 personnel. 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 personnel 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.

The Board is now composed of four Executive Directors, including the Chairman and the Managing Director, 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. All Non-executive Directors, who are independent of executive personnel, material business contacts and main shareholders of the Company, 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.

Corporate Governance Report

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

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 annual 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 personnel and material business contacts; 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.

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 Group. 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 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 Personnel" on pages 25 to 26.

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

Board meetings attendance

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. In 2009, the Board held 17 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai, *Chairman*	17
Ng Kam Wah Thomas, *Managing Director and Deputy Chairman*	17
Ng Ki Hung Frankie	15
Ho Suk Lin Cathy	17
Non-executive Directors	
Tsui Che Yin Frank	6
William Yau	6
Ng Ham Tim	4

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 strategies going forward. In any material event that the Chairman has an active involvement, the Board meeting will be chaired by other members of the Board. In addition, according to the Company Code, members of the Board are obliged to disqualify themselves from participation in 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 objectives 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 conditions. With reference to the 2009 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 2010 and satisfied with the performance of year 2009.

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 personnel. 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, currently comprises 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 recommendations in relation to the appointment, re-appointment and removal of the auditor, and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented.

The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's half-yearly and annual reports before submission to the Board. The Group's financial statements for the year ended 31 December 2009 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, currently 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 personnel, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the fees for the Non-executive Directors. The Remuneration Committee should consider factors such as the performance of Executive Directors and executive personnel, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the Executive Directors and executive personnel, 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 review the remuneration to Directors and executive personnel of the Group and makes recommendations to the Board.

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 38 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 establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. Certain key internal control systems have been independently reviewed by Grant Thornton during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented.

The Board, through the assistance of Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2009, covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and appropriate actions have been taken.

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

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 personnel 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 personnel are determined by factors including but not limited to the performance, complexity and responsibility with a view to attract, retain and motivate high performing individuals and in line with the market practice. The Company has not adopted any share options scheme in the year.

Corporate Governance Report

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

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

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

At the meeting held on 26 February 2010, the Remuneration Committee reviewed and approved the fees of the Executive Directors, other emoluments of the Executive Directors and executive personnel for year 2009, fixed the remuneration packages of the Executive Directors and executive personnel for year 2010 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 2009 are set out in note 10 to the financial statements.

13. INFORMATION AND COMMUNICATIONS

Jinhui Shipping strives 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 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 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 quarter of a financial year 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.

The financial statements have been prepared in accordance with IFRS, which collective term includes all applicable individual International Financial Reporting Standards, IAS and Interpretations issued by IASB, and HKFRS which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the HKICPA.

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.

Corporate Governance Report

13. INFORMATION AND COMMUNICATIONS *(Continued)*

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 publishes an overview each year for major events such as its annual general meeting, publication of annual and quarterly reports, financial calendar, public presentations, and other material transactions through website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange 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 are 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 regarding representing the interest of all shareholders. The Board will follow the relevant rules and regulations as set out in the Code in due course.

Corporate Governance Report

15. AUDITOR

The Board strives to have close and open cooperation with Grant Thornton, the auditor of the Company since 2007. Grant Thornton has been re-appointed by shareholders of the Company in both 2008 and 2009 annual general meetings and will hold office until the conclusion of the next annual general meeting of the Company. The performance of the auditor of the Company has been reviewed and it is proposed to re-appoint Grant Thornton as the auditor of the Company in the forthcoming annual general meeting. In the forthcoming general meeting, the Board will report the remuneration paid to auditor including the details of the fee paid for audit services and any fees paid for other specific assignments.

The Audit Committee 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 Audit Committee before commencement of annual audit. Also, the auditor has presented to the Audit Committee a review of the Company's internal control systems, including identified weaknesses and proposals for improvement. 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 systems during the course of audit. In addition, a meeting with the auditor and the Board without the attendance of Executive Directors had been arranged on 18 December 2009. 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 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 funds, 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 invited to undertake those services that it must or is best place to undertake in capacity as auditor.

Other specific services – include reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems 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 2009, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were US$124,000 and US$32,000 respectively.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 53. Appointed as a Director of the Company since 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 47. Appointed as a Director of the Company since 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings since 1991. He is responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 56. Appointed as a Director of the Company since 1994 and a director of Jinhui Holdings since 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 46. Appointed as a Director and the Company Secretary of the Company since 1994 and a director of Jinhui Holdings since 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.

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

Aged 52. 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 listed in Hong Kong and a director of Melco China Resorts (Holdings) Limited listed in Canada. Mr. Tsui holds a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS *(Continued)*

Mr. William Yau, *Non-executive Director*

Aged 42. 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 35. 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.

EXECUTIVE PERSONNEL

Mr. Ching Wei Man Raymond, *Vice President*

Aged 35. 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 holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

Mr. Wu Kar Keung Norman, *Head of Chartering Department*

Aged 56. Joined the Group in 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Limited as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 57. 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 Directors present their report and the audited financial statements of Jinhui Shipping and its subsidiaries for the year ended 31 December 2009.

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 2009 and the state of affairs of the Group and the Company at 31 December 2009 are set out in the financial statements on pages 42 to 90.

ALLOCATION OF NET INCOME

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2009. The Board has proposed the net profit of the Group for year 2009 amounting to US$153,842,000 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 2009 was US$393,667,000.

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 43.

DIVIDEND POLICY

In light of the global financial crisis and extraordinary market conditions, Jinhui Shipping has suspended its fixed annual dividend payout since the fourth quarter of 2008 in order to preserve cash and enhance liquidity and does not anticipate paying any cash dividends in the short term. 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 2009. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2009.

Directors' Report

REVIEW OF OPERATIONS

The dry bulk market environment was extremely challenging after the harsh hit of the financial turmoil at end of 2008. In early 2009, the global trade slump had resulted in oversupply of dry bulk vessels and low charter rates over all types of vessels in the sector. In order to alleviate the impact of the worst financial crisis, governments across the globe have supported their economies by injecting unprecedented amount of liquidity into financial systems and these government funding have turned into massive investments in infrastructure investments especially in China, India and other emerging economies. Since then, the demand for dry bulk commodities resumed in Asia-Pacific region reflected primarily, the persistent demand from China and secondly, traditional commodities importing countries like Korea and Japan. The dry bulk charter rates gradually improved and the BDI has recovered from 774 points on 1 January 2009 to 4,661 points on 19 November 2009 and closed at 3,005 at end of 2009.

Baltic Dry Index

Source: Bloomberg

The Group achieved revenue of US$349,340,000 and net profit of US$153,842,000 for year 2009 in the midst of financial crisis and the extremely tough environment in the dry bulk sector. Basic earnings per share for year 2009 was US$1.8305 whereas US$2.8417 was reported in 2008.

The global dry bulk market soared to record high but slumped freefall at end of 2008. As a result, comparing to year 2008, the Group's revenue fell 26% from US$475,148,000 to US$349,340,000. It was mainly attributable to the non-performance of certain high earnings longer term time-charter contracts in early 2009 and low spot charter rates upon redeploying the relevant vessels into spot contracts. Hence, the Group's operating results was consequentially affected and the net profit for the year dropped 36% to US$153,842,000 when comparing to record net profit of US$238,828,000 for year 2008. Nevertheless, majority of our existing reputable charterers continued to honor the time-charter contracts that bring a stable earnings stream and a positive cashflow to the Group in 2009.

