THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Jinhui Holdings Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

VERY SUBSTANTIAL ACQUISITION ACQUISITION OF EIGHT VESSELS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice dated 20 June 2007 convening the extraordinary general meeting of Jinhui Holdings Company Limited to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 9 July 2007 at 9:30 a.m. is reproduced on pages IV-1 and IV-2 of this circular for information only.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so desire.

20 June 2007

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

"Acquisition"	the acquisition of the Eight Vessels under the Eight Agreements respectively;
"associates"	has the same meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Builder"	Shanghai Shipyard Co., Ltd., a wholly-owned subsidiary of CSSC, established under the Laws of the People's Republic of China;
"Capesize"	a dry bulk vessel of deadweight approximately 150,000 metric tons or above;
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"Company"	Jinhui Holdings Company Limited;
"CSSC"	China State Shipbuilding Corporation, one of the largest state-owned shipbuilding group in China;
"CSTC"	China Shipbuilding Trading Company, Limited, a wholly-owned subsidiary of CSSC;
"Directors"	the directors of the Company;
"Eight Agreements"	collectively, the First Agreement, the Second Agreement, the Third Agreement, the Fourth Agreement, the Fifth Agreement, the Sixth Agreement, the Seventh Agreement and the Eighth Agreement;
"Eight Shipbuilding Contracts"	collectively, the First Shipbuilding Contract, the Second Shipbuilding Contract, the Third Shipbuilding Contract, the Fourth Shipbuilding Contract, the Fifth Shipbuilding Contract, the Sixth Shipbuilding Contract, the Seventh Shipbuilding Contract and the Eighth Shipbuilding Contract;
"Eight Vessels"	collectively, the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel, the Fifth Vessel, the Sixth Vessel, the Seventh Vessel and the Eighth Vessel;

"Eighth Acquisition"	the acquisition of the Eighth Vessel under the Eighth Agreement;
"Eighth Agreement"	the agreement dated 30 May 2007 entered into between Jinyue, the Vendor, CSTC and the Builder in respect of the acquisition of the Eighth Vessel;
"Eighth Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Eighth Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Eighth Vessel, and to sell and deliver the Eighth Vessel to the Vendor;
"Eighth Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 30 June 2010;
"Extraordinary General Meeting" or "EGM"	an extraordinary general meeting of the Company to be convened at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 9 July 2007 at 9:30 a.m. for approving the Acquisition;
"Fairline"	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company holding 336,013,280 Shares which represent approximately 64.67 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;
"Fifth Acquisition"	the acquisition of the Fifth Vessel under the Fifth Agreement;
"Fifth Agreement"	the agreement dated 30 May 2007 entered into between Jinji, the Vendor, CSTC and the Builder in respect of the acquisition of the Fifth Vessel;
"Fifth Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Fifth Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Fifth Vessel, and to sell and deliver the Fifth Vessel to the Vendor;
"Fifth Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 30 September 2009;

"First Acquisition"	the acquisition of the First Vessel under the First Agreement;
"First Agreement"	the agreement dated 30 May 2007 entered into between Jinsui, the Vendor, CSTC and the Builder in respect of the acquisition of the First Vessel;
"First Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the First Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the First Vessel, and to sell and deliver the First Vessel to the Vendor;
"First Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 31 October 2008;
"Fourth Acquisition"	the acquisition of the Fourth Vessel under the Fourth Agreement;
"Fourth Agreement"	the agreement dated 30 May 2007 entered into between Jingang, the Vendor, CSTC and the Builder in respect of the acquisition of the Fourth Vessel;
"Fourth Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Fourth Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Fourth Vessel, and to sell and deliver the Fourth Vessel to the Vendor;
"Fourth Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 30 June 2009;
"Group"	the Company and its subsidiaries;
"Handymax"	a dry cargo vessel of deadweight approximately 45,000 metric tons;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jinao"	Jinao Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jingang"	Jingang Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;

"Jinhui Shipping"	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.62 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;
"Jinji"	Jinji Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinjun"	Jinjun Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinsui"	Jinsui Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jintong"	Jintong Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinwan"	Jinwan Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinyue"	Jinyue Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Latest Practicable Date"	15 June 2007, 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;
"Panamax"	a vessel of deadweight approximately 70,000 metric tons and is designed to be just small enough to transit the Panama Canal;
"Refund Guarantee(s)"	the guarantee(s) to be issued by CSTC's bank in favour of each of Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively whereby CSTC's bank will guarantee the refund of any sum received by CSTC to each of Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively if the delivery of any of the Eight Vessels is not effected according to the agreed date of delivery respectively;
"Second Acquisition"	the acquisition of the Second Vessel under the Second Agreement;

"Second Agreement"	the agreement dated 30 May 2007 entered into between Jintong, the Vendor, CSTC and the Builder in respect of the acquisition of the Second Vessel;
"Second Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Second Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Second Vessel, and to sell and deliver the Second Vessel to the Vendor;
"Second Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 31 December 2008;
"Seventh Acquisition"	the acquisition of the Seventh Vessel under the Seventh Agreement;
"Seventh Agreement"	the agreement dated 30 May 2007 entered into between Jinao, the Vendor, CSTC and the Builder in respect of the acquisition of the Seventh Vessel;
"Seventh Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Seventh Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Seventh Vessel, and to sell and deliver the Seventh Vessel to the Vendor;
"Seventh Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 31 March 2010;
"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;
"Sixth Acquisition"	the acquisition of the Sixth Vessel under the Sixth Agreement;
"Sixth Agreement"	the agreement dated 30 May 2007 entered into between Jinjun, the Vendor, CSTC and the Builder in respect of the acquisition of the Sixth Vessel;

