THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Jinhui Holdings Company Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

MAJOR TRANSACTION

ACQUISITION OF A VESSEL

9 December 2006

CONTENTS

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the Vessel under the Agreement;
"Agreement"	the memorandum of agreement dated 22 November 2006 between the Purchaser and the Vendor in respect of the acquisition of the Vessel;
"associates"	has the same meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"Company"	Jinhui Holdings Company Limited;
"Directors"	the directors of the Company;
"Fairline"	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company holding 324,275,280 Shares which represent approximately 61.72 per cent. of the issued share capital of the Company and voting rights in general meetings of the Company as at the Latest Practicable Date;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jinhui Shipping"	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 52.59 per cent. owned subsidiary of the Company as at the Latest Practicable Date, whose shares are listed on the Oslo Stock Exchange, Norway;
"Jinhui Shipping Share(s)"	ordinary share(s) of US$0.05 each in the share capital of Jinhui Shipping;
"Latest Practicable Date"	5 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"Purchaser"	Jinquan Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Vendor"	Cobelfret S.A., a private shipping group in Luxembourg;
"Vessel"	a deadweight 51,104 metric tons bulk carrier named "Lowlands Patrasche" built in 2002 by Oshima Shipbuilding Co., Ltd., Japan and is currently registered in Hong Kong;
"Yee Lee Technology"	Yee Lee Technology Company Limited, a company incorporated in the British Virgin Islands and a 75 per cent. owned subsidiary of the Company;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong; and
"US$"	United States Dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK$ at the rate of US$1.00 = HK$7.80.

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

Directors:
Ng Siu Fai *(Chairman)*
Ng Kam Wah Thomas *(Managing Director)*
Ng Ki Hung Frankie
Ho Suk Lin
Cui Jianhua *
Tsui Che Yin Frank *
William Yau *

* *Independent Non-executive Director*

Registered office:
26th Floor
Yardley Commercial Building
1-6 Connaught Road West
Hong Kong

9 December 2006

To the Shareholders and,
for information only, the holders of options,

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF A VESSEL

INTRODUCTION

The Directors refer to the announcement of the Company dated 22 November 2006 in relation to the acquisition of a vessel pursuant to an agreement dated 22 November 2006 entered into between the Purchaser and the Vendor.

The purpose of this circular is to give you further information in relation to the Acquisition.

THE AGREEMENT

Purchaser

The Purchaser is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 52.59 per cent. owned subsidiary of the Company as at the Latest Practicable Date.

Vendor

The Vendor is a private shipping group in Luxembourg, with business spanning from the worldwide transportation of dry bulk cargoes, towage operations, port agency services in the ports of Antwerp, Ghent, Zeebrugge, Rotterdam and Flushing, liner services between the British Isles, Scandinavia and Continental Europe, to short sea ro-ro trade and the operation of ro-ro terminals. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Group has not acquired or disposed of any other vessel with the Vendor and its ultimate beneficial owners during the last twelve months from date of the Agreement.

The Acquisition

Pursuant to the Agreement dated 22 November 2006, the Vendor has agreed to sell and deliver the Vessel to the Purchaser, and the Purchaser has agreed to purchase and take delivery of the Vessel from the Vendor. The Vessel is a Handymax vessel of deadweight 51,104 metric tons built in 2002 by Oshima Shipbuilding Co., Ltd., Japan and is currently registered in Hong Kong.

The Vessel is proposed to be used for chartering out to gain operating income by the Purchaser after delivery. After the Acquisition, the Group's property, plant and equipment will increase by the amount of purchase price of the Vessel, the current assets will decrease by the amount of purchase price funded by internal resources and the liabilities will increase by the amount of purchase price funded by bank financing.

Consideration

The purchase price for the Vessel is US$39,250,000 (approximately HK$306,150,000) and is payable by the Purchaser in the following manner:

(1) a deposit of US$3,925,000 (approximately HK$30,615,000) was paid on 27 November 2006 to a bank account in the joint names of the Purchaser and the Vendor, and will be released to the Vendor on delivery of the Vessel; and

(2) the balance of US$35,325,000 (approximately HK$275,535,000) will be payable on delivery of the Vessel.

The purchase price for the Vessel will be payable by cash in United States Dollars. It is currently expected that approximately 70 per cent. of the purchase price will be funded by bank financing and approximately 30 per cent. will be funded by internal resources of the Group. The purchase price was determined with reference to current market values of similar type of vessels based on information from our shipbrokers and on the basis of arm's length negotiations. Pursuant to a valuation report of the Vessel by Simpson Spence & Young Hong Kong Ltd., an independent valuer, the value of the Vessel is considered to be approximately US$39,250,000 as at 22 November 2006. The valuation report issued by Simpson Spence & Young Hong Kong Ltd. is included in Appendix III to this circular.

Delivery

The Vessel is currently performing a charter party for the Vendor, which will complete by mid July 2007 at the latest. The Agreement provides that the delivery of the Vessel will take place sometime between 15 February and 31 March 2007. The Purchaser will receive the pro rata charter income if the charter party for the Vendor is not completed by the time of the delivery of the Vessel. Pursuant to the terms of the Agreement, if there is any delay in delivery of the Vessel, the Purchaser has the right to rescind the Agreement and the Vendor shall thereupon promptly refund the full amount of the deposit together with bank interest accrued thereon to the Purchaser.

REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The Vessel is a Handymax vessel. The Acquisition will enable the Group to concentrate on maintaining a fleet of Handymax vessels that are of better equipped loading facilities, and will further complement our owned young and modern fleet of vessels to serve the growing needs of our customers. The Group currently owns twelve dry bulk vessels. After the Acquisition and the acquisition of another vessel as announced by the Company on 30 November 2006, the Group will have additional eleven newly built vessels and three second hand vessels for delivery going forward, where five of which will be delivered in 2007, three in 2008, two in 2009 and four in 2010.

The terms and conditions of the Agreement have been agreed on normal commercial terms following arm's length negotiations. The Board considers such terms and conditions are fair and reasonable and in the best interests of the Company and its shareholders as a whole. The Company believes it is an opportune moment during recent market situations to further expand its fleet of vessels in order to increase operating income for the Group.

GENERAL

The net profits attributable to the Vessel for the two years immediately preceding the Acquisition have not been made available to the Purchaser despite formal requests for such information have been made with the Vendor.

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company and is subject to shareholders' approval in general meeting. Fairline, the controlling shareholder of the Company holding 324,275,280 Shares which represent approximately 61.72 per cent. of the issued share capital of the Company and voting rights in general meetings of the Company, is not interested in the Acquisition other than through its shareholding interest in the Company and Jinhui Shipping, and therefore no Shareholder is required to abstain from voting on the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition, and the Acquisition has been approved by a written shareholders' approval.

CERTAIN INFORMATION REQUIRED UNDER THE LISTING RULES

According to Rule 14.67(4)(b)(i) of the Listing Rules, the Company is required to include in this circular, amongst other things, a profit and loss account for the three preceding financial years (or less, if the Vessel has been held by the Vendor for a shorter period) on the identifiable net income stream in relation to the Vessel, which must be reviewed by the Company's auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. In addition, the financial information on which the profit and loss account is based must relate to a financial period ended six months or less before the circular is issued. The Vessel was built in 2002, therefore, the relevant preceding financial periods for the purposes of Rule 14.67(4)(b)(i) of the Listing Rules are the three years ended 31 December 2005 and the six months ended 30 June 2006 ("Relevant Financial Periods").

The Vendor and its ultimate beneficial owners are based outside Hong Kong. It is common industry practice within the shipping industry that sales and purchases of vessels in the nature of the acquisition are conducted through shipbrokers, and hence, all dealings between the Group and the Vendor have been made through Simpson Spence & Young Hong Kong Ltd., the Company's shipbroker for the Acquisition. Furthermore, the primary concern of a company as a purchaser of a second hand vessel is the physical condition of the vessel rather than the historical revenue characteristics of the vessel, therefore, it is not common practice within the shipping industry for vendors of second hand vessels to provide the historical revenue information of the vessels for sale. Despite repeated requests made by the Group, through Simpson Spence & Young Hong Kong Ltd., to the Vendor for the relevant financial information relating to the Vessel as required under Rule 14.67(4)(b)(i) of the Listing Rules, the Vendor has not agreed to provide such information due to confidentiality reasons. The Company is therefore unable to include such information in this circular and as an alternative, the following information for the Relevant Financial Periods immediately preceding the Acquisition is estimated by the Company referencing public information and is hereby disclosed:

I The theoretical historical gross revenue which the Vessel may potentially have generated for the Relevant Financial Periods immediately preceding the Acquisition

	Six months ended 30/06/2006	**Year ended 31/12/2005**	**Year ended 31/12/2004**	**Year ended 31/12/2003**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Gross revenue	2,916	7,524	9,039	4,824

The above theoretical historical gross revenue figures have been calculated based on the prevailing average daily time charter rates for vessels of a similar type to the Vessel during the Relevant Financial Periods immediately preceding the Acquisition as published in publicly available reports issued by R.S. Platou Shipbrokers a.s.

A time charter party is a contract for the leasing of a vessel for a certain period of time between an owner of a vessel and a charterer. The average daily time charter rates were compiled by R.S. Platou Shipbrokers a.s based on historical reported time charter rates in the market. R.S. Platou Shipbrokers a.s is an international shipbroking company established in 1936, and serves the shipping and offshore industry world-wide by providing services such as chartering, sale and purchase and contracting of ships and offshore units.

The theoretical historical gross revenue figures do not take into account any operating costs associated with the Vessel, including fuel, maintenance, depreciation and any other costs.

The above figures have been included for reference purposes only. The figures do not in any way whatsoever indicate or suggest that the Vessel had generated or could necessarily have generated such revenue in the Relevant Financial Periods immediately preceding the Acquisition or whilst under the ownership and management of the Vendor. Neither do such revenue figures indicate or suggest the level of revenue which the Vessel will generate in the future whilst under the ownership and management of the Company. The above figures represent a market average figure only and do not in any way attribute to the Vessel whether in respect of the historical revenue for the Vessel or expected revenue for the Vessel.

II The theoretical historical profit and loss account for the Vessel for the Relevant Financial Periods immediately preceding the Acquisition

The theoretical historical profit and loss account for the Vessel for the Relevant Financial Periods immediately preceding the Acquisition have been derived from the theoretical historical gross revenue (as extracted from the above section *"I The theoretical historical gross revenue which the Vessel may potentially have generated for the Relevant Financial Periods immediately preceding the Acquisition"*) and the theoretical expenses which may have incurred in connection with the Vessel for the Relevant Financial Periods immediately preceding the Acquisition, and is as follows:

	Note	**Six months ended 30/06/2006** *US$'000*	**Year ended 31/12/2005** *US$'000*	**Year ended 31/12/2004** *US$'000*	**Year ended 31/12/2003** *US$'000*
Turnover	*1*	2,916	7,524	9,039	4,824
Operating expenses excluding depreciation	*2*	(1,098)	(2,112)	(2,016)	(1,825)
Depreciation	*3*	(759)	(1,519)	(1,519)	(1,519)
Profit from operations		1,059	3,893	5,504	1,480
Interest expenses	*4*	(632)	(1,032)	(709)	(658)
Profit before taxation		427	2,861	4,795	822
Taxation		–	–	–	–
Theoretical net profit after taxation		**427**	**2,861**	**4,795**	**822**

Notes:

The above has been arrived at on the following basis:

1. The theoretical turnover has been calculated based on the average daily time charter rates for the Relevant Financial Periods immediately preceding the Acquisition as set out in the above section under *"I The theoretical historical gross revenue which the Vessel may potentially have generated for the Relevant Financial Periods immediately preceding the Acquisition"*.

2. The theoretical operating expenses for the Relevant Financial Periods immediately preceding the Acquisition have been calculated based on the expenses for vessels of a similar type to the Vessel as estimated by the Group.

3. The theoretical depreciation of the Vessel for the Relevant Financial Periods immediately preceding the Acquisition has been calculated according to the accounting policies adopted by the Group for the year ended 31 December 2005.

4. On the basis that the Acquisition would be funded as to US$27,475,000 by bank financing and as to the balance of US$11,775,000 by the Group's internal resources on 1 January 2003 (as if completion of the Acquisition took place on such date), accordingly, there would be interest expenses on the bank loan calculated at prevailing market rates on normal commercial terms.

5. Transaction costs which are insignificant have not been accounted for.

The above figures have been included for reference purposes only. The figures do not in any way whatsoever indicate or suggest that the Vessel had generated or could necessarily have generated such profits in the Relevant Financial Periods immediately preceding the Acquisition or whilst under the ownership and management of the Vendor. Neither do such profits figures indicate or suggest the level of profits which the Vessel will generate in the future whilst under the ownership and management of the Company. The above figures are estimated only and do not in any way attribute to the Vessel whether in respect of the historical profits for the Vessel or expected profits for the Vessel.

Your attention is also drawn to the appendices to this circular.

Yours faithfully,
By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

(1) FINANCIAL STATEMENTS

Set out below is a summary of the unaudited consolidated financial statements for six months ended 30 June 2006 and the audited consolidated financial statements for each of three years ended 31 December 2005 of the Group as extracted from the relevant reports of the Company.