Directors' Report

REVIEW OF OPERATIONS *(Continued)*

Under severe hit of the global economic turmoil, the Group encountered several charterers' delinquencies in contractual obligations under the time-charter contracts since late 2008. The Group has taken legal actions against these charterers for considerable damages and loss on non-performance of time-charter contracts. During the year, the Group had provided impairment loss of US$10,355,000 (2008: US$5,325,000) on trade receivables due from certain charterers who were exposed to financial or insolvency problems. Despite that impairment loss on trade receivables had doubled this year, the Group's other operating expenses dropped from US$24,964,000 for year 2008 to US$16,992,000 for year 2009. The decrease was mainly due to the absence of net loss on financial assets and financial liabilities at fair value through profit or loss (2008: US$8,176,000) and impairment loss on leasehold properties (2008: US$4,152,000) for the year.

On the contrary, the Group received an income of US$39,842,000 for year 2009 (2008: nil) from a few counterparties to wash out foregoing time-charter contracts by mutual agreements. The amount was recognized as other operating income in the consolidated statement of comprehensive income.

During the year, the Group disposed five motor vessels in order to enhance our financial position. Upon the completion of the disposal of five motor vessels in 2009, the Group's working capital and liquidity had been enhanced by the net sale proceeds (after repayment of vessel mortgage loans) of approximately US$88 million while a net gain of US$8,504,000 on disposal of motor vessels was recognized in 2009. Excluding the net gain on disposal of motor vessels, the Group's net profit would have been US$145,338,000 for the year and US$176,042,000 for year 2008, representing a decrease of 17%.

The Group's shipping related expenses dropped 19% to US$180,177,000 for year 2009 as compared to US$222,353,000 for year 2008 mainly due to expiration of time-charter contracts with relatively high charter rates for a few chartered-in vessels. As at 31 December 2009, there were five chartered-in vessels in operation when comparing to nine chartered-in vessels operated as at 31 December 2008.

With the continued low interest rate policy pursued by the US Federal Government, the Group's finance costs for the year reduced by 57% to US$7,642,000 as compared to US$17,846,000 in 2008.

FINANCIAL REVIEW

Liquidity and financial resources. The Group received an advance of approximately US$37,461,000 from a charterer in December 2009. As one of the credit risk mitigation measures, the Group secured majority of receipts from the charterer under the arrangement and hence agreed to grant a discount to the charterer with reference to the prevailing risk free deposit rate for a period from January 2010 to July 2011 over the original time-charter contract. Accordingly, the amount of advance receipt was recognized in the consolidated statement of financial position as at 31 December 2009 with the current portion of US$24,525,000 in trade and other payables under current liabilities and the non-current portion of US$12,936,000 under non-current liabilities.

Directors' Report

FINANCIAL REVIEW *(Continued)*

During the year, upon financing of various vessel mortgage loans, receiving the net sale proceeds on completion of the disposal of five motor vessels and advance receipt, and offset by cash used to partially finance the delivery of eight additional vessels and installments paid for the newbuildings and the cash placed as pledged deposits for issuing a bank guarantee as mentioned on page 31, the total of the Group's equity and debt securities, bank balances and cash increased to US$158,151,000 (2008: US$95,890,000) and bank borrowings increased to US$462,376,000 (2008: US$444,869,000) as at 31 December 2009.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, reduced to 45% as at 31 December 2009 (2008: 68%). With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2009, the Group's property, plant and equipment with an aggregate net book value of US$752,968,000 (2008: US$624,689,000), financial assets at fair value through profit or loss of US$1,076,000 (2008: US$724,000) and deposits of US$65,970,000 (2008: US$10,288,000) placed with banks and other financial institution were pledged together with the assignment of twenty four (2008: twenty one) ship owning subsidiaries' chartering income to secure bank guarantee and credit facilities utilized by the Group. In addition, shares of twenty one (2008: twenty one) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of the owned vessels and vessels under construction was US$290,649,000 (2008: US$341,152,000), and on other property, plant and equipment was US$546,000 (2008: US$11,319,000).

As at 31 December 2009, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$623,915,000 (2008: US$928,845,000), representing the Group's outstanding capital expenditure commitments to acquire nineteen newsbuildings (2008: twenty six newbuildings and one second hand vessel) at a total purchase price of approximately US$867,027,000 (2008: US$1,208,205,000).

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.

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.

Directors' Report

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

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

RELATED PARTY TRANSACTIONS

Details of the Group's and the Company's related party transactions are set out in note 36 to the financial statements.

OTHER IMPORTANT EVENTS OCCURRED IN THE YEAR

There is a dispute between Galsworthy Limited ("Galsworthy"), a wholly-owned subsidiary of the Company, and Parakou Shipping Pte Limited ("Parakou") in relation to the non-performance of a charterparty evidenced by a fixture recap ("the charterparty"). Galsworthy was the prospective disponent owner of one of the Group's vessels. It is Galsworthy's case that acting via its agent Goldbeam International Limited, also a wholly-owned subsidiary of the Company, it entered into the charterparty with Parakou in June 2008. The charterparty was arranged through Clarkson Asia Limited ("Clarkson") acting as sole shipbroker. Galsworthy claims that Parakou acted in repudiatory breach of the charterparty by refusing to take delivery of the vessel in March 2009 pursuant to the terms of the charterparty. As a result of the breach, Galsworthy is claiming about US$39.7 million together with interest and costs against Parakou in March 2009. Parakou disputes Galsworthy's claim; in particular it denies that a binding charterparty was ever concluded between Galsworthy and Parakou. The dispute has been referred to arbitration in London before a 3-man arbitral tribunal as per the arbitration clause of the charterparty.

Parakou has then commenced in rem and in personam actions against Jinkang Marine Inc. ("Jinkang Marine") and Goldbeam Shipping Inc. ("GSI") in July 2009 and August 2009 respectively in Hong Kong for an indemnity in respect of all sums, including interest and costs, which may be awarded against Parakou in the London arbitration which Galsworthy is pursuing against them. Both Jinkang Marine and GSI are wholly-owned subsidiaries of the Company. The alleged indemnity claim is advanced on the basis of certain representations said to have been made by either Jinkang Marine or GSI via Clarkson during the negotiation which has led to the conclusion of the charterparty between Galsworthy and Parakou. Jinkang Marine and GSI deny that Clarkson was acting on their behalf and they had made the alleged representations through Clarkson. For the purpose of obtaining security in support of their alleged indemnity claim in Hong Kong, Parakou has arrested another vessel of the Group in Richards Bay, South Africa through the peculiar associated ship arrest procedure there. As a result of the arrest, a bank guarantee backed by cash deposits of approximately US$44.4 million in favour of Parakou was provided in September 2009 to secure prompt release of that vessel.

Both legal proceedings in London and Hong Kong are still underway as of date of this annual report.

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the reporting date and up to the date of signing this annual report.

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 and debt securities, existing and available credit facilities and the Group's long term strategic and income forecasts. There exists good basis for the continued operations of the Group.