"Sixth Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Sixth Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Sixth Vessel, and to sell and deliver the Sixth Vessel to the Vendor;
"Sixth Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 31 December 2009;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supramax(es)"	dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
"Third Acquisition"	the acquisition of the Third Vessel under the Third Agreement;
"Third Agreement"	the agreement dated 30 May 2007 entered into between Jinwan, the Vendor, CSTC and the Builder in respect of the acquisition of the Third Vessel;
"Third Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, CSTC and the Builder dated 4 December 2006 where the Vendor has agreed to purchase the Third Vessel from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Third Vessel, and to sell and deliver the Third Vessel to the Vendor;
"Third Vessel"	a deadweight 57,000 metric tons type bulk carrier to be delivered on or before 31 March 2009;
"Vendor"	Dragonmark International Inc., a company incorporated in the British Virgin Islands;
"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

20 June 2007

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

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF EIGHT VESSELS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Directors refer to the announcement of the Company dated 30 May 2007 in relation to the acquisition of the Eight Vessels by Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively from the Vendor pursuant to the Eight Agreements all dated 30 May 2007.

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

THE AGREEMENTS

Purchasers

Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue, all are ship owning companies and wholly-owned subsidiaries of Jinhui Shipping, which are in turn approximately 54.62 per cent. owned subsidiaries of the Company at the Latest Practicable Date.

Vendor

The Vendor is a private investment company registered in the British Virgin Islands, which is in the business of wide range of international investments. 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.

Background of the Acquisition

The Vendor has entered into the Eight Shipbuilding Contracts with CSTC and the Builder, whereby the Vendor has agreed to purchase the Eight Vessels from CSTC and CSTC has agreed to cause the Builder to build, launch, equip and complete the Eight Vessels, and to sell and deliver the Eight Vessels to the Vendor.

Pursuant to the Eight Agreements dated 30 May 2007, the Vendor, CSTC and the Builder have agreed to transfer all the rights and obligations of the Vendor under the Eight Shipbuilding Contracts to Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue whereby CSTC will cause the Builder to build, launch, equip and complete at the Builder's shipyard in China and to sell and deliver the First Vessel to Jinsui, the Second Vessel to Jintong, the Third Vessel to Jinwan, the Fourth Vessel to Jingang, the Fifth Vessel to Jinji, the Sixth Vessel to Jinjun, the Seventh Vessel to Jinao and the Eighth Vessel to Jinyue. Each of the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel, the Fifth Vessel, the Sixth Vessel, the Seventh Vessel and the Eighth Vessel is a Supramax of deadweight 57,000 metric tons and is proposed to be used for chartering out to gain operating income by Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively after delivery. The First Agreement, the Second Agreement, the Third Agreement, the Fourth Agreement, the Fifth Agreement, the Sixth Agreement, the Seventh Agreement and the Eighth Agreement are all separate and not inter-conditional of each other.

CSTC and the Builder are wholly-owned subsidiaries of CSSC, one of the largest state-owned shipbuilding group in China. CSTC is responsible for all marketing and commercial functions for CSSC and the Builder is responsible for the actual shipbuilding, ship-repairing, steel structure, offshore engineering, pressure containers and electromechanical products. The Builder covers an area of more than 2.8 million square meters with quays extending to a total length of 4,782 meters, scattering at Pudong and Puxi along Huangpu River, South Coast of Chongming Island at the mouth of Yangtze River as well as south bank of Yangtze River in Jiangyin City, Jiangsu Province. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, CSTC, the Builder and CSSC are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

After the Acquisition, the Group's property, plant and equipment will increase by the amount of purchase prices of the Eight Vessels, the current assets will decrease by the amount of purchase prices funded by internal resources and the liabilities will increase by the amount of purchase prices funded by bank financing.

Consideration of the First Vessel

Subject to certain provisions for adjustment to the purchase price of the First Vessel contained in the First Agreement relating to, amongst other things, delay in delivery of the First Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the First Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinsui as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the First Vessel which is expected to be around February 2008;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the First Vessel which is expected to be around July 2008;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the First Vessel which is expected to be around August 2008; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the First Vessel on or before 31 October 2008.

Consideration of the Second Vessel

Subject to certain provisions for adjustment to the purchase price of the Second Vessel contained in the Second Agreement relating to, amongst other things, delay in delivery of the Second Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Second Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jintong as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Second Vessel which is expected to be around April 2008;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Second Vessel which is expected to be around September 2008;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Second Vessel which is expected to be around October 2008; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Second Vessel on or before 31 December 2008.

Consideration of the Third Vessel

Subject to certain provisions for adjustment to the purchase price of the Third Vessel contained in the Third Agreement relating to, amongst other things, delay in delivery of the Third Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Third Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinwan as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Third Vessel which is expected to be around July 2008;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Third Vessel which is expected to be around December 2008;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Third Vessel which is expected to be around January 2009; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Third Vessel on or before 31 March 2009.

Consideration of the Fourth Vessel

Subject to certain provisions for adjustment to the purchase price of the Fourth Vessel contained in the Fourth Agreement relating to, amongst other things, delay in delivery of the Fourth Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Fourth Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jingang as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Fourth Vessel which is expected to be around October 2008;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Fourth Vessel which is expected to be around March 2009;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Fourth Vessel which is expected to be around April 2009; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Fourth Vessel on or before 30 June 2009.

Consideration of the Fifth Vessel

Subject to certain provisions for adjustment to the purchase price of the Fifth Vessel contained in the Fifth Agreement relating to, amongst other things, delay in delivery of the Fifth Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Fifth Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinji as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Fifth Vessel which is expected to be around January 2009;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Fifth Vessel which is expected to be around June 2009;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Fifth Vessel which is expected to be around July 2009; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Fifth Vessel on or before 30 September 2009.