Consolidated Income Statement

	Six months ended 30 June 2006 (Unaudited) *HK$'000*	**Year ended 31 December 2005 (Audited)** *HK$'000*	**2004 (Audited)** *HK$'000*	**2003 (Audited)** *HK$'000*
Turnover	717,400	1,985,235	1,974,661	1,048,515
Profit from operations	273,127	869,660	412,922	98,745
Interest income	7,514	13,983	4,165	4,279
Interest expenses	(36,174)	(40,213)	(22,972)	(20,947)
Profit before taxation	244,467	843,430	394,115	82,077
Taxation	(922)	(2,474)	(2,608)	(64)
Net profit for the period/year	243,545	840,956	391,507	82,013
Attributable to:				
Shareholders of the Company	122,405	526,862	227,514	36,676
Minority interests	121,140	314,094	163,993	45,337
	243,545	840,956	391,507	82,013
Dividends per share	–	HK$0.190	HK$0.120	–
Basic earnings per share	HK$0.229	HK$0.992	HK$0.432	HK$0.070
Diluted earnings per share	HK$0.229	HK$0.982	HK$0.432	N/A

Consolidated Balance Sheet

	At 30 June	At 31 December		
	2006	**2005**	**2004**	**2003**
	(Unaudited)	**(Audited)**	**(Audited)**	**(Audited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Property, plant and equipment	2,018,059	2,319,229	1,234,823	1,430,045
Investment properties	45,500	35,000	24,500	–
Goodwill	39,040	39,040	46,348	–
Available-for-sale financial assets	37,334	36,938	35,257	37,789
Intangible asset	–	–	105	119
Interests in an associate	–	–	(25)	(27)
Other non-current assets	29,689	28,827	34,076	21,549
Current assets	1,084,917	757,381	1,251,242	346,086
Current liabilities	(339,458)	(373,230)	(1,092,536)	(303,838)
Non-current liabilities	(839,060)	(1,005,205)	(414,872)	(643,891)
Net assets	2,076,021	1,837,980	1,118,918	887,832
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital	53,394	53,394	52,624	52,624
Reserves	1,189,273	1,058,258	667,599	440,073
	1,242,667	1,111,652	720,223	492,697
Minority interests	833,354	726,328	398,695	395,135
Total equity	2,076,021	1,837,980	1,118,918	887,832

A. UNAUDITED FINANCIAL STATEMENTS

Set out below is the unaudited consolidated financial statements of the Group as contained in the interim report of the Company for the six months ended 30 June 2006 together with accompanying notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Six months ended 30 June	
		2006	**2005**
		(Unaudited)	**(Unaudited)**
	Note	*HK$'000*	*HK$'000*
Turnover	*2*	717,400	1,048,799
Gain on disposal of motor vessels	*3*	193,866	–
Cancellation fee income	*4*	–	156,000
Other operating income		21,177	38,758
Shipping related expenses		(366,436)	(453,832)
Cost of trading goods sold		(147,539)	(113,173)
Depreciation and amortization		(55,608)	(41,015)
Staff costs		(41,094)	(27,907)
Other operating expenses		(48,639)	(29,411)
Profit from operations	*2*	273,127	578,219
Interest income		7,514	7,290
Interest expenses		(36,174)	(13,471)
Profit before taxation		244,467	572,038
Taxation	*5*	(922)	(1,088)
Net profit for the period		243,545	570,950
Attributable to:			
Shareholders of the Company		122,405	338,346
Minority interests		121,140	232,604
		243,545	570,950
Dividend	*6*	–	101,356
Earnings per share for net profit attributable to shareholders of the Company during the period	*7*		
– Basic		HK$0.229	HK$0.639
– Diluted		HK$0.229	HK$0.631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to shareholders of the Company									
	Issued capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Other asset revaluation reserve (Unaudited) *HK$'000*	Reserve for available-for-sale financial assets (Unaudited) *HK$'000*	Employee share-based compensation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Sub-total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 January 2005	52,624	288,733	2,023	4,578	–	–	372,265	720,223	398,695	1,118,918
Net profit for the period	–	–	–	–	–	–	338,346	338,346	232,604	570,950
2004 final dividend	–	–	–	–	–	–	(63,713)	(63,713)	–	(63,713)
Dividend to minority interests	–	–	–	–	–	–	–	–	(63,545)	(63,545)
Shares issued upon exercise of share options	575	8,622	–	–	–	–	–	9,197	–	9,197
Expenses for shares issued upon exercise of share options	–	(31)	–	–	–	–	–	(31)	–	(31)
Employee share option benefits	–	–	–	–	–	6,604	–	6,604	3,452	10,056
At 30 June 2005	53,199	297,324	2,023	4,578	–	6,604	646,898	1,010,626	571,206	1,581,832
At 1 January 2006	53,394	300,209	2,023	7,616	1,681	12,671	734,058	1,111,652	726,328	1,837,980
Release on disposal of motor vessels	–	–	–	(4,578)	–	–	–	(4,578)	–	(4,578)
Gain on revaluation of available-for-sale financial assets	–	–	–	–	396	–	–	396	–	396
Net income recognized directly in equity	–	–	–	(4,578)	396	–	–	(4,182)	–	(4,182)
Net profit for the period	–	–	–	–	–	–	122,405	122,405	121,140	243,545
Total recognized income	–	–	–	(4,578)	396	–	122,405	118,223	121,140	239,363
Dividend to minority interests	–	–	–	–	–	–	–	–	(23,500)	(23,500)
Employee share option benefits	–	–	–	–	–	12,792	–	12,792	9,386	22,178
At 30 June 2006	53,394	300,209	2,023	3,038	2,077	25,463	856,463	1,242,667	833,354	2,076,021

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2006

	Note	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,018,059	2,319,229
Investment properties		45,500	35,000
Goodwill		39,040	39,040
Available-for-sale financial assets		37,334	36,938
Other non-current assets		29,689	28,827
		2,169,622	2,459,034
Current assets			
Inventories		18,563	16,649
Trade and other receivables	*8*	216,726	225,720
Financial assets at fair value through profit or loss	*10*	244,941	99,788
Pledged deposits		9,517	19,610
Bank balances and cash		595,170	395,614
		1,084,917	757,381
Current liabilities			
Trade and other payables	*9*	143,563	185,031
Financial liabilities at fair value through profit or loss	*10*	52,850	30,323
Taxation		609	3,278
Secured bank loans and other borrowings		142,432	154,598
Secured bank overdraft		4	–
		339,458	373,230
Net current assets		745,459	384,151
Total assets less current liabilities		2,915,081	2,843,185

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2006

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
Non-current liabilities		
Secured bank loans	839,060	1,005,205
Net assets	2,076,021	1,837,980
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	53,394	53,394
Reserves	1,189,273	1,058,258
	1,242,667	1,111,652
Minority interests	833,354	726,328
Total equity	2,076,021	1,837,980

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (Unaudited) *HK$'000*	Six months ended 30 June 2005 (Unaudited) *HK$'000*
Net cash from operating activities	15,801	389,767
Net cash from (used in) investing activities	395,538	(970,956)
Net cash (used in) from financing activities	(211,787)	373,079
Net increase (decrease) in cash and cash equivalents	199,552	(208,110)
Cash and cash equivalents at 1 January	395,614	452,521
Cash and cash equivalents at 30 June	595,166	244,411
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	595,170	244,411
Secured bank overdraft	(4)	–
	595,166	244,411

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by our auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). An unmodified review conclusion has been issued by the auditors.

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005 except for the adoption of new/revised Hong Kong Financial Reporting Standards and HKASs ("New Standards") that are effective for accounting periods beginning on or after 1 January 2006. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards will not have material impact on the Group's financial statements.

2. Segmental information

An analysis of the Group's turnover and profit (loss) from operations by principal activities is as follows:

	Turnover		**Profit (Loss) from operations**	
	Six months ended 30 June		**Six months ended 30 June**	
	2006	**2005**	**2006**	**2005**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chartering freight and hire	554,223	919,419	294,360	576,605
Trading	163,177	129,380	5,319	6,214
Other operations	–	–	(26,552)	(4,600)
	717,400	1,048,799	273,127	578,219

The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, about 81% (2005: 90%) and 11% (2005: 5%) of the Group's trading business was carried out in Hong Kong and China respectively.

3. Gain on disposal of motor vessels

The amount represented the gain on the completion of the disposal of four motor vessels "Jin Da", "Jin Shun", "Jin Yang" and "Jin Sheng" during the six months ended 30 June 2006.

4. Cancellation fee income

The amount for period ended 30 June 2005 represented a fee of approximately HK$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), a wholly-owned subsidiary of Jinhui Shipping (as defined hereinafter), on 14 February 2005 under a contract (the "Termination Contract") made between GSI and a counterparty (the "Counterparty") on 31 August 2004. Under the Termination Contract, upon receiving a fee of approximately HK$156,000,000 by GSI from the Counterparty, both parties agreed to early terminate a charter party dated 8 February 2000 made between the Counterparty, as owner, and GSI, as charterer, for the chartering of a Capesize vessel to GSI for a period of upto seven years from October 2001.

5. Taxation

	Six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current period	(922)	(1,068)
Under provision in prior periods	–	(20)
	(922)	(1,088)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period ended 30 June 2006. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is also not subject to taxation in any other jurisdictions in which the Group operates.

6. Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: HK$0.19 per share).

7. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK$122,405,000 (2005: HK$338,346,000) and the weighted average number of 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK$122,405,000 (2005: HK$338,346,000). The weighted average number of ordinary shares used in the calculation is 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of nil (2005: 6,714,549) ordinary share assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

8. Trade and other receivables

	30 June 2006 (Unaudited) *HK$'000*	**31 December 2005 (Audited)** *HK$'000*
Trade receivables	110,666	118,919
Prepayments, deposits and other receivables	106,060	106,801
	216,726	225,720

The aging analysis of trade receivables (net of provision for doubtful debts) is as follows:

	30 June 2006 (Unaudited) *HK$'000*	**31 December 2005 (Audited)** *HK$'000*
0 – 90 days	82,661	98,447
91 – 180 days	20,032	17,452
181 – 365 days	6,460	1,964
Over 365 days	1,513	1,056
	110,666	118,919

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment. The credit terms given to trading customers vary based on the financial assessments and payment track records. Credit limits are set for all customers and are revised only with the approval of senior management. General credit terms are payments by the end of 60 to 120 days following the month in which sales took place.

9. Trade and other payables

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
Trade payables	20,933	23,975
Accrued charges and other payables	122,630	161,056
	143,563	185,031

The aging analysis of trade payables is as follows:

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
0 – 90 days	9,729	14,308
91 – 180 days	1,486	1,256
181 – 365 days	1,317	84
Over 365 days	8,401	8,327
	20,933	23,975

10. Financial assets/financial liabilities at fair value through profit or loss

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
Analysis of financial assets at fair value through profit or loss:		
Held for trading or not qualifying as hedges		
Equity securities	23,407	49,801
Debt securities	64,721	15,400
Equity linked investments	120,495	–
Bank deposits with embedded derivatives	14,905	–
Derivative financial instruments		
Interest rate swaps	9,964	6,008
Forward foreign exchange contracts and options	1,210	1,158
Securities derivatives	–	6
Forward freight agreements *(Note *)*	10,239	27,415
	244,941	99,788
Analysis of financial liabilities at fair value through profit or loss:		
Held for trading or not qualifying as hedges		
Derivative financial instruments		
Interest rate swaps	1,053	942
Forward foreign exchange contracts and options	46,437	11,646
Forward freight agreements *(Note *)*	5,360	17,735
	52,850	30,323

*Note *: As at 30 June 2006, all the forward freight agreements were squared off and the unrealized gains or losses thereon had been fully taken up in the income statements in prior years.*

11. Comparative figures

Certain comparative figures have been restated to conform to current period's presentation.