Directors' Report

AUDITOR

The financial statements for the year ended 31 December 2009 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.

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 funds. 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. At 31 December 2009, the Group has 64 (2008: 68) full-time employees, of whom 33 (2008: 35) employees were male and 31 (2008: 33) employees were female. The Board consists of seven members, of whom 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 aims to ensure equal opportunities and rights in workplace.

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

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, absence due to sickness was 2% (2008: 2%) 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 rules 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 the operations in compliance with applicable safety and environmental laws and regulations including but not limited to ISM Code; ISPS Code; SOLAS; MARPOL and STCW Convention. These conventions have been ratified by majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries.

Directors' Report

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

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. 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

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

Executive Directors:	Mr. Ng Siu Fai
	Mr. Ng Kam Wah Thomas
	Mr. Ng Ki Hung Frankie
	Ms. Ho Suk Lin Cathy
Non-executive Directors:	Mr. Tsui Che Yin Frank
	Mr. William Yau
	Mr. Ng Ham Tim

In accordance with the Company's Bye-laws, Mr. Ng Ki Hung Frankie and Mr. Tsui Che Yin Frank will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Brief biographical details of the Directors and executive personnel are set out in the "Board of Directors and Executive Personnel" on pages 25 to 26.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding company, a subsidiary or a fellow subsidiary was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(i) Directors' interests in shares of the Company and 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)*	359,000	15,140,000
	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	Personal interests	–	3,000,000
	Other interests	*Note 1*	*Note 1*
Ho Suk Lin Cathy	Personal interests	–	3,850,000
Tsui Che Yin Frank	Personal interests	–	1,000,000
William Yau	Personal interests	–	441,000

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 which is the legal and beneficial owner of 342,209,280 shares of Jinhui Holdings (representing approximately 64.53% 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 2009. 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 2009. 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 359,000 shares of the Company and 15,140,000 shares of Jinhui Holdings as at 31 December 2009.

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

A share option scheme was adopted by Jinhui Holdings on 18 November 2004 whereby the directors of Jinhui Holdings were authorized to grant options to the directors, officers and employees of 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.

As at 31 December 2009, the Directors had the following interests in options to subscribe for shares of Jinhui Holdings under the Share Option Scheme:

					Number of options		
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	As at 1 January 2009	Exercised during the year	As at 31 December 2009
Ng Siu Fai	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	31,570,000	–	**31,570,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Kam Wah Thomas	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	21,050,000	–	**21,050,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Ki Hung Frankie	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	(3,000,000)	**–**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ho Suk Lin 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	(7,200,000)	**62,172,000**

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, 7,200,000 share options were exercised by certain directors of the Company. Other than that, no share option was granted, exercised, cancelled or lapsed in relations to Directors during the year.

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.

3. The closing price per share of Jinhui Holdings as at 31 December 2009 was HK$2.69.

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 the reporting date.

RISK MANAGEMENT

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

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

Market risk. Market risk is the risk of financial loss due to adverse changes in the market value of a financial instrument or portfolio of financial instruments. Such exposure occurs when there are changes in market factors such as underlying interest rates, exchange rates, equity prices or in the volatility of these factors. The Group's major market risk exposures mainly arising from bank borrowings committed on floating rate basis, and investment in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 38 to the financial statements.

Directors' Report

RISK MANAGEMENT *(Continued)*

Credit risk. Credit risk is the risk of financial loss to the Group if the counterparty fails to discharge its contractual obligations under the terms of the financial instrument. The Group 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 statement of financial position. Credit risk also includes concentration risk of large exposures or concentrations to certain counterparties. The Group will, wherever possible, maintain a diversified customer portfolio or only enter into financial instruments with creditworthy counterparties. The Group regularly monitors the potential exposures to each significant counterparty and performs ongoing credit quality assessment and does not expect to incur material credit losses on managing the financial instruments.

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

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, piracy or political events, and other important factors described from time to time in the reports filed by the Company.

OUTLOOK

The year 2009 has been characterized by extreme volatility for dry bulk shipping. Shipping companies have experienced one of the worst times during the early part of the year due, but within a very short timespan, an unexpectedly strong recovery also took place in the second half of 2009 due to a less than expected new vessel supply, as well as a pick up in economic activities due to a global concerted monetary easing policy by major governments which has been the major factor behind this strong recovery in activities. This pick up in economic activities has been primarily Asian biased, and was largely driven by China.

Directors' Report

OUTLOOK *(Continued)*

We remain cautious with 2010 where we expect further volatility and challenges in the dry bulk market due to (i) uncertainty over the exit strategy of the current monetary easing policy of various governments, as well as their plan to reduce their fiscal deficits; (ii) uncertainty in new vessel supply – the orderbook remains to be extremely high and it remains unknown as to whether those vessels that did not get delivered in 2009 were cancelled, or simply delayed; (iii) dramatic increase in the number of larger size dry bulk carriers – we are particularly cautious of the larger size vessels given the size of the Capesize orderbook, and at the same time the increasing number of VLOCs which will cannibalize the market share of long haul iron ore transportation currently driven by Capesizes; and (iv) unpredictable changes in China's economic policy and hence unexpected changes in China's raw materials import pattern.

We believe the seas will remain to be rough for a period of time going forward. We will continue to operate with a cautious and nimble mindset, maintain a first class modern fleet to better serve our customers, seek revenue stability by working with credible counterparties, and further strengthen our financial position with reduction of debt as our top priorities to ensure the long term success of the Company.

PUBLICATION OF FINANCIAL INFORMATION

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

5 March 2010

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, to the best of our knowledge, that the audited financial statements for the year from 1 January to 31 December 2009 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.

5 March 2010

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

Grant Thornton
均富

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 42 to 90, which comprise the consolidated and the company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated and the company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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

Grant Thornton
均富

AUDITORS' RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

5 March 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000	2007 US$'000
Revenue	7	349,340	475,148	296,285
Net gain on disposal of motor vessel(s)		8,504	62,786	20,257
Other operating income	8	53,076	13,887	8,597
Interest income		1,162	1,854	2,634
Shipping related expenses		(180,177)	(222,353)	(136,576)
Staff costs	9	(19,391)	(20,478)	(6,573)
Other operating expenses		(16,992)	(24,964)	(55,959)
Operating profit before depreciation and amortization	11	195,522	285,880	128,665
Depreciation and amortization		(34,038)	(29,206)	(21,866)
Operating profit		161,484	256,674	106,799
Finance costs	12	(7,642)	(17,846)	(21,167)
Profit before taxation		153,842	238,828	85,632
Taxation	13	–	–	–
Net profit for the year		153,842	238,828	85,632
Other comprehensive income				
Change in fair value of available-for-sale financial assets		44	(32)	–
Total comprehensive income for the year attributable to shareholders of the Company		153,886	238,796	85,632
Basic earnings per share	14	US$1.8305	US$2.8417	US$1.0189