Consideration of the Sixth Vessel

Subject to certain provisions for adjustment to the purchase price of the Sixth Vessel contained in the Sixth Agreement relating to, amongst other things, delay in delivery of the Sixth Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Sixth Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinjun as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Sixth Vessel which is expected to be around April 2009;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Sixth Vessel which is expected to be around September 2009;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Sixth Vessel which is expected to be around October 2009; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Sixth Vessel on or before 31 December 2009.

Consideration of the Seventh Vessel

Subject to certain provisions for adjustment to the purchase price of the Seventh Vessel contained in the Seventh Agreement relating to, amongst other things, delay in delivery of the Seventh Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Seventh Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinao as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Seventh Vessel which is expected to be around July 2009;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Seventh Vessel which is expected to be around December 2009;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Seventh Vessel which is expected to be around January 2010; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Seventh Vessel on or before 31 March 2010.

Consideration of the Eighth Vessel

Subject to certain provisions for adjustment to the purchase price of the Eighth Vessel contained in the Eighth Agreement relating to, amongst other things, delay in delivery of the Eighth Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Eighth Vessel is US$41,000,000 (approximately HK$319,800,000) and is payable by Jinyue as follows:

(1) the first installment in the sum of US$12,300,000 (approximately HK$95,940,000) shall become due and payable within three business days after receipt of the Refund Guarantee which is expected to be on or around 21 June 2007;

(2) the second installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after receipt of the Refund Guarantee covering the 2nd, the 3rd and the 4th installment and the cutting of the first steel plate of the Eighth Vessel which is expected to be around October 2009;

(3) the third installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after keel-laying of the first section of the Eighth Vessel which is expected to be around March 2010;

(4) the fourth installment in the sum of US$4,100,000 (approximately HK$31,980,000) shall become due and payable within three business days after launching of the Eighth Vessel which is expected to be around April 2010; and

(5) the last installment in the sum of US$16,400,000 (approximately HK$127,920,000) shall become due and payable concurrently with delivery of the Eighth Vessel on or before 30 June 2010.

The total purchase price of the Eight Vessels is US$328,000,000 (approximately HK$2,558,400,000), which will be payable by cash in United States Dollars. It is currently expected that approximately 70 per cent. of the total purchase price will be funded by bank financing and approximately 30 per cent. will be funded by internal resources of the Group. Each of the purchase prices of the Eight Vessels was determined by reference to current market values of similar type of vessels and on the basis of arm's length negotiations.

Delivery

The First Agreement provides for the delivery of the First Vessel on or before 31 October 2008 to Jinsui in Shanghai, China; the Second Agreement provides for the delivery of the Second Vessel on or before 31 December 2008 to Jintong in Shanghai, China; the Third Agreement provides for the delivery of the Third Vessel on or before 31 March 2009 to Jinwan in Shanghai, China; the Fourth Agreement provides for the delivery of the Fourth Vessel on or before 30 June 2009 to Jingang in Shanghai, China; the Fifth Agreement provides for the delivery of the Fifth Vessel on or before 30 September 2009 to Jinji in Shanghai, China; the Sixth Agreement provides for the delivery of the Sixth Vessel on or before 31 December 2009 to Jinjun in Shanghai, China; the Seventh Agreement provides for the delivery of the Seventh Vessel on or before 31 March 2010 to Jinao in Shanghai, China; and the Eighth Agreement provides for the delivery of the Eighth Vessel on or before 30 June 2010 to Jinyue in Shanghai, China. If there is any delay in delivery of the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel, the Fifth Vessel, the Sixth Vessel, the Seventh Vessel or the Eighth Vessel which continues for a period of 180 days from the thirty-first day after the agreed delivery date, then after such period has expired, Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao or Jinyue (as the case may be) may at its option rescind the First Agreement, the Second Agreement, the Third Agreement, the Fourth Agreement, the Fifth Agreement, the Sixth Agreement, the Seventh Agreement or the Eighth Agreement (as the case may be). CSTC shall thereupon promptly refund to Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao or Jinyue (as the case may be) in United States Dollars the full amount of all sums received by CSTC together with interest accrued thereon at an agreed rate from the date of receipt by CSTC of such amount to the date of full payment to Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao or Jinyue (as the case may be) of such amount.

Refund Guarantees will be issued by CSTC's bank in favour of each of Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively whereby CSTC's bank will guarantee the refund of any sum received by CSTC to each of Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue respectively if the delivery of any of the Eight Vessels is not effected according to the agreed date of delivery respectively.

Undertaking by the Builder

The Eight Agreements were also signed by the Builder for the purpose of an undertaking on its part to duly perform all the terms and conditions stipulated in the Eight Agreements to be performed by a shipbuilder including the undertaking to remedy Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue free of charge for any defects in the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel, the Fifth Vessel, the Sixth Vessel, the Seventh Vessel and the Eighth Vessel respectively which are due to defective material and/or poor workmanship on the part of the Builder and/or its subcontractors within a period of twelve months after the date of delivery of the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel, the Fifth Vessel, the Sixth Vessel, the Seventh Vessel and the Eighth Vessel respectively.

GUARANTEES BY JINHUI SHIPPING

Jinhui Shipping, the intermediate holding company of Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue, also executed on 30 May 2007 eight guarantees in favour of CSTC pursuant to which Jinhui Shipping agrees to guarantee the full and punctual payment of the purchase prices by Jinsui, Jintong, Jinwan, Jingang, Jinji, Jinjun, Jinao and Jinyue in accordance with the terms of the Eight Agreements respectively.

REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The Eight Vessels are Supramaxes. The Acquisition will enable the Group to concentrate on maintaining a fleet of grabs fitted Supramaxes 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 thirteen modern grabs fitted Supramaxes (including one Supramax which will be disposed by the Group later in 2007 as announced by the Company on 8 May 2007), one modern Panamax and one modern Capesize. After the Acquisition and taking into account the disposal of two Supramax newbuildings as announced by the Company on 22 May 2007, the Group will have additional twenty-one newly built grabs fitted Supramaxes and one second hand Handymax for delivery going forward, where three of which will be delivered in 2007, five in 2008, six in 2009, five in 2010, two in 2011 and one in 2012.