B. AUDITED FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31 December 2005 together with accompanying notes.

Consolidated Income Statement
Year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Turnover	4	1,985,235	1,974,661
Cancellation fee income	5	156,000	–
Gain on disposal of partial interests in a subsidiary	32(c)	102,855	–
Gain on disposal of motor vessels		–	127,201
Other operating income		93,792	105,324
Shipping related expenses		(948,959)	(877,600)
Losses on forward freight agreements	6	–	(490,947)
Cost of trading goods sold		(276,860)	(254,377)
Depreciation and amortization		(94,072)	(85,191)
Staff costs	7	(66,128)	(43,190)
Other operating expenses		(82,203)	(42,959)
Profit from operations	8	869,660	412,922
Interest income		13,983	4,165
Interest expenses	9	(40,213)	(22,972)
Profit before taxation		843,430	394,115
Taxation	12	(2,474)	(2,608)
Net profit for the year		840,956	391,507
Attributable to:			
Shareholders of the Company		526,862	227,514
Minority interests		314,094	163,993
		840,956	391,507
Dividends	14	101,356	63,713
Earnings per share for net profit attributable to shareholders of the Company			
– Basic (2004: restated)	15	HK$0.992	HK$0.432
– Diluted (2004: restated)	15	HK$0.982	HK$0.432

Balance Sheets

At 31 December 2005

		Group		Company	
		2005	**2004**	**2005**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*16*	2,319,229	1,234,823	–	–
Investment properties	*17*	35,000	24,500	–	–
Goodwill	*18*	39,040	46,348	–	–
Available-for-sale financial assets	*19*	36,938	35,257	6,260	5,000
Intangible asset	*20*	–	105	–	–
Investments in subsidiaries	*21*	–	–	296,257	351,715
Interests in an associate		–	(25)	–	–
Other non-current assets	*22*	28,827	34,076	–	–
		2,459,034	1,375,084	302,517	356,715
Current assets					
Inventories	*23*	16,649	27,175	–	–
Trade and other receivables	*26*	225,720	213,939	21,364	319
Financial assets at fair value through profit or loss	*25*	99,788	524,250	42,475	–
Due from subsidiaries	*24*	–	–	135,138	130,863
Pledged deposits	*34(c)*	19,610	23,522	–	–
Bank balances and cash		395,614	462,356	172,294	73
		757,381	1,251,242	371,271	131,255
Current liabilities					
Trade and other payables	*27*	185,031	326,263	7,037	1,095
Financial liabilities at fair value through profit or loss	*25*	30,323	708,089	153	–
Due to subsidiaries	*24*	–	–	–	3,791
Taxation		3,278	2,435	–	–
Secured bank loans	*28*	154,598	45,914	–	–
Secured bank overdrafts	*28*	–	9,835	–	6,905
		373,230	1,092,536	7,190	11,791
Net current assets		384,151	158,706	364,081	119,464
Total assets less current liabilities		2,843,185	1,533,790	666,598	476,179
Non-current liabilities					
Secured bank loans	*28*	1,005,205	414,872	–	–
Net assets		1,837,980	1,118,918	666,598	476,179

Balance Sheets
At 31 December 2005

		Group		Company	
		2005	**2004**	**2005**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	*29*	53,394	52,624	53,394	52,624
Reserves	*31*	1,058,258	667,599	613,204	423,555
		1,111,652	720,223	666,598	476,179
Minority interests		726,328	398,695	–	–
Total equity		1,837,980	1,118,918	666,598	476,179

Statements of Changes in Equity

Year ended 31 December 2005

Group

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Other asset revaluation reserve	Reserve for available-for-sale financial assets	Employee share-based compensation reserve	Retained profits	Sub-total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	52,624	288,733	143,924	2,023	4,578	–	–	815	492,697	395,135	887,832
Release on disposal of a subsidiary	–	–	12	–	–	–	–	–	12	–	12
Net income recognized directly in equity	–	–	12	–	–	–	–	–	12	–	12
Net profit for the year	–	–	–	–	–	–	–	227,514	227,514	163,993	391,507
Total recognized income	–	–	12	–	–	–	–	227,514	227,526	163,993	391,519
Decrease in minority interests on share repurchase	–	–	–	–	–	–	–	–	–	(160,433)	(160,433)
At 31 December 2004	52,624	288,733	143,936	2,023	4,578	–	–	228,329	720,223	398,695	1,118,918
At 1 January 2005, as previously reported	52,624	288,733	143,936	2,023	4,578	–	–	228,329	720,223	398,695	1,118,918
Effect on initial adoption of HKFRS 3	–	–	(143,936)	–	–	–	–	143,936	–	–	–
At 1 January 2005, as restated	52,624	288,733	–	2,023	4,578	–	–	372,265	720,223	398,695	1,118,918
Gain on revaluation for property, plant and equipment	–	–	–	–	3,038	–	–	–	3,038	–	3,038
Gain on revaluation of available-for-sale financial assets	–	–	–	–	–	1,681	–	–	1,681	–	1,681
Net income recognized directly in equity	–	–	–	–	3,038	1,681	–	–	4,719	–	4,719
Net profit for the year	–	–	–	–	–	–	–	526,862	526,862	314,094	840,956
Total recognized income	–	–	–	–	3,038	1,681	–	526,862	531,581	314,094	845,675
2004 final dividend	–	–	–	–	–	–	–	(63,713)	(63,713)	–	(63,713)
2005 interim dividend	–	–	–	–	–	–	–	(101,356)	(101,356)	–	(101,356)
Dividend to minority interests	–	–	–	–	–	–	–	–	–	(132,088)	(132,088)
Shares issued upon exercise of share options	770	11,547	–	–	–	–	–	–	12,317	–	12,317
Expenses for shares issued upon exercise of share options	–	(71)	–	–	–	–	–	–	(71)	–	(71)
Employee share option benefits	–	–	–	–	–	–	12,671	–	12,671	7,441	20,112
Disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	138,186	138,186
At 31 December 2005	53,394	300,209	–	2,023	7,616	1,681	12,671	734,058	1,111,652	726,328	1,837,980

Statements of Changes in Equity

Year ended 31 December 2005

Company

	Attributable to shareholders of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Reserve for available-for-sale financial assets** *HK$'000*	**Employee share-based compensation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2004	52,624	288,733	2,023	–	–	134,584	477,964
Net loss for the year	–	–	–	–	–	(1,785)	(1,785)
At 31 December 2004	52,624	288,733	2,023	–	–	132,799	476,179
Gain on revaluation of available-for-sale financial assets	–	–	–	1,260	–	–	1,260
Net income recognized directly in equity	–	–	–	1,260	–	–	1,260
Net profit for the year	–	–	–	–	–	338,965	338,965
Total recognized income	–	–	–	1,260	–	338,965	340,225
2004 final dividend	–	–	–	–	–	(63,713)	(63,713)
2005 interim dividend	–	–	–	–	–	(101,356)	(101,356)
Shares issued upon exercise of share options	770	11,547	–	–	–	–	12,317
Expenses for shares issued upon exercise of share options	–	(71)	–	–	–	–	(71)
Employee share option benefits	–	–	–	–	3,017	–	3,017
At 31 December 2005	53,394	300,209	2,023	1,260	3,017	306,695	666,598

Consolidated Cash Flow Statement
Year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	32(a)	497,521	571,729
Claim received		2,323	5,280
Interest paid		(34,939)	(20,835)
Hong Kong Profits Tax paid		(1,631)	(683)
Net cash from operating activities		463,274	555,491
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,173,839)	(199,265)
Proceeds from disposal of property, plant and equipment		717	434,096
Net cash inflow on disposal of a subsidiary	32(b)	–	8,854
Net cash inflow on disposal of partial interests in a subsidiary	32(c)	248,349	–
Interest received		13,662	4,062
Net amount of loan received		12,455	7,796
Dividend income received from listed securities		823	242
Dividend income received from unlisted investment		3,866	18,783
Net repayment to an associate		–	(2)
Net cash (used in) from investing activities		(893,967)	274,566
FINANCING ACTIVITIES			
New bank loans		733,293	–
Repayment of bank loans		(81,772)	(246,414)
Decrease in pledged deposits		3,912	7,029
Dividend paid to shareholders of the Company		(165,069)	–
Dividend paid to minority interests		(128,824)	–
Proceeds from exercise of share options		12,317	–
Share issuance expenses related to exercise of share options		(71)	–
Repurchase of own shares by a subsidiary		–	(218,367)
Net cash from (used in) financing activities		373,786	(457,752)
Net (decrease) increase in cash and cash equivalents		(56,907)	372,305
Cash and cash equivalents at 1 January		452,521	80,216
Cash and cash equivalents at 31 December	32(d)	395,614	452,521

Notes to the Financial Statements

Year ended 31 December 2005

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong. The address of the Company's registered office and its principal place of businesses are disclosed in the directors' report on page 23.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The Group has adopted all HKFRSs pertinent to its operations with effect from 1 January 2005. The adoption of certain HKFRSs has resulted in changes to the Group's accounting policies that are set out in note 3.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of a leasehold land and building, motor vessels and improvement except for investment properties, financial assets or financial liabilities at fair value through profit or loss and unlisted club debentures which included in available-for-sale financial assets, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from or up to their effective dates of acquisition or disposal respectively.

All material inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill on acquisition of businesses is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired recognized at the date of acquisition. Goodwill on acquisition of businesses is recognized as a separate asset and carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment test and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Excess of the Company's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost

On acquisition of businesses, associates and jointly controlled entities, if the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired recognized at the date of acquisition exceeds the cost of business combination, the Company should reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired and the measurement of the cost of the business combination. Any excess remaining after that reassessment must be recognized immediately in the income statement.

Subsidiaries

A subsidiary, in accordance with the Companies Ordinance, is an entity in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity, in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

The Group's investment in an associate is accounted for under the equity method of accounting. The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. The consolidated balance sheet includes the Group's share of the net assets of the associate and also goodwill. Unless the Group has incurred obligations or guaranteed obligations in respect of the associate, equity accounting is discontinued when the Group's share of losses of the associate equals or exceeds the carrying amount.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Revenue from the operations of ship chartering or owning business is recognized on the percentage of completion basis measured by time proportion.

Income from trading is recognized when goods are delivered and title has been passed.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is recognized as the interest accrued, using the effective interest method, to the net carrying amount of the financial assets.

Drydocking, repairs and survey costs

Vessel repairs and survey costs are expensed as incurred. Drydocking and special survey costs are deferred and written off over the drydocking cycle of two to three years. Upon disposal of vessels, any relevant costs not yet written off are transferred to the income statement.

Foreign currencies

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognized in the income statement.

Exchange differences on items that are classified as financial assets or financial liabilities at fair value through profit or loss, are reported as part of the fair value gain or loss.

On consolidation, the assets and liabilities in the balance sheet of overseas subsidiaries are translated at the exchange rates ruling at the balance sheet date while the income and expenses in the income statement are translated at an average exchange rate for the year. Exchange differences arising from the translation of the overseas subsidiaries are recognized in a separate component of equity and recognized in the income statement on disposal of the overseas subsidiaries.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Hire income and payments applicable to operating leases in respect of time charters are recognized as revenue and expenses on the percentage of completion basis. Rental receivables and payables in respect of other operating leases are recognized as revenue and expenses respectively on the straight-line basis over the lease terms.

Taxation

The charge for taxation is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilized.

Employee benefits

The Group operates a defined contribution retirement scheme and a mandatory provident fund scheme.

The obligations for contributions to defined contribution retirement scheme are recognized as expenses in the income statement as incurred and are reduced by forfeited contributions of those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the mandatory provident fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

Share-based payment transactions

The Company operates a share option scheme for granting of share options, for the purpose of providing incentives and/or rewards, to eligible employees of the Group.

Employees of the Group (including Directors) receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instrument ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. It is recognized, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Property, plant and equipment

Leasehold land and buildings (included land held under operating leases and building, where fair values of the leasehold interest in the land and buildings cannot be reliably measured separately at the inception of the lease) are stated at cost less accumulated depreciation and impairment losses, except for a leasehold land and building which is stated at valuation made in 1994 by a professional valuer on an open market existing use basis accumulated depreciation and impairment losses.

Motor vessels and improvement acquired before May 1994 are stated at the average valuation made by three firms of shipbrokers at open market value on a charter free basis in 1994 less accumulated depreciation and impairment losses. For motor vessels and improvement acquired after May 1994, they are stated at cost less accumulated depreciation and impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" issued by the HKICPA from the requirement to make regular revaluation of certain leasehold land and buildings and motor vessels and improvement which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of the entire class of leasehold land and buildings and motor vessels and improvement is carried out.

Vessels under construction are stated at cost less necessary provision for impairment loss.

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 maintenances are charged to the income statement.

The gain or loss arising from the retirement or disposal of assets is determined as the difference between the net sale proceeds and the carrying amount of the assets and is recognized as an income or expense in the income statement.

Depreciation is provided to write off the cost or valuation 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 become fully operational.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment (as specified below) over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, as follows:

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the unexpired term of lease.

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

Investment properties

Investment properties are properties which are held by the owner or lessee under finance lease, either to earn rental income and/or for capital appreciation. Investment properties are stated at fair value at balance sheet date. Any gain or loss arising from a change in fair value of the investment properties is recognized in the income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to determine the carrying amounts of its property, plant and equipment, investments in subsidiaries, unlisted investments, current receivables, and other financial assets that are carried at cost, have suffered an impairment loss or impairment loss previously recognized no longer exists or may be reduced. If any such indication exists, an impairment loss is determined and recognized as follows:

The recoverable amount of an asset is estimated, based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognized in prior years. Reversal of impairment loss in respect of other assets is recognized as income immediately.

Inventories

Inventories comprise ship stores and trading goods.

Initial ship stores are capitalized as part of the costs of the vessels. Subsequent purchases of ship stores are charged as operating expenses to the extent that they are consumed during the year. Ship stores unused at the balance sheet date are carried forward as inventories at the lower of cost and net realizable value. Trading goods are stated 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, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Intangible assets

Intangible asset represents transfer fee for club entrance and is amortized on a straight-line basis over 20 years.

Financial instruments

Financial assets and financial liabilities are recognized on the trade date basis, and when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially recognized at cost, being the fair value of the consideration given and except for financial assets or financial liabilities at fair value through profit or loss, including transaction costs directly attributable to the acquisition. The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to a third party. The Group derecognizes financial liability when, and only when the liability is extinguished.