Statements of Changes in Equity

Year ended 31 December 2009

	Issued capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus US$'000	Employee share-based compensation reserve US$'000	Reserve for available-for-sale financial assets US$'000	Retained profits US$'000	Total equity US$'000
Group								
At 1 January 2008	4,202	72,087	719	16,297	4,758	–	214,877	312,940
Total comprehensive income for the year	–	–	–	–	–	(32)	238,828	238,796
2007 final dividend	–	–	–	–	–	–	(13,447)	(13,447)
2008 interim dividend	–	–	–	–	–	–	(22,692)	(22,692)
At 31 December 2008	4,202	72,087	719	16,297	4,758	(32)	417,566	515,597
At 1 January 2009	4,202	72,087	719	16,297	4,758	(32)	417,566	515,597
Total comprehensive income for the year	–	–	–	–	–	44	153,842	153,886
At 31 December 2009	**4,202**	**72,087**	**719**	**16,297**	**4,758**	**12**	**571,408**	**669,483**
Company								
At 1 January 2008	4,202	72,087	719	16,297	4,161	–	175,719	273,185
Total comprehensive income for the year	–	–	–	–	–	–	128,778	128,778
2007 final dividend	–	–	–	–	–	–	(13,447)	(13,447)
2008 interim dividend	–	–	–	–	–	–	(22,692)	(22,692)
At 31 December 2008	4,202	72,087	719	16,297	4,161	–	268,358	365,824
At 1 January 2009	4,202	72,087	719	16,297	4,161	–	268,358	365,824
Total comprehensive income for the year	–	–	–	–	–	–	109,012	109,012
At 31 December 2009	**4,202**	**72,087**	**719**	**16,297**	**4,161**	**–**	**377,370**	**474,836**

Statements of Financial Position

As at 31 December 2009

		Group		Company	
	Note	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	977,323	880,998	–	–
Investments in subsidiaries	17	–	–	8,724	8,724
Available-for-sale financial assets	18	359	315	–	–
		977,682	881,313	8,724	8,724
Current assets					
Inventories	19	35	1,994	–	–
Trade and other receivables	20	30,378	27,899	–	–
Financial assets at fair value through profit or loss	21	11,530	4,519	–	177
Due from subsidiaries	22	–	–	448,445	340,883
Pledged deposits	35(c)	65,970	10,288	–	–
Bank balances and cash	23	146,621	91,548	18,375	16,910
		254,534	136,248	466,820	357,970
Total assets		1,232,216	1,017,561	475,544	366,694

Statements of Financial Position

As at 31 December 2009

	Note	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	24	4,202	4,202	4,202	4,202
Reserves	25	665,281	511,395	470,634	361,622
Total equity		669,483	515,597	474,836	365,824
Non-current liabilities					
Advance receipt	26	12,936	–	–	–
Secured bank loans	27	401,689	388,829	–	–
		414,625	388,829	–	–
Current liabilities					
Trade and other payables	28	87,366	54,275	131	288
Financial liabilities at fair value through profit or loss	21	–	2,761	–	–
Due to subsidiaries	22	–	–	522	523
Due to holding company	22	55	59	55	59
Secured bank loans	27	60,687	56,040	–	–
		148,108	113,135	708	870
Total equity and liabilities		1,232,216	1,017,561	475,544	366,694

Approved and authorized for issue on 5 March 2010

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 Statement of Cash Flows

Year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES			
Cash generated from operations	30	217,059	232,836
Interest paid		(9,607)	(17,950)
Net cash from operating activities		207,452	214,886
INVESTING ACTIVITIES			
Interest received		1,186	1,846
Decrease (Increase) in bank deposits with more than three months to maturity when placed		14,103	(15,103)
Dividend income received from equity investments		52	76
Dividend income received from unlisted investment		131	–
Purchase of property, plant and equipment		(291,165)	(352,578)
Proceeds from disposal of property, plant and equipment		175,592	229,550
Deposit paid for purchase of a motor vessel		–	(1,800)
Purchase of available-for-sale financial assets		–	(155)
Net cash used in investing activities		(100,101)	(138,164)
FINANCING ACTIVITIES			
New secured bank loans		196,090	228,890
Repayment of secured bank loans		(178,583)	(253,315)
Increase in pledged deposits		(55,682)	(7,987)
Dividends paid to shareholders of the Company		–	(36,139)
Net cash used in financing activities		(38,175)	(68,551)
Net increase in cash and cash equivalents		69,176	8,171
Cash and cash equivalents at 1 January		76,445	68,274
Cash and cash equivalents at 31 December	23	145,621	76,445

Notes to the Financial Statements

Year ended 31 December 2009

1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited is an exempted company registered in Bermuda. The registered office of the Company is disclosed in the "Directors' Report" on page 27. 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 Group is controlled by Jinhui Holdings Company Limited, a company incorporated in Hong Kong which holds approximately 54.77% of the Company's shares at reporting date. The ultimate holding company of Jinhui Holdings Company Limited is Fairline Consultants Limited, a company incorporated in the British Virgin Islands.

The financial statements for the year ended 31 December 2009 were approved for issue by the Board on 5 March 2010.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board, and Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

3. ADOPTION OF NEW OR AMENDED IFRS AND HKFRS

In current year, the Group has applied for the first time the following amended standards issued by IASB and the HKICPA, which are relevant to and effective for the Group's financial statements for the accounting period beginning on 1 January 2009.

IAS 1 (Revised) Presentation of Financial Statements
HKAS 1 (Revised) Presentation of Financial Statements
Following the adoption of these revised standards, the Group has presented items of income and expenses, and components of other comprehensive income in a single "Statement of Comprehensive Income". The revised IAS 1 and HKAS 1 affect the presentation of the item of change in fair value of available-for-sale financial assets that was previously recognized directly in equity but now recognized in other comprehensive income. These amendments have affected the presentation of financial statements and certain comparative information have been restated to conform with the revised standards but do not affect the financial positions or results of the Company and the Group for the current and prior years.

Notes to the Financial Statements

Year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED IFRS AND HKFRS *(Continued)*

IFRS 7 (Amendment) Improving Disclosures about Financial Instruments

HKFRS 7 (Amendment) Improving Disclosures about Financial Instruments

These amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

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

IFRS 9 Financial Instruments

HKFRS 9 Financial Instruments

These standards are effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standards require all recognized financial assets that are within the scope of IAS 39 and HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortized cost or fair value depending on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial assets. Financial instrument is subsequently measured at amortized cost only if it is a debt instrument that the objective of the entity's business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. All other debt instruments and equity instruments are measured at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss except for certain equity instruments with irrevocable election made at initial recognition, such realized or unrealized fair value gain and loss will be recognized in other comprehensive income. The management is currently assessing the possible impact of the new standards on the Group's results and financial position in the first year of application.

IAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standards are effective for accounting periods beginning on or after 1 July 2009 and introduce changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. The revised standards require that the effects of all transactions with non-controlling interests must be recorded in equity if there is no change in control and will not result in goodwill or any gains and losses. The adoption of these revised 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 2009

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.

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

4.3 Subsidiaries

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

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

Notes to the Financial Statements

Year ended 31 December 2009

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 transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognized in profit or loss.

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into United States Dollars. Assets and liabilities have been translated into United States Dollars at the closing rates at the reporting 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 recognized in other comprehensive income and accumulated 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. Freight income from voyage charter is recognized on percentage of completion basis measured by time proportion. Hire income from time charter is recognized on time basis over the period of each lease.