The terms and conditions of the Eight Agreements 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.

FINANCIAL AND TRADING PROSPECTS

The Group will continue to focus on its core business of international ship chartering, ship owning and trading, and has no present plan to diversify or invest into other business activities.

The Directors believe that after taking into account the present available credit facilities and internal resources of the Group, the Group has sufficient working capital for its present requirements for at least twelve months from date of this circular.

EXTRAORDINARY GENERAL MEETING

Notice of the EGM is set out on pages IV-1 and IV-2 of this circular. At the EGM, the ordinary resolutions will be proposed to approve the First Acquisition, the Second Acquisition, the Third Acquisition, the Fourth Acquisition, the Fifth Acquisition, the Sixth Acquisition, the Seventh Acquisition, the Eighth Acquisition and the Acquisition (in aggregate).

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

RECOMMENDATION

The Directors consider that the Acquisition is beneficial to the Company and its shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the First Acquisition, the Second Acquisition, the Third Acquisition, the Fourth Acquisition, the Fifth Acquisition, the Sixth Acquisition, the Seventh Acquisition, the Eighth Acquisition and the Acquisition (in aggregate).

GENERAL

Under the Listing Rules, the Acquisition constitutes a very substantial acquisition for the Company and is conditional upon the passing of ordinary resolutions by the Shareholders approving the Acquisition in the EGM. Fairline, the controlling shareholder of the Company holding 336,013,280 Shares which represent approximately 64.67 per cent. of the issued share capital of the Company and voting rights in general meetings of the Company, and 480,000 Jinhui Shipping Shares, has given to the Company a written irrevocable approval in relation to the Acquisition. Fairline is not interested in the Acquisition other than through its shareholding interest in the Company and Jinhui Shipping.

According to Rule 14.69(4)(b) of the Listing Rules, on an acquisition of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation, certain historical financial information and valuation of the assets being acquired and pro forma financial information of the listed issuer's group combined with the assets being acquired should be included in the circular for a very substantial acquisition. The Eight Vessels do not currently exist and there is no identifiable income stream or asset valuation available as at date of this circular. Hence, such information for the three preceding financial years required under Rule 14.69(4)(b) of the Listing Rules would not be available.

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 audited consolidated financial statements of the Group for each of three years ended 31 December 2006 as extracted from the relevant reports of the Company.

Consolidated Income Statement

	Year ended 31 December		
	2006	**2005**	**2004**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,550,763	1,985,235	1,974,661
Profit from operations	477,077	869,660	412,922
Interest income	20,067	13,983	4,165
Interest expenses	(76,052)	(40,213)	(22,972)
Profit before taxation	421,092	843,430	394,115
Taxation	(2,796)	(2,474)	(2,608)
Net profit for the year	418,296	840,956	391,507
Attributable to:			
Shareholders of the Company	223,192	526,862	227,514
Minority interests	195,104	314,094	163,993
	418,296	840,956	391,507
Dividends per share	–	HK$0.190	HK$0.120
Basic earnings per share	HK$0.421	HK$0.992	HK$0.432
Diluted earnings per share	HK$0.418	HK$0.982	HK$0.432

Consolidated Balance Sheet

	At 31 December		
	2006	**2005**	**2004**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Property, plant and equipment	2,974,957	2,319,229	1,234,823
Investment properties	32,314	35,000	24,500
Goodwill	39,040	39,040	46,348
Available-for-sale financial assets	37,763	36,938	35,257
Intangible asset	1,555	–	105
Interests in an associate	–	–	(25)
Other non-current assets	21,374	28,827	34,076
Current assets	884,768	757,381	1,251,242
Current liabilities	(401,069)	(373,230)	(1,092,536)
Non-current liabilities	(1,430,965)	(1,005,205)	(414,872)
Net assets	2,159,737	1,837,980	1,118,918
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	52,538	53,394	52,624
Reserves	1,248,579	1,058,258	667,599
	1,301,117	1,111,652	720,223
Minority interests	858,620	726,328	398,695
Total equity	2,159,737	1,837,980	1,118,918

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 2006 together with accompanying notes.

Consolidated Income Statement
Year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	3	1,550,763	1,985,235
Gain on disposal of motor vessels		209,673	–
Cancellation fee income	4	–	156,000
Gain on disposal of partial interests in a subsidiary	30(c)	–	102,855
Other operating income		61,529	93,792
Shipping related expenses		(789,137)	(948,959)
Cost of trading goods sold		(297,149)	(276,860)
Depreciation and amortization		(104,878)	(94,072)
Staff costs	5	(83,833)	(66,128)
Other operating expenses		(69,891)	(82,203)
Profit from operations	6	477,077	869,660
Interest income		20,067	13,983
Interest expenses	7	(76,052)	(40,213)
Profit before taxation		421,092	843,430
Taxation	8	(2,796)	(2,474)
Net profit for the year		418,296	840,956
Attributable to:			
Shareholders of the Company		223,192	526,862
Minority interests		195,104	314,094
		418,296	840,956
Earnings per share for net profit attributable to shareholders of the Company			
– Basic	13(a)	HK$0.421	HK$0.992
– Diluted	13(b)	HK$0.418	HK$0.982