The Group classified its financial assets and financial liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss include those held for trading and those designated as this category at inception, are measured at fair value. Derivatives, including forward foreign exchange contracts and options, interest rate swaps and forward freight agreements are stated at fair value. This category also includes derivatives which are not qualifying as hedges. At balance sheet date, the fair values are measured by reference to price quotations for equivalent instruments in active market provided by financial institutions. Any changes in fair value are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Any gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. An impairment loss is recognized in the income statement when there is objective evidence that the financial asset is impaired, and 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 where the effect of discounting is material. Impairment losses for current receivables are reversed if, in a subsequent period, the amount of the impairment loss decreases.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category or not classified as any other categories. They are measured at fair value with change in value recognized as a separate component of equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in the income statement, that is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement. Any subsequent increases in fair value of the financial assets are not reversed through the income statement and reversal of impairment losses is recognized directly in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are stated at cost less any accumulated impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in the income statement when there is objective evidence that the unquoted financial asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses will not be reversed in subsequent periods.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Cash equivalents

For the purpose of consolidated cash flow statement, cash equivalents represent short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, net of bank overdrafts.

Related parties

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 Company 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.

Segment reporting

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Unallocated items mainly comprise financial assets, goodwill, bank overdrafts and financing expenses.

Critical accounting estimates and judgements

Estimates and judgements are currently 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: (1) 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 (2) significant judgements made in the process of applying the Group's accounting policies.

Impairment of assets

In determining whether an 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: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) 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.

Accounting for leasehold land and buildings

The land element and building element of a lease of land and building are considered separately for the purpose of lease classification. The minimum lease payments, including any lump-sum upfront payments, are allocated between the land and buildings elements in proportion to their relative fair values at the inception of the lease. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and is stated collectively at cost less accumulated depreciation over the shorter of unexpired term of lease or useful life of the building. The Group considers each leasehold land and buildings separately in making its judgement. The economic life of the buildings is regarded as the economic life of the entire leased asset.

Provision for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of the trade receivables and on management's judgement. At balance sheet date, the trade receivables, net of provision, amounted to HK$118,919,000 (2004: HK$77,543,000). 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, additional provision will be required.

Provision for inventories

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

Future changes in accounting policies

At the date of authorization of these financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective. The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1 January 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position. The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

3. CHANGES IN ACCOUNTING POLICIES

The major effects on the changes in accounting policies as mentioned in note 2 above are summarized as follows:

HKFRS 2 Share-based Payment

The adoption of HKFRS 2 has resulted in a change in the Group's accounting policy for employee share options benefits. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2 on 1 January 2005, the fair value of share options at grant date is amortized over the relevant vesting periods in the income statement. Where the options were granted by the Company, the value was credited to equity reserves. Details of accounting polices are set out in note 2.

The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of equity-settled share-based payments and has applied HKFRS 2 only to share options granted after 7 November 2002 that had not vested at 1 January 2005.

The change in accounting policy has no significant effect on the previously reported retained profits and net assets as the value of the unvested options existed at that time was insignificant to the Group.

Details of the employee share-based payment transactions are set out in note 30.

HKFRS 3 Business Combinations

Until 31 December 2004

Goodwill on acquisitions which occurred prior to 1 January 2001 was eliminated against consolidated reserves and subject to assessments of impairment and negative goodwill was credited to a capital reserve.

Goodwill arising from acquisitions after 1 January 2001 was recognized as an intangible asset and was amortized on a straight-line basis over its estimated useful life not exceeding 20 years. Any negative goodwill was presented as deduction from goodwill and was released to the income statement based on an analysis of the circumstance from which the balance resulted.

From 1 January 2005

In accordance with the provisions of HKFRS 3, the Group ceased amortization of goodwill from 1 January 2005. Accumulated amortization of goodwill arising from acquisition of subsidiaries as at 1 January 2005 have been eliminated with a corresponding decrease in the cost of goodwill at that date. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired recognized at the date of acquisition over the cost of the business combination is recognized immediately in the consolidated income statement.

In addition, following the transitional provisions of HKFRS 3, the carrying amount of the negative goodwill as at 1 January 2005 was derecognized by way of a corresponding adjustment to the opening balance of retained profits as at 1 January 2005. There should be no further reversal of negative goodwill on disposal of a subsidiary.

HKAS 1 Presentation of Financial Statements

In prior years, minority interests at balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the net profit attributable to the shareholders of the Company.

With effect from 1 January 2005, the Group has changed the presentation of the financial statements relating to minority interests. The change in presentation has been applied retrospectively with comparative restated.

HKAS 17 Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses. Under HKAS 17, leasehold land is classified as an operating lease because the title of the land is not expected to be passed to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid lease payments. Leasehold buildings continue to be classified as part of property, plant and equipment. Since the amount of the lease payment in respect of land element was insignificant to the Group's property, plant and equipment, the entire lease payment is continuously included in the cost of land and buildings as a finance lease in property, plant and equipment. The change in accounting policy has no effect on the previously reported retained profits and net assets.

HKAS 24 Related Party Disclosures

HKAS 24 has affected the identification of related parties and some other related party disclosures. As the definition of related parties has been expanded, certain related party transactions in relation to key management personnel have been disclosed in note 37. Comparative information have been added accordingly.

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement

Until 31 December 2004

The Group's investments in equity and debts securities were classified as short-term investments. The Group's unlisted club debentures and investments in co-operative joint ventures were classified as other investments and recognized provision for losses on forward freight agreements.

Short-term investments

Investments in equity and debts securities were stated at fair value at balance sheet date and changes in fair value were recognized in the income statement as they arise.

Unlisted club debentures

In prior years, unlisted club debentures are stated at cost and subject to impairment review at each reporting date to reflect any impairment in their values, which is expected to be other than temporary. The amount of impairment loss is recognized as an expense in the period in which the decline occurs. The gain or loss on disposal of unlisted club debentures is accounted for in the period in which the disposal occurs as the difference between net sale proceeds and the carrying amount of the debentures.

Other investments

Investments in co-operative joint ventures made by means of joint venture structures which do not result in the Group having joint control with other venturers are accounted for as other investments (where the Group exercises neither control nor significant influence). Investments in co-operative joint ventures were stated at cost less accumulated amortization and impairment losses. Costs of investments in co-operative joint ventures were amortized over the respective duration of the joint venture contracts. Investment income was recognized on a receivable basis and in accordance with the provisions of the joint venture agreements. The profit sharing arrangement may not coincide with the proportion of the capital contribution from the joint venture partners. At the end of the joint venture period, the title to all assets of the joint venture will be reverted to the joint venture partners.

Forward freight agreements ("FFAs")

Provision for losses on FFAs had been made in 2004 when the Group had squared off majority of the FFAs during mid of 2004. Any gain or loss arising from FFAs was recognized in the income statement.

From 1 January 2005

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Listed equity and debts securities held for trading purposes

There is no material adjustment arising from the adoption of the new policies for quoted securities held for trading purposes. They are now classified as financial assets at fair value through profit or loss and any changes in fair value are recognized in the income statement.

Available-for-sale financial assets

In accordance with HKAS 39, the Group's investments in co-operative joint ventures have been re-designated as available-for-sale financial assets stated at cost less impairment losses in view of the fact that they are unlisted investments whose fair values cannot be reliably measured. The Group ceased amortization on 1 January 2005 and any impairment loss is recognized in the income statement.

The Group's investments in unlisted club debentures are non-derivative financial assets that are either designated as this category or not classified as any of the other categories. They are measured at fair value with change in value recognized as a separate component of equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time, the cumulative gain or loss previously reported in equity is included in the income statement.

FFAs

With effect from 1 January 2005, the Group has re-designated unrealized gains or losses on FFAs into respective financial assets or financial liabilities at fair value through profit or loss and they are re-measured in accordance with HKAS 39 as appropriate.

Derivative financial instruments

In prior years, fair values of derivative financial instruments including foreign exchange contracts, foreign exchange options, securities derivatives and interest rate swaps were not recognized in the balance sheet. With effect from 1 January 2005, the Group has re-designated derivative financial instruments into respective financial assets or financial liabilities at fair value through profit or loss and they are re-measured in accordance with HKAS 39 as appropriate. Any changes in fair value of the derivative financial instruments are recognized in the income statement. No adjustment was made to the Group's retained profits at the beginning of the year as the amount involved was not material and comparative amounts are not restated.

The change in HKAS 32 relating to disclosure and presentation of financial instruments has been adopted retrospectively while HKAS 39 relating to the recognition and measurement of financial instruments has been adopted prospectively under transitional provisions.

Details of accounting policies in relation to derivative financial instruments are set out in note 2.

HKAS 40 Investment Property

In prior years, the changes in values of the Group's investment properties were dealt with as movements in the investment property revaluation reserve or, in case this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was included in the income statement.

With effect from 1 January 2005, under HKAS 40, investment property is stated at fair value at balance sheet date, all changes in fair value of the investment properties are recognized in the income statement. There is no impact on these financial statements as a result of this change in accounting policy because the Group's investment properties had a net revaluation deficit position as at 31 December 2005 and the changes in valuation of the Group's investment properties during the year ended 2004 and 2005 would be recognized in the income statement irrespective whether the old policy or the new policy is applied.

The estimated effect on the changes in accounting policies on current year are set out below.

Summary of financial effects of the changes in accounting policies on the consolidated financial statements for the year ended 31 December 2005:

Effect of adopting HKFRSs on consolidated income statement

		2005		
	HKFRS 2	**HKFRS 3**	**HKAS 32 & HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase (Decrease) in profit				
Increase in staff costs	(20,112)	–	–	(20,112)
Increase in net loss on financial assets or financial liabilities at fair value through profit or loss	–	–	(5,416)	(5,416)
Decrease in amortization	–	10,978	2,532	13,510
Decrease in gain on disposal of partial interests in a subsidiary	–	(1,218)	–	(1,218)
	(20,112)	9,760	(2,884)	(13,236)
(Decrease) Increase in basic earnings per share	(0.0379)	0.0184	(0.0054)	(0.0249)

Effect of adopting HKFRSs on consolidated balance sheet

	2005			
	HKFRS 2	**HKFRS 3**	**HKAS 32 & HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase (Decrease) in assets				
Increase in goodwill	–	9,760	–	9,760
Increase in available-for-sale financial assets	–	–	36,938	36,938
Decrease in other investments	–	–	(32,725)	(32,725)
Decrease in prepayments, deposits and other receivables	–	–	(9,680)	(9,680)
Decrease in short-term investments	–	–	(65,201)	(65,201)
Increase in financial assets at fair value through profit or loss	–	–	99,788	99,788
	–	9,760	29,120	38,880
Increase (Decrease) in liabilities/equity				
Increase in financial liabilities at fair value through profit or loss	–	–	30,323	30,323
Increase in employee share-based compensation reserve	12,671	–	–	12,671
Increase in reserve for available-for-sale financial assets	–	–	1,681	1,681
Increase in minority interests	7,441	–	–	7,441
Decrease in capital reserve	–	(143,936)	–	(143,936)
Increase in opening balance of retained profits	–	143,936	–	143,936
(Decrease) Increase in retained profits	(20,112)	9,760	(2,884)	(13,236)
	–	9,760	29,120	38,880

	2004	
	HKAS 32	**Total**
	HK$'000	*HK$'000*
Increase (Decrease) in assets		
Increase in available-for-sale financial assets	35,257	35,257
Decrease in other investments	(35,257)	(35,257)
Decrease in short-term investments	(19,074)	(19,074)
Increase in financial assets at fair value through profit or loss	524,250	524,250
	505,176	505,176
Increase (Decrease) in liabilities		
Increase in financial liabilities at fair value through profit or loss	708,089	708,089
Decrease in provision for losses	(202,913)	(202,913)
	505,176	505,176

4. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering, ship owning and trading.

Turnover and revenue recognized by category are analyzed as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	645,302	509,778
Other chartering freight and hire income	1,027,490	1,178,219
Trading	312,443	286,664
	1,985,235	1,974,661
Other revenue		
Dividend income from listed securities	823	244
Dividend income from unlisted investment	11,783	18,783
Interest income	13,983	4,165
Revenue	2,011,824	1,997,853

5. CANCELLATION FEE INCOME

The amount represented a fee of approximately HK$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), a wholly-owned subsidiary of Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), on 14 February 2005 under a contract (the "Termination Contract") made between GSI and a counterparty (the "Counterparty") on 31 August 2004. Under the Termination Contract, upon receiving a fee of approximately HK$156,000,000 by GSI from the Counterparty, both parties agreed to early terminate a charter party dated 8 February 2000 made between the Counterparty, as owner, and GSI, as charterer, for the chartering of a Capesize vessel to GSI for a period of upto seven years from October 2001.

6. LOSSES ON FORWARD FREIGHT AGREEMENTS

The amount for year 2004 represented the realized losses incurred from, and the provisions made for the unrealized losses from FFAs. In the opinion of the Directors, the losses from the FFAs had been caused by the unexpected and sudden decline in the freight rates of the dry bulk shipping market which began in March 2004 and continued further in June 2004. The Group had squared off majority of the FFAs during mid of 2004 and therefore, unrealized gains or losses for all squared off FFAs were recognized during year 2004 accordingly. As stated in note 3 above, the unrealized gains or losses on FFAs have been re-designated into financial assets or financial liabilities at fair value through profit or loss on 1 January 2005.