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 prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

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

4. 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 reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. It is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realized, provided these tax rates have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, 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 profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited directly to other comprehensive income or 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 profit or loss during the financial period in which they are incurred.

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 profit or loss. Vessel repairs and survey costs are expensed during the financial period in which they are incurred.

Notes to the Financial Statements

Year ended 31 December 2009

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

4.8 Property, plant and equipment *(Continued)*

Vessels under construction are stated at cost less necessary impairment loss. All direct costs relating to the acquisition of motor vessels which are under construction, including finance costs on related borrowing funds during the construction period are capitalized as vessels under construction. When the assets concerned are brought into use, the costs are transferred to motor vessels and depreciated in accordance with the policy as stated below.

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 profit or loss.

4.9 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing whenever there are indications that the assets' carrying amounts may not be recoverable.

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

Notes to the Financial Statements

Year ended 31 December 2009

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

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

For the purpose of assessing impairment, where an asset does not generate cash inflows that are largely independent of the cash flows from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss recognized for cash-generating unit is 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 reporting 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 financial instrument. When financial assets are recognized initially, they are measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or substantially all of the risks and rewards of ownership have been transferred.

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

Financial assets at fair value through profit or loss

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

Notes to the Financial Statements

Year ended 31 December 2009

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

4.11 Financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group has the intention to hold assets in this category for the foreseeable future.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from changes in the fair value excluding any dividend and interest income is recognized in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve 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 is reclassified from equity to profit or loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income and accumulated in equity is transferred to profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate computed at initial recognition.

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

4.11 Financial assets *(Continued)*

Impairment of financial assets (Continued)

When the recovery of loans and receivables carried at amortized costs is considered impaired, the impairment loss for loans and receivables are recorded using an allowance account. The amount of the loss on loans and receivables is recognized in profit or loss of the period in which the impairment occurs. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recovery of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recovery of amounts previously written off directly are recognized in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, the declined amount is removed from equity and recognized in profit or loss as an 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 profit or loss. Any subsequent increase in fair value of the available-for-sale financial assets is not reversed through profit or loss but is recognized directly in other comprehensive income as reversal of impairment loss.

When there is objective evidence that available-for-sale financial assets carried at costs are impaired, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment loss in respect of available-for-sale investments in equity and debt securities carried at cost recognized in profit or loss 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 financial instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another financial liability 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 profit or loss.

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Notes to the Financial Statements

Year ended 31 December 2009

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

4.12 Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss

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

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value determined by reference to active market transactions or by reference to price quotations for equivalent financial instruments in an active market provided by financial institutions. Any changes in fair value are recognized in profit or loss.

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 profit or loss over the period of the borrowings using the effective interest method.

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

4.13 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 profit or loss on initial recognition of any deferred income.

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

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

Notes to the Financial Statements

Year ended 31 December 2009

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

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 values are appraised at the grant dates and exclude the impact of any non-market vesting conditions.

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

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

4.17 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 profit or loss represent contributions payable to the funds by the Group at the rates specific in the rules of the schemes.

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

Notes to the Financial Statements

Year ended 31 December 2009

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

4.17 Employee benefits *(Continued)*

Short term employee benefits

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

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

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

Operating lease (as lessee)

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

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

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

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 profit or loss on a straight-line basis over the lease terms.

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

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

Notes to the Financial Statements

Year ended 31 December 2009

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

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 of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are not recognized but are disclosed in the notes to the financial statements. When a change in the probability of an outflow of economic benefits occurs, and an outflow is probable, it will then be recognized as a provision.

4.20 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 2009

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 2009

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. SEGMENT INFORMATION

The Group is principally engaged in the businesses of ship chartering and ship owning and the management has regarded chartering freight and hire as the only dominant reportable operating segment to be reported to the chief operating decision-maker. While more than 90% of the Group's revenue was attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, no analysis of revenue from external customers by geographical area is presented in the financial statements.

The Group's non-current assets consist of property, plant and equipment and available-for-sale financial assets. Property, plant and equipment mainly comprised of the Group's motor vessels and vessels under construction. As the Group's motor vessels are operated across different geographical regions, it is impracticable to identify the specific geographical locations of the motor vessels at reporting date. The Group's vessels under construction represented progress payments to the contractors or shipbuilders at reporting date, it is impracticable to assess and allocate the shipbuilding progress into specific geographical locations. While majority of the Group's non-current assets cannot be attributable to any particular geographical location, no analysis of non-current assets by geographical area is presented in the financial statements.

For year 2009, hire income of US$143,467,000, representing 41% of the Group's revenue, was derived from certain charterers which are under single common control of an entity. For year 2008, hire income of US$71,335,000, representing 15% of the Group's revenue, was derived from a single charterer.

7. REVENUE

Revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels. Revenue recognized during the year is as follows:

	Group	
	2009	2008
	US$'000	*US$'000*
Chartering freight and hire income:		
Hire income under time charter from owned vessels	**200,353**	242,123
Other chartering freight and hire income	**148,987**	233,025
	349,340	475,148

Notes to the Financial Statements

Year ended 31 December 2009

8. OTHER OPERATING INCOME

The other operating income included an income of US$39,842,000 (2008: nil) received from a few counterparties to wash out foregoing time-charter contracts by mutual agreements.

9. STAFF COSTS

	Group	
	2009	2008
	US$'000	*US$'000*
Directors' emoluments (excluding directors' fees):		
Salaries and other benefits	**15,341**	16,529
Contributions to retirement benefits schemes	**63**	35
Other staff costs:		
Salaries and other benefits	**3,853**	3,731
Contributions to retirement benefits schemes	**134**	183
	19,391	20,478

As at 31 December 2009, the Group has 64 (2008: 68) full-time employees.

10. DIRECTORS' EMOLUMENTS

Name	**Directors' fees**	**Salaries and allowances**	**Discretionary bonus**	**Contributions to retirement benefits schemes**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
2009					
Executive Directors					
Ng Siu Fai	248	461	7,090	28	7,827
Ng Kam Wah Thomas	248	461	7,090	28	7,827
Ng Ki Hung Frankie	170	55	56	3	284
Ho Suk Lin Cathy	54	65	63	4	186
Non-executive Directors					
Tsui Che Yin Frank	15	–	–	–	15
William Yau	12	–	–	–	12
Ng Ham Tim	12	–	–	–	12
	759	1,042	14,299	63	16,163

Notes to the Financial Statements

Year ended 31 December 2009

10. DIRECTORS' EMOLUMENTS *(Continued)*

Name	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits schemes	Total
	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
	759	583	15,946	35	17,323

11. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging (crediting):

	Group	
	2009	2008
	US$'000	*US$'000*
Auditor's remuneration:		
Audit services	**124**	141
Other services	**32**	17
Hire payments under time charters	**108,685**	140,807
Cost of inventories	**3,892**	4,625
Operating lease payments in respect of premises	**113**	102
Net exchange gain	**(683)**	(1,497)
Dividend income from equity investments	**(52)**	(76)
Net (gain) loss on financial assets and financial liabilities at fair value through profit or loss	**(776)**	8,176
Net gain on disposal / write-off of property, plant and equipment, other than motor vessels	**(70)**	–
(Reversal of impairment loss) Impairment loss on property, plant and equipment	**(4,449)**	4,152
Impairment loss on trade and other receivables	**10,355**	5,325

Notes to the Financial Statements

Year ended 31 December 2009

12. FINANCE COSTS

	Group	
	2009	2008
	US$'000	*US$'000*
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	**1,115**	2,874
Not wholly repayable within five years	**6,705**	15,837
	7,820	18,711
Less: Interest expenses capitalized into vessels under construction	**(178)**	(865)
	7,642	17,846

13. 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.