Balance Sheets

At 31 December 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	2,974,957	2,319,229	–	–
Investment properties	*15*	32,314	35,000	–	–
Goodwill	*16*	39,040	39,040	–	–
Available-for-sale financial assets	*17*	37,763	36,938	6,541	6,260
Intangible asset	*18*	1,555	–	–	–
Investments in subsidiaries	*19*	–	–	375,008	296,257
Other non-current assets	*20*	21,374	28,827	–	–
		3,107,003	2,459,034	381,549	302,517
Current assets					
Inventories	*21*	13,591	16,649	–	–
Trade and other receivables	*22*	250,160	225,720	499	21,364
Financial assets at fair value through profit or loss	*23*	182,694	99,788	53,844	42,475
Due from subsidiaries	*24*	–	–	183,060	135,138
Pledged deposits	*32(b)*	70,273	19,610	38,866	–
Bank balances and cash		368,050	395,614	49,984	172,294
		884,768	757,381	326,253	371,271
Current liabilities					
Trade and other payables	*25*	189,307	185,031	11,953	7,037
Financial liabilities at fair value through profit or loss	*23*	33,379	30,323	3,540	153
Taxation		2,432	3,278	–	–
Secured bank loans	*26*	175,951	154,598	–	–
		401,069	373,230	15,493	7,190
Net current assets		483,699	384,151	310,760	364,081
Total assets less current liabilities		3,590,702	2,843,185	692,309	666,598
Non-current liabilities					
Secured bank loans	*26*	1,430,965	1,005,205	–	–
Net assets		2,159,737	1,837,980	692,309	666,598

Balance Sheets
At 31 December 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	*27*	52,538	53,394	52,538	53,394
Reserves	*29*	1,248,579	1,058,258	639,771	613,204
		1,301,117	1,111,652	692,309	666,598
Minority interests		858,620	726,328	–	–
Total equity		2,159,737	1,837,980	692,309	666,598

Statements of Changes in Equity

Year ended 31 December 2006

Group

	Attributable to shareholders of the Company									
	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Other asset revaluation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2005	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
	770	11,476	–	–	–	12,671	(165,069)	(140,152)	13,539	(126,613)
At 31 December 2005 and 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	–	–	–	–	825	–	–	825	–	825
Net income (expenses) recognized directly in equity	–	–	–	(4,578)	825	–	–	(3,753)	–	(3,753)
Net profit for the year	–	–	–	–	–	–	223,192	223,192	195,104	418,296
Total recognized income (expenses)	–	–	–	(4,578)	825	–	223,192	219,439	195,104	414,543
Dividend to minority interests	–	–	–	–	–	–	–	–	(23,500)	(23,500)
Shares issued upon exercise of share options	59	891	–	–	–	–	–	950	–	950
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	–	(12)	–	(12)
Employee share option benefits	–	–	–	–	–	13,588	–	13,588	9,959	23,547
Repurchase of own shares	(915)	–	915	–	–	–	(15,020)	(15,020)	–	(15,020)
Acquisition of minority interests in a subsidiary	–	–	–	–	–	–	(29,480)	(29,480)	(49,271)	(78,751)
	(856)	879	915	–	–	13,588	(44,500)	(29,974)	(62,812)	(92,786)
At 31 December 2006	52,538	301,088	2,938	3,038	2,506	26,259	912,750	1,301,117	858,620	2,159,737

Statements of Changes in Equity

Year ended 31 December 2006

Company

	Issued capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Reserve for available-for-sale financial assets *HK$'000*	Employee share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2005	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
	770	11,476	–	–	3,017	(165,069)	(149,806)
At 31 December 2005 and 1 January 2006	53,394	300,209	2,023	1,260	3,017	306,695	666,598
Gain on revaluation of available-for-sale financial assets	–	–	–	281	–	–	281
Net income recognized directly in equity	–	–	–	281	–	–	281
Net profit for the year	–	–	–	–	–	35,980	35,980
Total recognized income	–	–	–	281	–	35,980	36,261
Shares issued upon exercise of share options	59	891	–	–	–	–	950
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	(12)
Employee share option benefits	–	–	–	–	3,532	–	3,532
Repurchase of own shares	(915)	–	915	–	–	(15,020)	(15,020)
	(856)	879	915	–	3,532	(15,020)	(10,550)
At 31 December 2006	52,538	301,088	2,938	1,541	6,549	327,655	692,309

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	*30(a)*	330,465	497,521
Claim received		–	2,323
Interest paid		(72,316)	(34,939)
Hong Kong Profits Tax paid		(3,592)	(1,631)
Net cash from operating activities		254,557	463,274
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,307,978)	(1,173,839)
Purchase of investment properties		(22,587)	–
Purchase of intangible asset		(1,599)	–
Proceeds from disposal of property, plant and equipment		771,250	717
Proceeds from disposal of an investment property		27,109	–
Deposits paid for purchase of motor vessels		(77,415)	–
Net cash outflow on disposal of a subsidiary	*30(b)(ii)*	(12)	–
Net cash outflow on acquisition of partial interests in a subsidiary		(78,751)	–
Net cash inflow on disposal of partial interests in a subsidiary	*30(c)*	–	248,349
Interest received		19,381	13,662
Net amount of loan received		2,012	12,455
Dividend income received from listed securities		386	823
Dividend income received from unlisted investment		7,917	3,866
Net cash used in investing activities		(660,287)	(893,967)
FINANCING ACTIVITIES			
New secured bank loans		1,205,905	733,293
Repayment of secured bank loans		(730,638)	(81,772)
(Increase) Decrease in pledged deposits		(56,255)	3,912
Dividend paid to shareholders of the Company		–	(165,069)
Dividend paid to minority interests		(26,764)	(128,824)
Proceeds from exercise of share options		950	12,317
Share issuance expenses related to exercise of share options		(12)	(71)
Repurchase of own shares		(15,020)	–
Net cash from financing activities		378,166	373,786
Net decrease in cash and cash equivalents		(27,564)	(56,907)
Cash and cash equivalents at 1 January		395,614	452,521
Cash and cash equivalents at 31 December	*30(d)*	368,050	395,614

Notes to the Financial Statements

Year ended 31 December 2006

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 27.