7. STAFF COSTS

	Group 2005 HK$'000	Group 2004 HK$'000
Directors' other emoluments:		
Salaries and other benefits	12,606	11,483
Employee share-based payments	17,373	–
Contributions to retirement benefits schemes	88	88
Employees other than Directors:		
Salaries and other benefits	31,648	30,168
Employee share-based payments	2,739	–
Contributions to retirement benefits schemes	1,674	1,451
	66,128	43,190

At balance sheet date, the Group had 107 full-time employees and 330 crew (2004: 106 full-time employees and 208 crew).

8. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group 2005 HK$'000	Group 2004 HK$'000
Auditors' remuneration		
– audit services	908	814
– other professional services	190	350
Cost of inventories	279,688	266,499
Amortization of other investments	–	2,532
Amortization of goodwill	–	11,587
Amortization of intangible asset	–	14
Hire payments under time charters	725,755	655,748
Operating lease charges in respect of premises	4,579	4,454
Net exchange loss	12,699	1,543
Loss on written off of an intangible asset	105	–
(Gain) Loss on disposal/written off of property, plant and equipment, other than motor vessels	(146)	239
Reversal of impairment loss of property, plant and equipment	(11,234)	(18,907)
Loss on disposal of a subsidiary	–	309
Provision for bad and doubtful debts	2,160	864
Provision for impairment loss of available-for-sale financial assets	23	–
Recovery of claim receivable	(2,323)	(1,760)
Retirement benefits schemes contributions net of forfeited contributions of HK$24,000 (2004: HK$116,000)	1,762	1,539
Revaluation surplus of investment properties	(1,438)	(4,500)
Gross rental income from operating leases on investment properties	(455)	(696)
Direct operating expenses arising from investment properties that generated rental income	253	116
Net loss (gain) on financial assets or financial liabilities at fair value through profit or loss	23,255	(4,546)

9. INTEREST EXPENSES

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts:		
Wholly repayable within five years	5,447	10,736
Not wholly repayable within five years	34,766	12,236
	40,213	22,972

10. DIRECTORS' EMOLUMENTS

Name	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits schemes	Sub-total	Employee share-based payments	2005 Total	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors								
Ng Siu Fai	1,933	1,086	3,736	14	6,769	10,423	17,192	6,994
Ng Kam Wah Thomas	1,933	960	3,424	14	6,331	6,950	13,281	6,109
Ng Ki Hung Frankie	1,326	1,061	1,020	14	3,421	–	3,421	2,421
Ho Suk Lin	780	791	528	46	2,145	–	2,145	2,019
Non-executive Directors								
Ho Kin Lung (1)	–	–	–	–	–	–	–	–
So Wing Hung Peter (2)	–	–	–	–	–	–	–	50
Independent Non-executive Directors								
Cui Jianhua	100	–	–	–	100	–	100	30
Tsui Che Yin Frank	115	–	–	–	115	–	115	30
William Yau (3)	95	–	–	–	95	–	95	–
	6,282	3,898	8,708	88	18,976	17,373	36,349	17,653

Notes:

(1) Mr. Ho Kin Lung resigned on 25 October 2005.

(2) Mr. So Wing Hung Peter resigned on 13 August 2004.

(3) Mr. William Yau was appointed on 2 December 2004.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2004: four) Directors whose details of emoluments are set out in note 10 above. Emoluments of the remaining one (2004: one) highest paid individual fall within the band from HK$2,000,001 to HK$2,500,000 and his aggregate emoluments were as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Salaries and other benefits	1,786	1,797
Discretionary bonus	231	289
Employee share-based payments	165	–
Contributions to retirement benefits schemes	30	30
	2,212	2,116

12. TAXATION

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	2,456	2,509
Under provision in prior years	18	99
	2,474	2,608

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is also not subject to taxation in any other jurisdictions in which the Group operates.

Reconciliation of tax expense:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Profit before taxation	843,430	394,115
Income tax at the rates applicable to profits in the tax jurisdiction concerned	26,520	4,515
Non-deductible expenses	1,019	3,396
Tax exempt revenue	(36,881)	(6,469)
Unrecognized tax losses	12,605	5,277
Unrecognized temporary differences	(798)	(3,435)
Utilization of previously unrecognized tax losses	(2)	(1,119)
Under provision in prior years	18	450
Others	(7)	(7)
Tax expense for the year	2,474	2,608

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

13. NET PROFIT FOR THE YEAR

The consolidated net profit attributable to shareholders of the Company for the year included a net profit of HK$172,708,000 (2004: loss of HK$2,446,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's net profit (loss) for the year:

	Company	
	2005	**2004**
	HK$'000	*HK$'000*
Amount of consolidated net profit (loss) attributable to shareholders dealt with in the Company's financial statements	172,708	(2,446)
Dividends from a subsidiary attributable to the net profit for the year	162,911	–
Other transactions with subsidiaries	3,346	661
Company's net profit (loss) for the year	338,965	(1,785)

14. DIVIDENDS

	Group 2005	Group 2004
	HK$'000	*HK$'000*
Interim dividend declared during the year		
Interim dividend of HK$0.19 (2004: nil) per share declared and paid	101,356	–
Final dividend proposed after balance sheet date		
Proposed final dividend of nil (2004: HK$0.12 restated) per share declared after balance sheet date	–	63,713
	101,356	63,713

As a result of the share subdivision of the Company effective on 23 May 2005, final dividend per share for 2004 has been adjusted accordingly.

15. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK$526,862,000 (2004: HK$227,514,000) and the weighted average number of 531,337,466 (2004: 526,242,480 restated) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK$526,862,000 (2004: HK$227,514,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

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

	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	531,337,466	526,242,480
Deemed issue of ordinary shares on granting of share options	5,357,026	2,020
	536,694,492	526,244,500

As a result of the share subdivision of the Company effective on 23 May 2005, the weighted average number of ordinary shares in issue of 2004 has been adjusted accordingly.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings *HK$'000*	Property under development *HK$'000*	Motor vessels and improvement *HK$'000*	Vessels under construction *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement, utility vessels, furniture and equipment *HK$'000*	Total *HK$'000*
Cost or valuation							
At 1 January 2004	210,248	69,885	1,650,581	24,644	842	31,423	1,987,623
Additions	–	8,568	–	184,087	–	6,610	199,265
On disposal of a subsidiary	–	(78,453)	–	–	–	–	(78,453)
Disposals/written off	–	–	(341,268)	–	–	(5,038)	(346,306)
At 31 December 2004	210,248	–	1,309,313	208,731	842	32,995	1,762,129
Reclassification	(10,231)	–	315,745	(315,745)	–	–	(10,231)
Additions	500	–	960,922	210,942	39	1,436	1,173,839
Disposals/written off	(459)	–	–	–	(71)	(612)	(1,142)
Revaluation	3,038	–	–	–	–	–	3,038
At 31 December 2005	203,096	–	2,585,980	103,928	810	33,819	2,927,633
Accumulated depreciation and impairment losses							
At 1 January 2004	141,905	54,356	352,861	–	773	27,683	577,578
Charge for the year	1,618	–	66,592	–	31	2,817	71,058
Eliminated on disposal of a subsidiary	–	(62,156)	–	–	–	–	(62,156)
Eliminated on disposals/written off	–	–	(35,921)	–	–	(4,346)	(40,267)
Impairment loss (reversed) made	(26,707)	7,800	–	–	–	–	(18,907)
At 31 December 2004	116,816	–	383,532	–	804	26,154	527,306
Charge for the year	3,849	–	87,603	–	38	2,582	94,072
Reclassification	(1,169)	–	–	–	–	–	(1,169)
Eliminated on disposals/written off	(96)	–	–	–	(71)	(404)	(571)
Impairment loss reversed	(11,234)	–	–	–	–	–	(11,234)
At 31 December 2005	108,166	–	471,135	–	771	28,332	608,404
Net book value							
At 31 December 2005	94,930	–	2,114,845	103,928	39	5,487	2,319,229
At 31 December 2004	93,432	–	925,781	208,731	38	6,841	1,234,823

Group

	Leasehold land and buildings *HK$'000*	Property under development *HK$'000*	Motor vessels and improvement *HK$'000*	Vessels under construction *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement, utility vessels, furniture and equipment *HK$'000*	Total *HK$'000*
Analysis of cost or valuation of property, plant and equipment							
At 31 December 2005							
At cost	150,096	–	2,241,298	103,928	810	33,819	2,529,951
At professional valuation in 1994	53,000	–	344,682	–	–	–	397,682
	203,096	–	2,585,980	103,928	810	33,819	2,927,633

Having regard to the moderate recovery of property markets in Hong Kong, the Group carried out a review of the recoverable amount of its leasehold land and buildings situated in Hong Kong as at 31 December 2005. The review led to the recognition of reversal of impairment loss of HK$11,234,000 in the income statement of 2005. The recoverable amount of the relevant assets has been determined on the basis of the higher of its fair value less cost to sell and value in use.

If the following classes of property, plant and equipment had not been revalued at balance sheet date, their carrying amounts at cost less accumulated depreciation and impairment losses would have been:

	Group 2005 *HK$'000*	2004 *HK$'000*
Leasehold land and buildings	94,930	93,432
Motor vessels and improvement	2,109,354	912,808

All motor vessels and improvement are held for use under operating leases and the leasehold land and buildings are held under long term lease and located in Hong Kong.

17. INVESTMENT PROPERTIES

Group

	HK$'000
At fair value	
At 1 January 2004	20,000
Revaluation	4,500
At 31 December 2004	24,500
Reclassification	9,062
Revaluation	1,438
At 31 December 2005	35,000

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

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

18. GOODWILL

Group

	HK$'000
Cost	
At 1 January 2004	–
Arising from deemed acquisition of additional interests in a subsidiary	57,935
At 31 December 2004	57,935
At 1 January 2005, as previously reported	57,935
Effect on initial adoption of HKFRS 3	
Opening balance adjustment to eliminate accumulated amortization	(11,587)
At 1 January 2005, restated	46,348
Release on disposal of partial interests in a subsidiary	(7,308)
At 31 December 2005	39,040
Accumulated amortization and impairment losses	
At 1 January 2004	–
Amortization for the year	11,587
At 31 December 2004	11,587
At 1 January 2005, as previously reported	11,587
Effect on initial adoption of HKFRS 3	
Opening balance adjustment to eliminate against cost at 1 January 2005	(11,587)
At 1 January 2005, restated and **31 December 2005**	**–**
Carrying amount	
At 31 December 2005	39,040
At 31 December 2004	46,348

Prior to 31 December 2004, positive goodwill not recognized directly in reserve was amortized on a straight-line basis over five years. The amortization of positive goodwill for the year ended 31 December 2004 was included in depreciation and amortization in the consolidated income statement.

With effect from 1 January 2005 the Group no longer amortizes goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortization of goodwill as at 1 January 2005 has been eliminated against goodwill as at that date.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted club debentures *(Note 1)*	7,410	7,410	5,000	5,000
Changes in fair value	1,681	–	1,260	–
	9,091	7,410	6,260	5,000
Unlisted investments				
Co-operative joint ventures *(Note 2)*	27,847	78,648	–	–
Less: Accumulated amortization	–	(26,785)	–	–
Accumulated impairment losses	–	(24,016)	–	–
	27,847	27,847	–	–
Other unlisted investments *(Note 3)*	11,723	11,700	–	–
Less: Accumulated impairment losses	(11,723)	(11,700)	–	–
	–	–	–	–
	36,938	35,257	6,260	5,000

Notes:

1. Prior to 31 December 2004, unlisted club debentures were stated at cost. With the adoption of HKAS 32 & HKAS 39 on 1 January 2005, unlisted club debentures are stated at fair value and any changes in fair value have been recognized directly in the equity.

2. Prior to 31 December 2004, co-operative joint ventures were stated at cost less accumulated amortization and impairment losses. With the adoption of HKAS 32 & HKAS 39 on 1 January 2005, the carrying amount are deemed as cost of co-operative joint ventures and no further amortization is required under HKAS 39.

3. Other unlisted investments were stated at cost less accumulated impairment losses in both years. Under HKAS 39, the impairment loss of unlisted equity investments classified as available-for-sale financial assets shall not be reversed in future.

20. INTANGIBLE ASSET

Group

	HK$'000
Transfer fee for club entrance	
Cost	
At 1 January 2004 and at 31 December 2004	250
Written off	(250)
At 31 December 2005	–
Accumulated amortization	
At 1 January 2004	131
Charge for the year	14
At 31 December 2004	145
Written off	(145)
At 31 December 2005	–
Carrying amount	
At 31 December 2005	–
At 31 December 2004	105

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	**2004**
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	296,244	351,702
Unlisted shares, at cost	13	13
	296,257	351,715

Details of the Company's principal subsidiaries are set out in note 43 to the financial statements.

The market value of 50.21% (2004: 59.61%) in the share capital of Jinhui Shipping attributable to the Group amounted to approximately HK$815,305,000 (2004: HK$1,067,210,000) at balance sheet date.