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

	Group	
	2009	2008
	US$'000	*US$'000*
Profit before taxation	**153,842**	238,828
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(1,893)**	(4,919)
Non-deductible expenses	**238**	788
Tax exempt revenue	**(899)**	(141)
Unrecognized tax losses	**2,761**	4,273
Unrecognized temporary differences	**(71)**	13
Utilization of previously unrecognized tax losses	**(136)**	(14)
Taxation for the year	**–**	–

The applicable tax rates are the weighted average of current rates of taxation ruling in the relevant jurisdictions.

Notes to the Financial Statements

Year ended 31 December 2009

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year of US$153,842,000 (2008: US$238,828,000) and the weighted average number of 84,045,341 (2008: 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.

15. DIVIDENDS

	2009 US$'000	2008 US$'000
Dividends recognized as distribution:		
2007 final dividend of US$0.16 per share	–	13,447
2008 interim dividend of US$0.27 per share	–	22,692
	–	36,139

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

Notes to the Financial Statements

Year ended 31 December 2009

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vessels and improvement and capitalized drydocking costs	Vessels under construction	Leasehold land and buildings	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost					
At 1 January 2008	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
Reclassification	308,219	(306,419)	–	–	1,800
Additions	19,282	271,367	–	546	291,195
Disposals / write-off	(180,767)	–	–	(656)	(181,423)
At 31 December 2009	**839,085**	**212,803**	**24,929**	**3,973**	**1,080,790**
Accumulated depreciation and impairment loss					
At 1 January 2008	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
Charge for the year	33,111	–	586	341	34,038
Eliminated on disposals / write-off	(13,723)	–	–	(619)	(14,342)
Impairment loss reversed	–	–	(4,449)	–	(4,449)
At 31 December 2009	**92,903**	**–**	**7,374**	**3,190**	**103,467**
Net book value					
At 31 December 2009	**746,182**	**212,803**	**17,555**	**783**	**977,323**
At 31 December 2008	618,836	247,855	13,692	615	880,998

At reporting date, net interest capitalized included in vessels under construction was US$576,000 (2008: US$1,591,000).

Notes to the Financial Statements

Year ended 31 December 2009

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

Having regard to the strong rebound of property market in Hong Kong, the Group carried out a review of the recoverable amount of its leasehold properties situated in Hong Kong as at 31 December 2009. The review led to the recognition of reversal of impairment loss of US$4,449,000 on leasehold properties in 2009. The recoverable amount of the relevant assets has been determined on the basis of fair value determined by reference to an active market.

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

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	US$'000	*US$'000*
Unlisted shares, at cost	**8,724**	8,724

Details of the Company's principal subsidiaries as at reporting date are set out in note 40.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	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	**167**	123
	359	315

Notes to the Financial Statements

Year ended 31 December 2009

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. The fair value measurement as at 31 December 2009 was categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 7 and HKFRS 7.

19. INVENTORIES

Inventories at reporting date were carried at cost.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Trade receivables	**3,331**	5,857	**–**	–
Prepayments, deposits and other receivables	**27,047**	22,042	**–**	–
	30,378	27,899	**–**	–

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 38(e).

Notes to the Financial Statements

Year ended 31 December 2009

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2009	2008
	US$'000	*US$'000*
Neither past due nor impaired	**1,929**	1,844
Past due but not impaired		
Within 3 months past due	**1,130**	3,512
Over 3 months but within 6 months past due	**55**	281
Over 6 months but within 12 months past due	**53**	107
Over 12 months past due	**164**	113
	1,402	4,013
	3,331	5,857

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

	Group	
	2009	2008
	US$'000	*US$'000*
At 1 January	**10,193**	4,868
Impairment loss recognized	**10,355**	5,325
At 31 December	**20,548**	10,193

The Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2009, the Group had determined trade and other receivables of US$20,548,000 (2008: US$10,193,000) 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, further impairment loss of US$10,355,000 (2008: US$5,325,000) had been recognized in 2009.

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 2009

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

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Analysis of financial assets at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Equity securities	**11,230**	4,342	**–**	–
Debt securities	**300**	–	**–**	–
Derivative financial instruments				
Interest rate swap	**–**	177	**–**	177
	11,530	4,519	**–**	177
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Securities derivatives	**–**	2,761	**–**	–

At reporting date, the fair values of financial instruments classified in this category were determined by reference to their quoted bid prices or by reference to price quotations for equivalent financial instruments in an active market provided by financial institutions. The fair value measurements of equity and debt securities as at 31 December 2009 were categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 7 and HKFRS 7.

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 2009

23. BANK BALANCES AND CASH

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Bank deposits with three months or less to maturity when placed	**74,750**	66,078	**–**	11,804
Bank balances	**70,845**	10,337	**18,375**	5,106
Cash in hand	**26**	30	**–**	–
Cash and cash equivalents for consolidated statement of cash flows purpose	**145,621**	76,445	**18,375**	16,910
Bank deposits with more than three months to maturity when placed	**1,000**	15,103	**–**	–
	146,621	91,548	**18,375**	16,910

All bank deposits carry interest rates ranging from 0.01% to 0.90% (2008: 0.01% to 3.40%) 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.

24. SHARE CAPITAL

Company

	2009		2008	
	Number of ordinary shares of US$0.05 each	**Amount**	Number of ordinary shares of US$0.05 each	Amount
		US$'000		*US$'000*
Authorized:				
At 1 January and **31 December**	**800,000,000**	**40,000**	800,000,000	40,000
Issued and fully paid:				
At 1 January and **31 December**	**84,045,341**	**4,202**	84,045,341	4,202

Notes to the Financial Statements

Year ended 31 December 2009

24. SHARE CAPITAL *(Continued)*

At reporting date, the Company had 2,683 (2008: 3,752) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at reporting 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')*	17.78%
JP Morgan Clearing Corp.	3.75%
Deutsche Bank AG London	2.20%
	83.07%

* *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 2009 and hence Jinhui Holdings Company Limited had approximately 54.77% beneficial interests in the Company.*

25. RESERVES

Details of movements in reserves of the Group and the Company are disclosed in the "Statements of Changes in Equity" on page 43.

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$393,667,000 (2008: US$284,655,000).

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.

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.