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 ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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 accounting policies adopted in the current year are consistent with those of the last year except that the Group has adopted HKAS 39 and HKFRS 4 Amendments "Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts". The adoption of this amendment did not have significant effects on the financial statements of the Group and the Company.

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 revaluation of a leasehold land and building and fair value measurement of investment properties, financial assets or financial liabilities at fair value through profit or loss and unlisted club debentures which are included in available-for-sale financial assets.

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 subsidiaries is initially measured at cost, being the excess of the cost of the business combination over 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. Goodwill on acquisition of subsidiaries 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 Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost

On acquisition of subsidiaries, if 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 exceeds the cost of business combination, the Group 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 is recognized immediately in the income statement.

Acquisition of minority interests in a subsidiary

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

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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.

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 on straight-line basis 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 financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity 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 entities denominated in currencies other than Hong Kong Dollars 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 these entities are recognized in a separate component of equity and recognized in the income statement on disposal of these entities.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor 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 term.

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 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 a leasehold land and building which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of the entire class of leasehold land and buildings is carried out.

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

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 are available for use.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment (as specified below) over their estimated useful lives from the date on which they become available for use 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

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, these also include properties that are held under operating lease with the same purposes and carry at fair value. 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 sale proceeds and the carrying amount of the asset and is recognized in the income statement upon disposal.

The fair values of investment properties are based on valuations by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the properties 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.

Intangible asset

Intangible asset represents club entrance fee and is amortized on a straight-line basis over 36 years.

Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment, investments in subsidiaries, deferred drydocking expenses and intangible asset 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 costs 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.

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 financial instruments. Financial assets and financial liabilities are initially recognized at cost, being the fair value of the consideration given or received 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 classifies its financial assets and financial liabilities in the following categories:

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

Financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading. Derivative financial instruments, including equity linked investments, bank deposits with embedded derivatives, interest rate swaps, forward foreign exchange contracts and options, securities derivatives and forward freight agreements are stated at fair value.

At balance sheet date, the financial assets or financial liabilities are measured at fair value by reference to price quotations for equivalent instruments in an active market provided by financial institutions. Any changes in fair value are recognized in the income statement.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortized cost, using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. 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 original market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for loans and 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 changes in value recognized as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time, the cumulative loss that had been recognized directly in equity is removed 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 asset previously recognized in the income statement. Any subsequent increases in fair value of the available-for-sale financial assets are not reversed through the income statement and reversal of impairment losses is recognized directly in equity.

Available-for-sale equity instruments 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 unlisted investment is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the unlisted investment 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. Such impairment losses will not be reversed in subsequent periods.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings. All financial liabilities except for derivatives are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognized as deferred income within trade and other payables at fair value, where such information is available, otherwise, it is recognized at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognized, less accumulated amortization, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

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 the 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 goodwill, pledged deposits, bank balances and cash, bank overdrafts, interest income, interest expenses and tax 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 the building 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$84,610,000 (2005: HK$118,919,000). 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 HKFRS that are not yet effective. The Group has already commenced an assessment of these HKFRS which are effective for accounting periods beginning on or after 1 January 2007 but is not yet in a position to state whether these HKFRS 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 these new HKFRS and other significant changes may be identified as a result.

3. 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	
	2006	**2005**
	HK$'000	*HK$'000*
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	591,176	645,302
Other chartering freight and hire income	626,825	1,027,490
Trading	332,762	312,443
	1,550,763	1,985,235
Other revenue		
Dividend income from listed securities	386	823
Dividend income from unlisted investment	10,902	11,783
Interest income	20,067	13,983
Revenue	1,582,118	2,011,824

4. CANCELLATION FEE INCOME

The amount for year 2005 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 up to seven years from October 2001.

5. STAFF COSTS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Directors' other emoluments:		
Salaries and other benefits	23,989	12,606
Employee share-based payments	20,807	17,373
Contributions to retirement benefits schemes	90	88
Employees other than Directors:		
Salaries and other benefits	34,413	31,648
Employee share-based payments	2,740	2,739
Contributions to retirement benefits schemes	1,794	1,674
	83,833	66,128

At balance sheet date, the Group had 105 full-time employees and 293 crew (2005: 107 full-time employees and 330 crew).

6. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Auditors' remuneration		
Audit service	1,308	908
Other non-audit related services	1,232	190
Cost of inventories	298,083	279,688
Amortization of intangible asset	44	–
Hire payments under time charters	575,381	725,755
Operating lease payments in respect of premises	4,337	4,579
Net exchange (gain) loss	(4,718)	12,699
Net loss on financial assets and financial liabilities at fair value through profit or loss	12,606	23,255
Loss on written off of an intangible asset	–	105
Gain on disposal/written off of property, plant and equipment, other than motor vessels	(81)	(146)
Gain on disposal of an investment property	(1,609)	–
Reversal of impairment loss of property, plant and equipment included in other operating income	(11,568)	(11,234)
Gain on disposal of a subsidiary	(173)	–
Provision for bad and doubtful debts	2,422	2,160
Recovery of claim receivable	–	(2,323)
Retirement benefits schemes contributions	1,884	1,762
Revaluation surplus of investment properties	(227)	(1,438)
Gross rental income from operating leases on investment properties	(575)	(455)
Direct operating expenses arising from investment properties that generated rental income	102	253

7. INTEREST EXPENSES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts:		
Wholly repayable within five years	19,803	5,447
Not wholly repayable within five years	56,249	34,766
	76,052	40,213