22. OTHER NON-CURRENT ASSETS

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Deferred drydocking expenses, at cost	12,924	8,351
Less: Amount written off	(6,271)	(3,964)
	6,653	4,387
Loan receivable	24,887	37,342
Less: Amount included in other receivables in current assets	(2,713)	(7,653)
Loan receivable due over one year	22,174	29,689
	28,827	34,076

The loan receivable is interest bearing at commercial borrowing rate and receivable upto 2008.

23. INVENTORIES

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Ship stores	226	1,834
Trading goods	16,423	25,341
	16,649	27,175

Inventories at balance sheet date were carried at cost.

24. DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The carrying amount of the amounts due represents approximately their fair values.

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysis of financial assets at fair value through profit or loss:				
Held for trading				
Equity securities				
Listed in Hong Kong	44,331	9,065	21,605	–
Listed outside Hong Kong	5,470	10,009	5,470	–
	49,801	19,074	27,075	–
Debts securities				
Listed outside Hong Kong	15,400	–	15,400	–
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Interest rate swaps	6,008	–	–	–
Forward foreign exchange contracts and options	1,158	–	–	–
Securities derivatives	6	–	–	–
Forward freight agreements	27,415	505,176	–	–
	34,587	505,176	–	–
	99,788	524,250	42,475	–
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Interest rate swaps	942	–	–	–
Forward foreign exchange contracts and options	11,646	–	153	–
Forward freight agreements	17,735	708,089	–	–
	30,323	708,089	153	–

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	118,919	77,543	–	–
Prepayments, deposits and other receivables	106,801	136,396	21,364	319
	225,720	213,939	21,364	319

The aging analysis of trade receivables (net of provision for doubtful debts) is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	98,447	57,767
91 – 180 days	17,452	15,487
181 – 365 days	1,964	3,688
Over 365 days	1,056	601
	118,919	77,543

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

The credit terms given to trading customers vary based on the financial assessments and payment track records. Credit limits are set for all customers and are revised only with the approval of senior management. General credit terms are payments by the end of 60 to 120 days following the month in which sales took place.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	23,975	70,733	–	–
Accrued charges and other payables	161,056	255,530	7,037	1,095
	185,031	326,263	7,037	1,095

The aging analysis of trade payables is as follows:

	Group 2005	Group 2004
	HK$'000	*HK$'000*
0 – 90 days	14,308	62,210
91 – 180 days	1,256	556
181 – 365 days	84	412
Over 365 days	8,327	7,555
	23,975	70,733

28. SECURED BANK LOANS AND OVERDRAFTS

	Group		Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The maturity of secured bank loans and overdrafts is as follows:				
Within one year	154,598	55,749	–	6,905
After one year but within two years	90,175	45,989	–	–
After two years but within five years	286,855	133,863	–	–
After five years	628,175	235,020	–	–
	1,159,803	470,621	–	6,905
Less: Amount included in current liabilities				
Secured bank loans	(154,598)	(45,914)	–	–
Secured bank overdrafts	–	(9,835)	–	(6,905)
Amount included in non-current liabilities	1,005,205	414,872	–	–

29. ISSUED CAPITAL

Company

	2005		2004	
	Number of shares	**Amount**	**Number of shares**	**Amount**
		HK$'000		*HK$'000*
Authorized				
At 1 January	100,000,000	100,000	100,000,000	100,000
Share Subdivision *(Note)*	900,000,000	–	–	–
At 31 December	1,000,000,000	100,000	100,000,000	100,000
Issued and fully paid				
At 1 January	52,624,248	52,624	52,624,248	52,624
Shares issued upon exercise of share options from 1 January 2005 to 23 May 2005: 546,800 ordinary shares of HK$1.00 each	546,800	547	–	–
	53,171,048	53,171	52,624,248	52,624
Share Subdivision effective on 23 May 2005 *(Note)*	478,539,432	–	–	–
	531,710,480	53,171	52,624,248	52,624
Shares issued upon exercise of share options from 24 May 2005 to 31 December 2005: 2,230,000 ordinary shares of HK$0.10 each	2,230,000	223	–	–
At 31 December	533,940,480	53,394	52,624,248	52,624

Note:

At the extraordinary general meeting of the Company held on 20 May 2005, the resolutions regarding the subdivision of every one issued and unissued share of HK$1.00 each in the share capital of the Company into ten subdivided shares of HK$0.10 each ("Share Subdivision") were approved by the shareholders of the Company. With effect from 23 May 2005, the authorized share capital of the Company has become HK$100 million divided into 1,000 million shares of HK$0.10 each, of which 531,710,480 shares were issued and fully paid.

30. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS

On 23 December 2004, the Company granted a number of share options to acquire the share of the Company to the directors, officers and employees of the Group and other persons selected by the board of Company who have contributed or will contribute to the Group. The purpose of granting the share options is to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group.

The weighted average value per option granted in 2004 by the Company was HK$0.66* that are estimated at the date of grant based on Black-Scholes option pricing model using the following assumptions:

Share price at the option grant date	HK$1.53 *
Exercise price	HK$1.60 *
Risk-free interest rate per annum based on Federal Funds Rate	2.25%
Expected stock price volatility	76.73%
Expected option life	2 years

* *As a result of the Share Subdivision effective on 23 May 2005, the option value, share price and exercise price of the options at the option grant date as shown above have been adjusted accordingly.*

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the share options of the Company have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options of the Company.

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

Conditions	Number of options granted on 23 December 2004	Value of options at grant date *HK$'000*
Options granted to Directors:		
Performance based options *(Note 1)*	52,620,000	34,745
Non-performance based options *(Note 2)*	10,500,000	6,933
	63,120,000	41,678
Options granted to employees other than Directors:		
With vesting schedules *(Note 1)*	8,298,000	5,479
Without vesting schedules *(Note 2)*	5,374,000	3,549
	13,672,000	9,028
	76,792,000	50,706

Notes:

1. The Group has recognized these share options in the income statement with a corresponding increase in employee share-based compensation reserve in equity of 2005.

	2005
	HK$'000
Employee share-based payments recognized under HKFRS 2 in 2005	
In respect of performance based options granted to Directors	17,373
In respect of options with vesting schedules granted to employees other than Directors	2,739
	20,112

No adjustment to the opening balance of retained profits as at 1 January 2005 and for the year of 2004 is required as the amount involved was not material.

2. Under 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 payment is required to be recognized.

(b) Movements in the number of the outstanding options and weighted average share price of the Company at dates of exercise of options in 2005:

	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 schedules granted to employees other than Directors**
Number of options				
At 1 January 2005	52,620,000	10,500,000	8,298,000	5,374,000
Exercised during the year	–	–	(4,148,000)	(3,550,000)
At 31 December 2005	52,620,000	10,500,000	4,150,000	1,824,000
Exercisable at 31 December 2005	*(Note 3)*	10,500,000	*(Note 4)*	1,824,000
Weighted average share price of the Company at dates of exercise of options in 2005	N/A	N/A	HK$2.53	HK$2.72

At 31 December 2005, the exercise price of the outstanding options is HK$1.60 and their weighted average remaining contractual life are four years except for options with performance based of nine years.

Notes:

3. These share options will become exercisable upon the Group having recorded an audited consolidated net profit of not less than HK$400 million for the financial year of 2005 and may be exercised during the period commencing on (i) 1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005, whichever is the later, and ending on (ii) 22 December 2014, being the end of the 10-year period from 23 December 2004. There was no performance based option granted to Directors exercisable as at 31 December 2005.

4. These share options are under vesting schedules, which began on January 2005 with monthly exercisable limit of about 10% of the share options granted. There was no option with vesting schedules granted to employees other than Directors exercisable as at 31 December 2005.

31. RESERVES

Details of movements in reserves of the Group and the Company for current and last years are disclosed in the statements of changes in equity on pages 34 to 35.

Group

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

Company

The retained profits of the Company includes HK$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK$274,475,000 (2004: HK$100,579,000).

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Profit before taxation	843,430	394,115
Depreciation and amortization	94,072	85,191
Interest income	(13,983)	(4,165)
Interest expenses	40,213	22,972
Dividend income from listed securities	(823)	(244)
Dividend income from unlisted investment	(11,783)	(18,783)
Employee share-based payments	20,112	–
Loss on written off of an intangible asset	105	–
Gain on disposal/written off of property, plant and equipment	(146)	(126,962)
Reversal of impairment loss of property, plant and equipment	(11,234)	(18,907)
Loss on disposal of a subsidiary	–	309
Gain on disposal of partial interests in a subsidiary	(102,855)	–
Provision for bad and doubtful debts	2,160	864
Provision for impairment loss of available-for-sale financial assets	23	–
Recovery of claim receivable	(2,323)	(1,760)
Revaluation surplus of investment properties	(1,438)	(4,500)
Net drydocking expense deferred	(2,266)	(933)
Changes in working capital:		
Inventories	10,526	6,986
Financial assets and financial liabilities at fair value through profit or loss	(253,304)	194,285
Trade and other receivables	(10,643)	(90,994)
Trade and other payables	(102,322)	134,255
Cash generated from operations	497,521	571,729

(b) Summary of the effects of the disposal of a subsidiary

	Group 2005	Group 2004
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	–	16,297
Accrued charges and other payables	–	(7,146)
	–	9,151
Capital reserve released	–	12
Loss on disposal of a subsidiary	–	(309)
Total consideration, satisfied by cash	–	8,854
Net cash inflow on disposal of a subsidiary:		
Cash consideration	–	8,854

(c) Summary of the effects of the disposal of partial interests in a subsidiary

	Group 2005	Group 2004
	HK$'000	*HK$'000*
Goodwill released	7,308	–
Loss of dividend receivable which paid to minority interests	12,324	–
Increase in minority interests	125,862	–
Gain on disposal of partial interests in a subsidiary *(Note)*	102,855	–
Total consideration, satisfied by cash	248,349	–
Net cash inflow on disposal of partial interests in a subsidiary:		
Gross sale proceeds	252,773	–
Commission to placing agent	(4,424)	–
	248,349	–

Note:

The amount represented a gain on disposal of 7,900,000 shares or 9.4% interests in the share capital of Jinhui Shipping during the year.

(d) Analysis of the balances of cash and cash equivalents

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Bank balances and cash	395,614	462,356
Secured bank overdrafts	–	(9,835)
	395,614	452,521

33. DEFERRED TAXATION

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Deductible temporary differences	6,704	13,928
Tax losses	516,737	438,883
At 31 December	523,441	452,811

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

34. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's motor vessels with an aggregate net book value of HK$1,996,802,000 (2004: HK$787,485,000);

(b) Legal charges on the Group's leasehold land and buildings and investment properties with an aggregate net book value of HK$82,479,000 (2004: HK$71,668,000);

(c) Deposits totalling HK$19,610,000 (2004: HK$23,522,000) of the Group placed with a bank;

(d) Legal charges on shares of ten (2004: five) ship owning subsidiaries of the Company; and

(e) Assignment agreements entered into with banks assigning ten (2004: five) ship owning subsidiaries' chartering income in favour of banks.

35. COMMITMENTS

(a) Capital expenditure commitments

At balance sheet date, the Group had outstanding capital expenditure commitments relating to the newbuildings of four (2004: six) dry bulk carriers at total purchase price of approximately HK$766,738,000 (2004: HK$1,283,256,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$665,494,000 (2004: HK$1,076,794,000).

(b) Commitments under operating leases (as lessee)

At balance sheet date, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods of the Group are:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year:		
Premises	779	639
Time charter hire	487,891	576,497
	488,670	577,136
After one year but within five years:		
Premises	333	507
Time charter hire	337,279	514,750
	337,612	515,257
	826,282	1,092,393

(c) Commitments under operating leases (as lessor)

At balance sheet date, the total of future minimum lease payments receivable under non-cancellable operating leases for each of the following periods of the Group are:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year:		
Premises	336	632
Time charter hire from owned vessels	183,984	134,960
Time charter hire from chartered-in vessels	186,452	295,437
	370,772	431,029
After one year but within five years:		
Premises	56	–
Time charter hire from chartered-in vessels	–	104,411
	56	104,411
	370,828	535,440

36. SEGMENTAL INFORMATION

(a) (i) Consolidated income statement by business segments – 2005

	Chartering freight and hire	Trading	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,672,792	312,443	–	1,985,235
Cancellation fee income	156,000	–	–	156,000
Gain on disposal of partial interests in a subsidiary	–	–	102,855	102,855
Other operating income	62,405	3,023	28,364	93,792
	1,891,197	315,466	131,219	2,337,882
Operating expenses	(1,023,927)	(301,841)	(48,382)	(1,374,150)
Depreciation and amortization	(87,649)	(444)	(5,979)	(94,072)
Profit from operations	779,621	13,181	76,858	869,660
Interest income				13,983
Interest expenses				(40,213)
Profit before taxation				843,430
Taxation				(2,474)
Net profit for the year				840,956
Attributable to:				
Shareholders of the Company				526,862
Minority interests				314,094
				840,956

(a) (ii) Consolidated income statement by business segments – 2004

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Turnover	1,687,997	286,664	–	1,974,661
Gain on disposal of motor vessels	127,201	–	–	127,201
Other operating income	53,619	2,709	48,996	105,324
	1,868,817	289,373	48,996	2,207,186
Losses on forward freight agreements	(490,947)	–	–	(490,947)
Operating expenses	(935,270)	(277,072)	(5,784)	(1,218,126)
Depreciation and amortization	(66,635)	(546)	(18,010)	(85,191)
Profit from operations	375,965	11,755	25,202	412,922
Interest income				4,165
Interest expenses				(22,972)
Profit before taxation				394,115
Taxation				(2,608)
Net profit for the year				391,507
Attributable to:				
Shareholders of the Company				227,514
Minority interests				163,993
				391,507

(iii) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 83% (2004: 90%) and 11% (2004: 7%) of the Group's trading business was carried out in Hong Kong and China respectively. The Group's other operations comprised gain on disposal of partial interests in Jinhui Shipping, as well as investment holding, property investments, equity and debt securities and foreign currency transactions which were mainly carried out in Hong Kong in both years.