Notes to the Financial Statements

Year ended 31 December 2009

26. ADVANCE RECEIPT

The Group received an advance of approximately US$37,461,000 from a charterer in December 2009. As one of the credit risk mitigation measures, the Group secured majority of receipts from the charterer under the arrangement and hence agreed to grant a discount to the charterer with reference to the prevailing risk free deposit rate for a period from January 2010 to July 2011 over the original time-charter contract. Accordingly, the amount of advance receipt was recognized in the consolidated statement of financial position as at 31 December 2009 with the current portion of US$24,525,000 in trade and other payables under current liabilities and the non-current portion of US$12,936,000 under non-current liabilities.

27. SECURED BANK LOANS

	Group	
	2009	2008
	US$'000	*US$'000*
The maturity of secured bank loans is as follows:		
Within one year	**60,687**	56,040
In the second year	**43,790**	41,741
In the third to fifth year	**127,407**	122,042
Wholly repayable within five years	**231,884**	219,823
After the fifth year	**230,492**	225,046
Total secured bank loans	**462,376**	444,869
Less: Amount repayable within one year	**(60,687)**	(56,040)
Amount repayable after one year	**401,689**	388,829

At reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.80% to 1.42% (2008: 1.11% to 5.96%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 35.

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 2009

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Trade payables	**3,853**	2,564	**–**	–
Accrued charges and other payables	**83,513**	51,711	**131**	288
	87,366	54,275	**131**	288

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

29. EMPLOYEE SHARE-BASED COMPENSATION

Under the Share Option Scheme of Jinhui Holdings, 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 Group and other person(s) 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 2009

29. 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 by Jinhui Holdings:

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

Note:

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 2009

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

(b) Movements in the number of share options, remaining contractual lives and exercise price of outstanding share options, and weighted average share price of Jinhui Holdings at dates of exercise of options in 2009:

	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	860,200	374,000
Exercised during the year *(Note)*	–	(5,100,000)	(860,200)	(374,000)
Outstanding at end of the year	**44,727,000**	**8,119,200**	–	–
Exercisable at end of the year	44,727,000	8,119,200	N/A	N/A
Remaining contractual lives of outstanding share options at end of the year	5 years	7 years	N/A	N/A
Exercise price of outstanding share options at end of the year	HK$1.60	HK$1.57	N/A	N/A
Weighted average share price of Jinhui Holdings at dates of exercise of options in 2009	N/A	HK$2.59	HK$2.46	HK$2.37

Note:

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

Notes to the Financial Statements

Year ended 31 December 2009

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2009	2008
	US$'000	*US$'000*
Profit before taxation	**153,842**	238,828
Depreciation and amortization	**34,038**	29,206
Interest income	**(1,162)**	(1,854)
Interest expenses	**7,642**	17,846
Dividend income from equity investments	**(52)**	(76)
Net gain on disposal of motor vessels	**(8,504)**	(62,786)
Net gain on disposal / write-off of property, plant and equipment, other than motor vessels	**(70)**	–
(Reversal of impairment loss) Impairment loss on property, plant and equipment	**(4,449)**	4,152
Impairment loss on trade and other receivables	**10,355**	5,325
Changes in working capital:		
Inventories	**1,959**	(1,962)
Trade and other receivables	**(14,789)**	(13,699)
Financial assets and financial liabilities at fair value through profit or loss	**(9,772)**	(2,054)
Trade and other payables	**10,564**	19,909
Advance receipt	**37,461**	–
Due to holding company	**(4)**	1
Cash generated from operations	**217,059**	232,836

Notes to the Financial Statements

Year ended 31 December 2009

31. DEFERRED TAXATION

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

	Group	
	2009	2008
	US$'000	*US$'000*
Deductible temporary differences	**102**	458
Tax losses	**147,707**	133,137
At 31 December	**147,809**	133,595

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

32. OPERATING LEASE COMMITMENTS

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

	Group	
	2009	2008
	US$'000	*US$'000*
Within one year:		
Premises	**12**	29
Time charter hire	**52,832**	110,447
	52,844	110,476
In the second to fifth year:		
Premises	**6**	42
Time charter hire	**124,172**	212,621
	124,178	212,663
	177,022	323,139

Notes to the Financial Statements

Year ended 31 December 2009

33. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2009	2008
	US$'000	*US$'000*
Within one year:		
Owned vessels	**146,978**	241,414
Chartered-in vessels	**77,885**	132,026
	224,863	373,440
In the second to fifth year:		
Owned vessels	**356,921**	794,848
Chartered-in vessels	**96,786**	215,125
	453,707	1,009,973
After the fifth year:		
Owned vessels	**–**	42,952
Chartered-in vessels	**–**	6,220
	–	49,172
	678,570	1,432,585

34. CAPITAL EXPENDITURE COMMITMENTS

At reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$623,915,000 (2008: US$928,845,000), representing the Group's outstanding capital expenditure commitments to acquire nineteen newbuildings (2008: twenty six newbuildings and one second hand vessel) at a total purchase price of approximately US$867,027,000 (2008: US$1,208,205,000).

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.

Notes to the Financial Statements

Year ended 31 December 2009

35. PLEDGE OF ASSETS

At reporting date, the Group had certain credit facilities and bank guarantee 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$752,968,000 (2008: US$624,689,000);

(b) Financial assets at fair value through profit or loss of US$1,076,000 (2008: US$724,000);

(c) Deposits totalling US$65,970,000 (2008: US$10,288,000) of the Group placed with banks and other financial institution; and

(d) Assignment of twenty four (2008: twenty one) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of twenty one (2008: twenty one) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

36. 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$372,000 (2008: US$492,000) from Jinhui Holdings;

(b) Payment of rental charges of US$17,000 (2008: US$17,000) to a fellow subsidiary; and

(c) Compensation of key management personnel as follows:

	Group	
	2009	2008
	US$'000	*US$'000*
Salaries and other benefits	**15,930**	17,099
Contributions to retirement benefits schemes	**74**	47
	16,004	17,146

36. RELATED PARTY TRANSACTIONS *(Continued)*

Company

(a) Receipt of interim dividends of US$110,000,000 (2008: US$120,000,000) 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 reporting date, nineteen (2008: twenty six) guarantees which the Company agrees to guarantee the full and punctual payment of the purchase prices of US$356,040,000 and JPY47,566,000,000 (2008: US$587,290,000 and JPY54,776,000,000) were provided; and

(ii) guarantees to banks to secure credit facilities granted to subsidiaries amounting to US$464,664,000 (2008: US$447,158,000), and the amount of such facilities utilized was US$462,376,000 (2008: US$444,869,000) at reporting date.

37. CONTINGENT LIABILITIES

As at 31 December 2009, the Group had the following contingent liabilities:

(a) a financial guarantee contract which 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 which has been issued by the Group since 2008 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.