8. TAXATION

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	2,796	2,456
Under provision in prior years	–	18
	2,796	2,474

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 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 2006	Group 2005
	HK$'000	*HK$'000*
Profit before taxation	421,092	843,430
Income tax at the rates applicable to profits in the tax jurisdiction concerned	4,794	26,520
Non-deductible expenses	2,223	1,019
Tax exempt revenue	(8,253)	(36,881)
Unrecognized tax losses	8,466	12,605
Unrecognized temporary differences	(977)	(798)
Utilization of previously unrecognized tax losses	(3,586)	(2)
Under provision in prior years	–	18
Others	129	(7)
Tax expense for the year	2,796	2,474

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

9. DIRECTORS' EMOLUMENTS

Name	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits schemes	Sub-total	Employee share-based payments*	2006 Total	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors								
Ng Siu Fai	1,933	1,157	8,820	14	11,924	11,568	23,492	17,192
Ng Kam Wah Thomas	1,933	960	8,720	15	11,628	8,094	19,722	13,281
Ng Ki Hung Frankie	1,326	1,066	1,820	15	4,227	1,145	5,372	3,421
Ho Suk Lin	780	818	628	46	2,272	–	2,272	2,145
Independent Non-executive Directors								
Cui Jianhua	100	–	–	–	100	–	100	100
Tsui Che Yin Frank	235	–	–	–	235	–	235	115
William Yau	190	–	–	–	190	–	190	95
	6,497	4,001	19,988	90	30,576	20,807	51,383	36,349

*Note *: These employee share-based payments are recognized under HKFRS 2 as disclosed in note 28 in relation to the share options granted by the Company to Directors.*

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2005: four) Directors whose details of emoluments are set out in note 9 above. Emoluments of the remaining one (2005: 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 2006	Group 2005
	HK$'000	*HK$'000*
Salaries and other benefits	1,797	1,786
Discretionary bonus	231	231
Employee share-based payments	165	165
Contributions to retirement benefits schemes	30	30
	2,223	2,212

11. NET PROFIT FOR THE YEAR

The consolidated net profit attributable to shareholders of the Company for the year included a net profit of HK$8,278,000 (2005: HK$172,708,000) which has been dealt with in the financial statements of the Company.

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

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Amount of consolidated net profit attributable to shareholders dealt with in the Company's financial statements	8,278	172,708
Dividends from a subsidiary attributable to the net profit for the year	23,700	162,911
Other transactions with subsidiaries	4,002	3,346
Company's net profit for the year	35,980	338,965

12. DIVIDENDS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Interim dividend declared during the year		
2005 interim dividend of HK$0.19 per share declared and paid	–	101,356

The Board has resolved not to recommend the payment of any final dividend for the year (2005: nil). As there is no interim dividend payable during the year (2005: HK$0.19 per share), there will be no dividend distribution for the whole year of 2006 (2005: HK$0.19 per share).

13. 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$223,192,000 (2005: HK$526,862,000) and the weighted average number of 529,673,508 (2005: 531,337,466) 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$223,192,000 (2005: HK$526,862,000) 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:

	2006 Number of shares	**2005 Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	529,673,508	531,337,466
Deemed issue of ordinary shares on granting of share options	4,208,112	5,357,026
	533,881,620	536,694,492

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings 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 2005	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
Reclassification	–	257,944	(257,944)	–	–	–
Additions	300	891,266	411,888	–	4,524	1,307,978
Disposals/written off	–	(853,014)	–	(488)	(1,917)	(855,419)
At 31 December 2006	203,396	2,882,176	257,872	322	36,426	3,380,192
Accumulated depreciation and impairment losses						
At 1 January 2005	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
Charge for the year	4,321	97,651	–	16	2,846	104,834
Eliminated on disposals/written off	–	(294,390)	–	(488)	(1,557)	(296,435)
Impairment loss reversed	(11,568)	–	–	–	–	(11,568)
At 31 December 2006	100,919	274,396	–	299	29,621	405,235
Net book value						
At 31 December 2006	102,477	2,607,780	257,872	23	6,805	2,974,957
At 31 December 2005	94,930	2,114,845	103,928	39	5,487	2,319,229

Group

	Leasehold land and buildings *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 2006						
At Cost	150,396	2,882,176	257,872	322	36,426	3,327,192
At professional valuation in 1994	53,000	–	–	–	–	53,000
	203,396	2,882,176	257,872	322	36,426	3,380,192

Having regard to the moderate recovery of property market 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 2006. The review led to the recognition of reversal of impairment loss of HK$11,568,000 in the income statement of 2006. The recoverable amount of the relevant assets has been determined on the basis of fair value determined by reference to an active market.

If leasehold land and buildings had not been revalued at balance sheet date, the carrying amounts at cost less accumulated depreciation and impairment losses would have been:

	Group	
	2006 *HK$'000*	**2005** *HK$'000*
Leasehold land and buildings	90,379	94,930

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.

15. INVESTMENT PROPERTIES

Group

	HK$'000
At fair value	
At 1 January 2005	24,500
Reclassification	9,062
Revaluation	1,438
At 31 December 2005	35,000
Additions	22,587
Disposal	(25,500)
Revaluation	227
At 31 December 2006	32,314

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 Centaline Surveyors Limited, an independent qualified professional valuer, on the market value basis.

16. GOODWILL

Group

	HK$'000
Cost	
At 1 January 2005	46,348
Release on disposal of partial interests in a subsidiary	(7,308)
Carrying amount at 31 December 2005 and **31 December 2006**	39,040

This goodwill arose from deemed acquisition of additional interests in Jinhui Shipping, a subsidiary of the Company, in 2004.

Prior to 31 December 2004, positive goodwill not recognized directly in reserve was amortized on a straight-line basis over five years.