(b) (i) Consolidated balance sheet by business segments – 2005

	Chartering freight and hire	Trading	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Allocated assets				
Property, plant and equipment	2,218,885	459	99,885	2,319,229
Investment properties	–	–	35,000	35,000
Available-for-sale financial assets	–	–	36,938	36,938
Other non-current assets	6,653	22,174	–	28,827
Current assets	127,208	113,809	101,140	342,157
Total segment assets	2,352,746	136,442	272,963	2,762,151
Unallocated assets				
Goodwill				39,040
Pledged deposits				19,610
Bank balances and cash				395,614
Total assets				3,216,415
Allocated liabilities				
Total segment liabilities	1,234,952	77,351	66,132	1,378,435
Total liabilities				1,378,435
Capital expenditures incurred during the year	1,171,968	56	1,815	1,173,839

(b) (ii) Consolidated balance sheet by business segments – 2004

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Allocated assets				
Property, plant and equipment	1,134,566	848	99,409	1,234,823
Investment properties	–	–	24,500	24,500
Available-for-sale financial assets	–	–	35,257	35,257
Intangible asset	–	–	105	105
Interests in an associate	–	(25)	–	(25)
Other non-current assets	4,387	29,689	–	34,076
Current assets	638,878	102,082	24,404	765,364
Total segment assets	1,777,831	132,594	183,675	2,094,100
Unallocated assets				
Goodwill				46,348
Pledged deposits				23,522
Bank balances and cash				462,356
Total assets				2,626,326
Allocated liabilities				
Total segment liabilities	1,386,002	66,430	45,141	1,497,573
Unallocated liabilities				
Secured bank overdrafts				9,835
Total liabilities				1,507,408
Capital expenditures incurred during the year	184,098	74	15,093	199,265

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 15% (2004: 13%) of the segment assets under the other two business segments are located in China and the remaining are mainly located in Hong Kong.

37. RELATED PARTY TRANSACTIONS

Group

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

(a) Key management personnel compensation to the directors of the Company and certain employees of the Group for the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Directors' fees	6,282	6,082
Salaries and other benefits	17,872	16,489
Employee share-based payments	17,703	–
Contributions to retirement benefits schemes	362	361
	42,219	22,932

(b) As at 31 December 2005, an amount of HK$14,000,000 (2004: nil) due to a related company was included in trade and other payables. The amount is unsecured, interest-free and has no fixed repayment term. The company is considered as related party as it is controlled by one of the key management personnel of the Group.

Company

During the year, the Company had the following related party transactions:

(a) Receipt of dividends of HK$162,911,000 (2004: nil) from a subsidiary;

(b) Payment of an administrative fee of HK$2,264,000 (2004: HK$2,095,000) to an indirect subsidiary;

(c) Receipt of interest income of HK$7,050,000 (2004: HK$4,196,000) from its subsidiaries;

(d) Payment of rental charges of HK$1,440,000 (2004: HK$1,440,000) to its subsidiaries;

(e) On 23 December 2004, 63,148,200* share options of the Company were granted to the directors, officers and employees of Jinhui Shipping and its subsidiaries at nil consideration. During the year of 2005, no share option of the Company was granted to any director, officer or employee of the Group; and

* *As a result of the Share Subdivision effective on 23 May 2005, the number of share options as shown above has been adjusted accordingly.*

(f) Key management personnel compensation to the directors of the Company for the year are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Directors' fees	310	110
Salaries and other benefits	9,487	4,350
Employee share-based payments	2,655	–
Contributions to retirement benefits schemes	88	88
	12,540	4,548

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include bank borrowings, bank balances and cash, investments in equity and debt securities, and derivative financial instruments. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group also has different types of financial instruments such as trade receivables and trade payables, which arise directly from its business activities. Details of these financial instruments are disclosed in respective notes. The management manages and monitors these exposures to ensure appropriate measures are implemented on timely and effective manner.

The risks associated with these financial instruments including interest rate risk, foreign currency risk, credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's long term debt obligation. The Group's bank borrowings were all committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Details of maturity of bank loans are disclosed in note 28.

The Group also entered into interest rate swaps so as to mitigate the interest rate exposures. At 31 December 2005, the Group had interest rate swaps with a notional contract amount of US$80 million. The fair value of the interest rate swaps as at 31 December 2005 was recognized in the balance sheet and, accordingly, HK$6,008,000 was recognized as financial assets and HK$942,000 was recognized as financial liabilities. The Group had managed the interest rate exposures by entering into interest rate swaps during June 2004 and January 2004 respectively as follows:

– US$50 million over five years upto June 2009 through cap at 4.3% with a knock out at 6.5%; and

– US$30 million over three years upto January 2007 through cap at 2.5% with a knock out at 4%.

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2005 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

In addition, the Group is exposed to foreign currency risk primarily through trading of derivative financial instruments such as forward foreign exchange contracts and options. As at 31 December 2005, the Group had forward foreign exchange contracts and options whose fair values were recognized in the balance sheet and, accordingly, HK$1,158,000 was recognized as financial assets and HK$11,646,000 was recognized as financial liabilities.

The Group has an outstanding capital commitment in relation to the acquisition of a newbuilding in Japanese Yen which amounted to JPY3,015,000,000 as at 31 December 2005. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and, to some extent, for investment purpose.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables arising from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. In order to minimize the credit risk, the Group will, wherever possible, enter into derivative financial instruments with a diversity of creditworthy counterparties. In addition, the Group has reviewed regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

Trading of investment securities and derivative financial instruments are mainly entered with counterparties with sound credit rating and the management does not expect any investment counterparty to fail to meet its obligations. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The management regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure it maintains sufficient reserves of cash and bank balances, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

39. CONTINGENT LIABILITIES

At 31 December 2005, the Group has contingent liabilities not provided for in the financial statements in respect of a guarantee granted to a third party in its ordinary course of business amounting to HK$78,000,000 (2004: nil).

At 31 December 2005, the Company has contingent liabilities not provided for in the financial statements in respect of guarantees to secure banking facilities granted to subsidiaries amounting to HK$108,320,000 (2004: HK$121,570,000), and the amount of such facilities utilized was HK$52,161,000 (2004: HK$64,255,000).

40. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement scheme and a mandatory provident fund scheme. It is optional for all qualified employees to choose either of the schemes. The assets of the schemes are held separately from those of the Group in their respective schemes managed by an independent trustee. The pension costs charged represent contribution payable to the funds by the Group at the rates specified in the rules of the schemes.

The contributions to the defined contribution retirement scheme vest in employees according to a vesting percentage set out in the scheme. When employees leave the 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.

The Group's contributions to the retirement benefits schemes charged to the consolidated income statement during the year was HK$1,762,000 (2004: HK$1,539,000) net of the forfeited contributions of HK$24,000 (2004: HK$116,000) which arose upon employees leaving the defined contribution retirement scheme.

41. POST BALANCE SHEET EVENTS

On 4 January 2006, the Group entered into two construction and sale contracts to acquire two motor vessels of deadweight 55,300 metric tons each for a total consideration of JPY6,860,000,000 which will be delivered to the Group on or before 31 March 2008 and 31 December 2008 respectively.

On 23 January 2006, the Group entered into a memorandum of agreement to acquire a motor vessel of deadweight 173,880 metric tons for a consideration of US$60,000,000 which will be delivered to the Group sometime between mid March 2007 and mid July 2007.

On 25 March 2006, the Group entered into a provisional agreement for sale and purchase to dispose one of its investment properties with net carrying amount of HK$25,500,000 as at disposal date for a consideration of HK$27,126,000. The estimated completion date of the transaction will be on or before mid July 2006.

42. COMPARATIVE FIGURES

Due to the adoption of HKFRSs in 2005, the accounting treatment and presentation of certain items and balances have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform to current year's presentation.

43. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	50.21%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	50.21%	Investment holding	Worldwide

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US$1 each	50.21%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	50.21%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	50.21%	Investment holding	Worldwide
Jinhui Transportation Inc.	1,000 shares of US$1 each	50.21%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	75%	Investment holding	Hong Kong
Incorporated in Hong Kong				
Carpa Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
* Digital Sino Limited	2 shares of HK$1 each	75%	General trading	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	50.21%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK$1 each	50.21%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	2 shares of HK$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Linkford International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	50.21%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK$100 each	75%	Trading of chemical and industrial raw materials	Hong Kong
Incorporated in the Republic of Liberia				
Galsworthy Limited	1 registered share of US$1 each	50.21%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Jinbi Shipping Ltd.	1 registered share of US$1 each	50.21%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Jinkang Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinyang Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Rimpacific Navigation Inc.	2 common shares of US$1 each	50.21%	Investment	Worldwide
Incorporated in the State of Delaware, United States of America				
Jinhui Shipping (USA) Inc.	500 shares of US$1 each	50.21%	Shipping agent	United States of America

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

* *Companies not audited by Moores Rowland Mazars.*

(2) INDEBTEDNESS

As at the close of business on 30 September 2006, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings amounting to approximately HK$1,177 million. The bank borrowings comprised secured term loans of approximately HK$1,115 million and secured trust receipt and import loans of approximately HK$62 million.

As at 30 September 2006, the Group's credit facilities were secured by certain of the Group's property, plant and equipment and investment property with an aggregate net book value of approximately HK$2,119 million, financial assets at fair value through profit or loss with market value of approximately HK$93 million and deposits in banks and other institution amounting to approximately HK$27 million. Shares of nine ship owning companies, being members of the Group, were pledged together with the assignment of chartering income of ten ship owning companies to secure credit facilities utilized by the Group.

As at 30 September 2006, the Group had contingent liabilities in respect of a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited under an agreement dated 15 September 2006 regarding the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. for a consideration of approximately HK$260 million, and a bank guarantee of approximately HK$78 million granted to a third party in its ordinary course of businesses.

As at 30 September 2006, save as aforesaid and apart from intra-group liabilities, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

(3) FINANCIAL AND TRADING PROSPECTS

The Group has continued to carry on the businesses of investment holding, ship chartering, ship owning, ship operating and trading during the current financial year, and the Directors expect that with cash, marketable equity and debt securities, and equity linked investments in hand as well as available credit facilities, the Group's financial position remains strong and the Group's steady growth will be maintained.

(4) WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources, the existing available credit facilities and the Acquisition, the Group has sufficient working capital for its present requirements for the next twelve-month period from date of this circular.

(5) MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

1. REPORT BY AUDITORS ON THE UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from Moores Rowland Mazars, the reporting accountants of the Company.

Moores Rowland Mazars
摩斯倫・馬賽會計師事務所

5 December 2006

The Directors
Jinhui Holdings Company Limited
26th Floor
Yardley Commercial Building
1-6 Connaught Road West
Hong Kong

Dear Sirs,

We report on the unaudited pro forma net assets statement of Jinhui Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 3 to 4 in Appendix II to the circular of the Company to be dated 9 December 2006 in connection with the acquisition of a vessel (the "Acquisition"). The unaudited pro forma net assets statement of the Group has been prepared by the Company, for illustrative purposes only, to provide financial information about how the Acquisition might have affected the relevant historical financial information in respect of the Group.

The historical financial information is derived from the unaudited historical financial information of the Group appearing elsewhere herein. The basis of preparation of the unaudited pro forma net assets statement of the Group is set out in the notes to the unaudited pro forma net assets statement of the Group immediately after the completion of the Acquisition.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma net assets statement of the Group in accordance with Rule 4.29(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma net assets statement of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma net assets statement of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma net assets statement of the Group with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma net assets statement of the Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement of the Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma net assets statement of the Group has been prepared based on the directors' judgement and assumptions as set out on pages 3 to 4 in Appendix II for illustrative purposes only and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2006 or at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma net assets statement of the Group has been properly compiled by the directors of the Company on the basis stated therein;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement of the Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
Hong Kong

A member of
Moores Rowland International
an association of independent
accounting firms throughout
the world

A member firm of Mazars
MAZARS

2. UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

	The Group as at 30 June 2006 *HK$'000*	**Pro forma adjustments** *HK$'000*	*Note (ii)*	**Pro forma balance** *HK$'000*
Non-current assets				
Property, plant and equipment	2,018,059	306,150	*(a)*	2,324,209
Investment properties	45,500			45,500
Goodwill	39,040			39,040
Available-for-sale financial assets	37,334			37,334
Other non-current assets	29,689			29,689
	2,169,622			2,475,772
Current assets				
Inventories	18,563			18,563
Trade and other receivables	216,726			216,726
Financial assets at fair value through profit or loss	244,941			244,941
Pledged deposits	9,517			9,517
Bank balances and cash	595,170	(91,845)	*(b)*	503,325
	1,084,917			993,072
Current liabilities				
Trade and other payables	143,563			143,563
Financial liabilities at fair value through profit or loss	52,850			52,850
Taxation	609			609
Secured bank loans and other borrowings	142,432	17,144	*(c)*	159,576
Secured bank overdraft	4			4
	339,458			356,602
Non-current liabilities				
Secured bank loans	839,060	197,161	*(c)*	1,036,221
Net assets	2,076,021			2,076,021

Notes:

(i) Purpose of the statement and basis of preparation

The unaudited pro forma net assets statement of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of providing Shareholders with information about the impact of the Acquisition by illustrating how the acquisition of the Vessel might have affected the financial position of the Group as at 30 June 2006.