38. FINANCIAL RISK MANAGEMENT AND POLICIES

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

Notes to the Financial Statements

Year ended 31 December 2009

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

(a) Categories of financial instruments

At reporting date, the carrying amounts of financial instruments presented in the statements of financial position related to the following categories of financial assets and financial liabilities:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Financial assets				
Available-for-sale financial assets				
Unlisted investments in co-operative joint ventures	**192**	192	**–**	–
Unlisted club membership	**167**	123	**–**	–
Financial assets at fair value through profit or loss				
Equity securities	**11,230**	4,342	**–**	–
Debt securities	**300**	–	**–**	–
Derivative financial instruments	**–**	177	**–**	177
Loans and receivables measured at amortized costs				
Trade and other receivables	**6,382**	8,641	**–**	–
Due from subsidiaries	**–**	–	**448,445**	340,883
Pledged deposits	**65,970**	10,288	**–**	–
Bank balances and cash	**146,621**	91,548	**18,375**	16,910
	230,862	115,311	**466,820**	357,970
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**–**	2,761	**–**	–
Financial liabilities measured at amortized costs				
Trade and other payables	**37,536**	37,511	**131**	72
Due to subsidiaries	**–**	–	**522**	523
Due to holding company	**55**	59	**55**	59
Secured bank loans	**462,376**	444,869	**–**	–
	499,967	485,200	**708**	654

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

(b) Interest rate risk

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

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

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 27.

Sensitivity analysis*

Based on the exposures to bank borrowings of US$462,376,000 (2008: US$444,869,000) as at reporting date, it is estimated that an increase of 40 basis points (2008: a decrease of 100 basis points) in interest rate, with all other variables remaining constant, the Group's net profit would decrease by approximately US$1,850,000 (2008: increase by approximately US$4,449,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at reporting date. The basis of 40 points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

(c) Foreign currency risk

Exposures to foreign currency risk and the Group's risk management policies

Foreign currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions, assets and liabilities are mainly denominated in 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 2009 and 2008, the Group was not exposed to significant foreign currency risk and did not expect that changes in exchange rates of foreign currencies would result in material effects on the net profit of the Group.

(d) Equity price risk

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

Equity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Group is exposed to equity price risk primarily through its investment in listed equity securities classified as financial assets at fair value through profit or loss.

The Group's portfolio of listed equity securities that exposed to equity price risk at reporting dates is set out in note 21.

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group as at reporting dates, if the quoted prices of the listed equity securities had been increased or decreased by 10%, the Group's net profit would increase or decrease by approximately US$1,123,000 (2008: US$434,000).

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

Notes to the Financial Statements

Year ended 31 December 2009

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

(e) Credit risk

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

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to charterers in the ordinary course of its operations, investment in equity and debt securities and other financial instruments, and placing deposits with banks and other financial institutions.

At reporting date, the Group's maximum exposure to credit risk on recognized financial assets is limited to their carrying amounts as summarized below:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Financial assets				
– carrying amount				
Equity securities	**11,230**	4,342	**–**	–
Debt securities	**300**	–	**–**	–
Derivative financial instruments	**–**	177	**–**	177
Trade and other receivables	**6,382**	8,641	**–**	–
Due from subsidiaries	**–**	–	**448,445**	340,883
Pledged deposits	**65,970**	10,288	**–**	–
Bank balances and cash	**146,621**	91,548	**18,375**	16,910
	230,503	114,996	**466,820**	357,970

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

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment.

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

Trading of investment securities is 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.

Notes to the Financial Statements

Year ended 31 December 2009

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

(f) Liquidity risk

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. The management regularly monitors the Group's current and expected liquidity requirements and its compliance with lending covenants, to ensure it maintains sufficient reserves of cash and bank balances, readily realizable marketable 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 reporting date.

	Within one year US$'000	In the second year US$'000	In the third to fifth year US$'000	After the fifth year US$'000	Total undiscounted amount US$'000	Carrying amount US$'000
2009						
Non-derivative financial liabilities						
Trade and other payables	37,536	–	–	–	37,536	37,536
Due to holding company	55	–	–	–	55	55
Secured bank loans	64,833	47,475	136,291	235,963	484,562	462,376
	102,424	47,475	136,291	235,963	522,153	499,967
2008						
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
	110,882	54,139	151,150	244,367	560,538	485,200

Notes to the Financial Statements

Year ended 31 December 2009

39. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

(b) to provide adequate returns for shareholders;

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

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

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

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

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

	Group	
	2009	2008
	US$'000	*US$'000*
Secured bank loans repayable within one year	**60,687**	56,040
Secured bank loans repayable after one year	**401,689**	388,829
Total secured bank loans	**462,376**	444,869
Less: Equity and debt securities	**(11,530)**	(4,342)
Less: Bank balances and cash	**(146,621)**	(91,548)
Net debts	**304,225**	348,979
Total equity	**669,483**	515,597
Gearing ratio	**45%**	68%

Notes to the Financial Statements

Year ended 31 December 2009

40. PRINCIPAL SUBSIDIARIES

	Name	Issued and paid-up capital	Percentage of issued capital and voting rights held at 31/12/2009	Percentage of issued capital and voting rights held at 31/12/2008	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 2009

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Percentage of issued capital and voting rights held at 31/12/2009	Percentage of issued capital and voting rights held at 31/12/2008	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
Jinao 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
Jingang Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

Year ended 31 December 2009

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Percentage of issued capital and voting rights held at 31/12/2009	Percentage of issued capital and voting rights held at 31/12/2008	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinheng 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
Jinji Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinjun 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
Jinmao Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinmei Marine Inc.	2 registered 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
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
Jinrui 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

Notes to the Financial Statements

Year ended 31 December 2009

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Percentage of issued capital and voting rights held at 31/12/2009	Percentage of issued capital and voting rights held at 31/12/2008	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
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
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.

Glossary

This glossary contains the abbreviations and main terms used in the 2009 annual report.

Abbreviations / Main terms	Meanings in the annual report
BDI	Baltic Dry Index, an index tracks worldwide international shipping prices of various dry bulk cargoes published by the London-based Baltic Exchange;
Board	Board of directors of the Company;
Capesize(s)	Dry bulk vessel(s) of deadweight approximately 150,000 metric tons or above;
China / PRC	The People's Republic of China;
Code	The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board;
Company / Jinhui Shipping	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of Jinhui Holdings as at 31 December 2009, whose shares are listed on the Oslo Stock Exchange;
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
Fairline	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the legal and beneficial owner of 342,209,280 shares of Jinhui Holdings (representing approximately 64.53% 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 2009;
Group	Company and its subsidiaries;
Handymax	A dry cargo vessel of deadweight approximately 45,000 metric tons;
Handysize	A dry cargo vessel of deadweight below 40,000 metric tons;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IAS	International Accounting Standards;

Glossary

Abbreviations / Main terms	Meanings in the annual report
IASB	The International Accounting Standards Board;
IFRS	International Financial Reporting Standards;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
Jinhui Holdings Group	Jinhui Holdings and its subsidiaries;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Nordea Bank	Nordea Bank Norge ASA;
Panamax	Vessel of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax	Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
Shareholder(s)	Shareholder(s) of the Company;
Share Option Scheme	A share option scheme adopted by Jinhui Holdings pursuant to a resolution passed on 18 November 2004;
SOLAS	The International Convention for the Safety of Life at Sea;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Supramax	A dry cargo vessel of deadweight approximately 50,000 metric tons;
VLOCs	Very Large Ore Carriers;
VPS	Norwegian Verdipapirsentralen, the Norwegian Registry of Securities / Norwegian Central Securities Depository;
HK$	Hong Kong Dollars, the lawful currency of Hong Kong;
JPY	Japanese Yen, the lawful currency of Japan; and
US$	United States Dollars, the lawful currency of the United States of America.