The unaudited pro forma net assets statement of the Group is based on the unaudited consolidated balance sheet of the Group as at 30 June 2006, which has been extracted from the interim report of the Company for the six months ended 30 June 2006, incorporating the pro forma adjustments described in notes (ii) below.

The unaudited pro forma net assets statement of the Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the statement does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2006. Neither does the statement purport to predict the future financial position of the Group after the Acquisition.

The unaudited pro forma net assets statement of the Group has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in its unaudited consolidated financial statements for the six months ended 30 June 2006.

(ii) Notes to the pro forma adjustments

(a) The increase in property, plant and equipment represents the consideration for the Vessel of US$39,250,000 (approximately HK$306,150,000).

(b) Total amount of approximately HK$91,845,000 will be funded by internal resources of the Group, thus reducing the bank balances and cash of the Group.

(c) The Group shall raise sufficient long term bank financing of approximately HK$214,305,000 to partially finance the Acquisition, of which approximately HK$17,144,000 will be repayable within one year.

The following is the text of valuation report, prepared for the sole purpose of inclusion in this circular, received from an independent valuer, Simpson Spence & Young Hong Kong Ltd., a subsidiary of Simpson Spence & Young Ltd. which provides ship valuation service for more than 120 years for major ship owning groups, banks and financial institutions all over the world, in connection with their valuation of the Vessel as at 22 November 2006.

SSY
SIMPSON SPENCE & YOUNG
HONG KONG

5 December 2006

Jinhui Holdings Company Limited
26/F., Yardley Commercial Building
1-6 Connaught Road West
Hong Kong

Certificate of Valuation

Ship's Name	:	Lowlands Patrasche
Type of Vessel	:	Bulk Carrier
Flag	:	Hong Kong
Built	:	30 January 2002 at Oshima Shipbuilding Co., Ltd., Japan
Class	:	NK
Deadweight	:	51,104 mt on 11.917 m draft
GRT/NRT	:	28,553/17,978
Length of Overall	:	189.99 m
Beam	:	32.26 m
Depth	:	16.67 m
Grain/Bale Capacity	:	65,252/64,000 cu.m
No. of Holds/Hatches	:	5/5
Main Engine	:	Kawasaki MAN B + W 65S50MC-C 10,400PS
Cargo Gear	:	Cranes 4 x 30 Tons

We hereby certify that we have examined our records and believe the above particulars are reasonably accurate for the purpose of ascertaining the value of the above mentioned vessel and are of the opinion that the approximate value, in good condition, safely afloat, on the basis of a sale for delivery February/ March 2007 with a charter attached till May/July 2007 on normal commercial terms as between willing Sellers and willing Buyers as at 22nd November, 2006

Approximately USD39.25 Million.

We would further like to point out to you that our assessment is based upon limited information and without any inspection of the vessel and we would suggest, therefore, that anyone wishing to utilise this figure should satisfy themselves of the vessels condition with a full inspection of the vessel and its classification records.

This valuation relates solely to our opinion as to the market value on the date specified and no assurances can be given that such a figure will be sustained or can be realised in an actual transaction.

The above opinion has been given in good faith but neither the company nor its officers shall be held responsible for any errors or omissions and furthermore has been provided solely for the use of the person who commissioned it and no responsibility can be accepted to any other person.

Yours faithfully,
Simpson Spence & Young Hong Kong Ltd.

Charlie Brough *(as a Valuer)*

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Type of interests	No. of Shares	Percentage of total issued Shares	No. of Jinhui Shipping Shares	Percentage of total issued Jinhui Shipping Shares
Ng Siu Fai	Personal interests	6,299,000	1.20%	1,098,500	1.31%
	Personal interests (Option) *Note 2*	31,570,000	6.01%	–	–
	Personal interests (Option) *Note 4*	3,184,000	0.61%	–	–
	Family interests	10,770,000	2.05%	–	–
	Other interests	*Note 1*	*Note 1*	*Note 1*	*Note 1*
Ng Kam Wah Thomas	Personal interests (Option) *Note 2*	21,050,000	4.00%	–	–
	Personal interests (Option) *Note 4*	3,184,000	0.61%	–	–
	Other interests	*Note 1*	*Note 1*	*Note 1*	*Note 1*

Name	Type of interests	No. of Shares	Percentage of total issued Shares	No. of Jinhui Shipping Shares	Percentage of total issued Jinhui Shipping Shares
Ng Ki Hung Frankie	Personal interests (Option) *Note 3*	3,000,000	0.57%	–	–
	Personal interests (Option) *Note 4*	3,184,000	0.61%	–	–
	Other interests	*Note 1*	*Note 1*	*Note 1*	*Note 1*
Ho Suk Lin	Personal interests (Option) *Note 3*	5,000,000	0.95%	–	–
Cui Jianhua	Personal interests (Option) *Note 3*	1,000,000	0.19%	–	–
Tsui Che Yin Frank	Personal interests (Option) *Note 3*	1,000,000	0.19%	–	–
William Yau	Personal interests (Option) *Note 3*	500,000	0.10%	–	–

Note 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 324,275,280 Shares (representing approximately 61.72 per cent. of the total issued Shares) and 480,000 Jinhui Shipping Shares (representing approximately 0.57 per cent. of the total issued Jinhui Shipping Shares). 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.

Note 2: Further details relating to the options granted to each of Mr Ng Siu Fai and Mr Ng Kam Wah Thomas are as follows:

Date of grant:	23 December 2004 (approved at the extraordinary general meeting of the Company on 27 January 2005)
Exercisable period:	31 March 2006 (the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005) to 22 December 2014
Consideration paid for options:	HK$1.00
Subscription price:	HK$1.60 per Share
Other conditions:	the Group having recorded an audited consolidated net profit of not less than HK$400 million for the financial year of 2005 (which had been achieved)

Note 3: Further details relating to the options granted to each of Mr Ng Ki Hung Frankie, Ms Ho Suk Lin, Mr Cui Jianhua, Mr Tsui Che Yin Frank and Mr William Yau are as follows:

Date of grant:	23 December 2004
Exercisable period:	23 December 2004 to 22 December 2009
Consideration paid for options:	HK$1.00
Subscription price:	HK$1.60 per Share

Note 4: Further details relating to the options granted to each of Mr Ng Siu Fai, Mr Ng Kam Wah Thomas and Mr Ng Ki Hung Frankie are as follows:

Date of grant:	29 June 2006
Exercisable period:	29 June 2006 to 28 June 2016
Consideration paid for options:	HK$1.00
Subscription price:	HK$1.57 per Share

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests in any securities and short positions of the Company or any of its associated corporations as defined in the SFO.

(b) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).

(c) As at the Latest Practicable Date, none of the Directors or their respective associates has any interests in any company or business which competes or may compete with the businesses of the Group.

(d) As at the Latest Practicable Date, none of the Directors or the experts named in this circular has or has had direct or indirect material interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

(e) Save as disclosed herein, there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, have interests or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholders	No. of Shares	No. of Shares (Option)	Percentage of total issued Shares
Fairline	324,275,280	–	61.72%
Wong Yee Man Gloria	341,344,280 *	–	64.97%
	–	34,754,000 **	6.62%

Name of shareholder	No. of shares in Yee Lee Technology	Percentage of total issued shares in Yee Lee Technology
Asiawide Profits Limited	1,000,000	25.00%

* *The interest in Shares includes 10,770,000 Shares in which Ms Wong Yee Man Gloria is interested as a beneficial owner and 330,574,280 Shares in which she is deemed to be interested through the interest of her spouse, Mr Ng Siu Fai (as disclosed hereinabove).*

** *Ms Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 Shares held by her spouse, Mr Ng Siu Fai (as disclosed hereinabove).*

LITIGATION

As at the Latest Practicable Date, Goldbeam Shipping Inc. ("Goldbeam") an approximately 52.59 per cent. owned subsidiary of the Company, is claiming around US$769,000 and costs against a charterer of a vessel for detention of the vessel at discharge port. An arbitrator has been appointed and the arbitration proceedings in London, England are underway.

Save as disclosed herein, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

MATERIAL CONTRACT

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this circular and each of which is or may be material:

(a) a placing agreement dated 26 August 2005 entered into between the Company and Pareto Securities ASA for the placing of 7,900,000 shares in the share capital of Jinhui Shipping, representing approximately 9.4 per cent. of the then existing issued share capital of Jinhui Shipping;

(b) an agreement dated 15 September 2006 entered into between Bocimar Hong Kong Limited, as purchaser, Best Shipping Ltd., as vendor, and Jinhui Shipping, as guarantor of the purchaser, in respect of the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. for a consideration of US$33,300,000; and

(c) a counter guarantee dated 15 September 2006 given by Bocimar International NV in favour of Jinhui Shipping in respect of the performance of the obligations of Bocimar Hong Kong Limited that are being guaranteed by Jinhui Shipping under the agreement stated in (b) above.

EXPERTS

This circular includes statements made by experts, namely, Moores Rowland Mazars, a firm of Chartered Accountants and Certified Public Accountants, and Simpson Spence & Young Hong Kong Ltd., a subsidiary of Simpson Spence & Young Ltd. Simpson Spence & Young Ltd. and its group members offer ship valuation service which they have been providing for more than 120 years for major ship owning groups, banks and financial institutions all over the world. The group of Simpson Spence & Young Ltd. also offers detailed historical research, analysis on freight, newbuilding and second hand prices as well as providing data and information services to clients.

Moores Rowland Mazars does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group. Moores Rowland Mazars has given and has not withdrawn its written consent to the issue of this circular with the expert's statement included in the form and context in which it is included.

Simpson Spence & Young Hong Kong Ltd. does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group. Simpson Spence & Young Hong Kong Ltd. has given and has not withdrawn its written consent to the issue of this circular with the expert's statement included in the form and context in which it is included.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company in Hong Kong at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong upto and including 27 December 2006:

(a) Memorandum and Articles of Association of the Company;

(b) the 2004 and 2005 annual reports of the Company for the two financial years ended 31 December 2004 and 2005 respectively;

(c) the interim report of the Company for the six months ended 30 June 2006;

(d) the material contracts as disclosed in this circular;

(e) the circular issued by the Company dated 27 January 2006, in relation to a major transaction regarding the acquisition of two vessels;

(f) the circular issued by the Company dated 16 February 2006 in relation to a major transaction regarding the acquisition of a vessel;

(g) the circular issued by the Company dated 13 April 2006 in relation to the proposed amendments to the Articles of Association, general mandates to issue new shares and to repurchase shares, re-election of a retiring director and notice of annual general meeting;

(h) the circular issued by the Company dated 6 May 2006 in relation to two discloseable transactions regarding the disposal of two vessels;

(i) the circular issued by the Company dated 19 May 2006 in relation to a very substantial disposal regarding the disposal of two vessels and notice of extraordinary general meeting;

(j) the circular issued by the Company dated 30 May 2006 in relation to a discloseable transaction regarding the disposal of a vessel;

(k) the circular issued by the Company dated 4 July 2006 in relation to a major transaction regarding the acquisition of a vessel;

(l) the circular issued by the Company dated 26 July 2006 in relation to a major transaction regarding the acquisition of a vessel;

(m) the circular issued by the Company dated 24 August 2006 in relation to a discloseable transaction regarding the acquisition of a vessel;

(n) the circular issued by the Company dated 30 August 2006 in relation to a major transaction regarding the acquisition of a vessel;

(o) the circular issued by the Company dated 18 September 2006 in relation to a major transaction regarding the acquisition of a vessel;

(p) the circular issued by the Company dated 6 October 2006 in relation to a major transaction regarding the acquisition of a vessel and guarantee in connection with an acquisition of a vessel;

(q) the circular issued by the Company dated 3 November 2006 in relation to a discloseable transaction regarding the acquisition of a vessel;

(r) the circular issued by the Company dated 24 November 2006 in relation to a major transaction regarding the acquisition of two vessels;

(s) the written approval dated 22 November 2006 given by Fairline in relation to the Acquisition; and

(t) all reports, letters or documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this circular.

GENERAL

(a) The secretary and the qualified accountant of the Company is Ms Ho Suk Lin, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(b) The registered office of the Company is situated at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong.

(c) The principal share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.