With effect from 1 January 2005, goodwill is carried at cost less accumulated impairment losses. The Group no longer amortizes goodwill and such goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

For the purposes of impairment testing, goodwill has been allocated to the underlying cash-generating unit ("CGU"), which represent subsidiaries principally engaged in chartering freight and hire of the Group. The recoverable amount of the CGU has been determined on the basis of fair value less costs to sell, which is determined with reference to observable market prices.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted club debentures, at fair value	7,410	7,410	5,000	5,000
Changes in fair value	2,506	1,681	1,541	1,260
	9,916	9,091	6,541	6,260
Unlisted investments, at cost				
Co-operative joint ventures	27,847	27,847	–	–
Other unlisted investments, at cost	11,723	11,723	–	–
Less: Accumulated impairment losses	(11,723)	(11,723)	–	–
	–	–	–	–
	37,763	36,938	6,541	6,260

The fair value of unlisted club debentures is determined based on the market transaction prices at the balance sheet date.

The unlisted investments in co-operative joint ventures are not stated at fair value as the range of reasonable fair value estimates is wide and the probabilities of various estimates cannot be reliably assessed.

18. INTANGIBLE ASSET

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Club entrance fee		
Cost		
At 1 January	–	250
Additions	1,599	–
Written off	–	(250)
At 31 December	1,599	–
Accumulated amortization		
At 1 January	–	145
Charge for the year	44	–
Written off	–	(145)
At 31 December	44	–
Net book value		
At 31 December	1,555	–

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	374,995	296,244
Unlisted shares, at cost	13	13
	375,008	296,257

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

During the year, the Company had further increased its shareholdings in Jinhui Shipping from 50.21% to 52.99% by acquiring additional 2,332,500 shares of Jinhui Shipping for approximately HK$78,751,000 at the open market in Oslo Stock Exchange. Accordingly, the minority interests of the Group in relation to Jinhui Shipping was decreased by HK$49,271,000 from 49.79% to 47.01% and the difference of HK$29,480,000 had been charged directly to retained profits with no impact on the consolidated income statement for the year.

The market value of 52.99% (2005: 50.21%) in the share capital of Jinhui Shipping attributable to the Group amounted to approximately HK$1,765,922,000 (2005: HK$815,305,000) at balance sheet date.

20. OTHER NON-CURRENT ASSETS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Deferred drydocking expenses, at cost	15,488	12,924
Less: Amount written off	(5,809)	(6,271)
	9,679	6,653
Loan receivable	22,875	24,887
Less: Amount included in other receivables in current assets	(11,180)	(2,713)
Loan receivable due over one year	11,695	22,174
	21,374	28,827

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

21. INVENTORIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Ship stores	183	226
Trading goods	13,408	16,423
	13,591	16,649

Inventories at balance sheet date were carried at cost.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	84,610	118,919	–	–
Prepayments, deposits and other receivables	165,550	106,801	499	21,364
	250,160	225,720	499	21,364

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

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 90 days	58,362	98,447
91 – 180 days	22,873	17,452
181 – 365 days	1,568	1,964
Over 365 days	1,807	1,056
	84,610	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.

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysis of financial assets at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	44,491	44,331	22,582	21,605
Listed outside Hong Kong	–	5,470	–	5,470
	44,491	49,801	22,582	27,075
Debt securities				
Listed outside Hong Kong	15,093	15,400	15,093	15,400
Unlisted	17,393	–	–	–
	32,486	15,400	15,093	15,400
Derivative financial instruments				
Equity linked investments	50,826	–	15,365	–
Bank deposits with embedded derivatives	43,343	–	–	–
Interest rate swaps	7,346	6,008	–	–
Forward foreign exchange contracts and options	4,202	1,158	804	–
Securities derivatives	–	6	–	–
Forward freight agreements	–	27,415	–	–
	105,717	34,587	16,169	–
	182,694	99,788	53,844	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	30,962	11,646	1,123	153
Securities derivatives	2,417	–	2,417	–
Forward freight agreements	–	17,735	–	–
	33,379	30,323	3,540	153

24. DUE FROM SUBSIDIARIES

The amount due from subsidiaries is unsecured, interest-free and has no fixed repayment term. The carrying amount of the amount due represents approximately its fair value.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	33,118	23,975	–	–
Accrued charges and other payables	156,189	161,056	11,953	7,037
	189,307	185,031	11,953	7,037

The aging analysis of trade payables is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 90 days	22,192	14,308
91 – 180 days	167	1,256
181 – 365 days	1,124	84
Over 365 days	9,635	8,327
	33,118	23,975

26. SECURED BANK LOANS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	175,951	154,598
After one year but within two years	153,335	90,175
After two years but within five years	426,936	286,855
After five years	850,694	628,175
	1,606,916	1,159,803
Less: Amount included in current liabilities	(175,951)	(154,598)
Amount included in non-current liabilities	1,430,965	1,005,205

At balance sheet date, secured bank loans included vessel mortgage loans of approximately HK$1,587,810,000 that were denominated in United States Dollars and were committed on floating rate basis at 5.99% to 6.32% per annum. These loans are secured by certain of the Group's assets as disclosed in note 32.

27. SHARE CAPITAL

Company

	2006 Number of shares	2006 Amount *HK$'000*	2005 Number of shares	2005 Amount *HK$'000*
Authorized				
At 1 January	1,000,000,000	100,000	100,000,000	100,000
Share Subdivision *(Note 1)*	–	–	900,000,000	–
At 31 December	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid				
At 1 January	533,940,480	53,394	52,624,248	52,624
Shares issued upon exercise of share options before Share Subdivision effective	–	–	546,800	547
	533,940,480	53,394	53,171,048	53,171
Share Subdivision effective on 23 May 2005 *(Note 1)*	–	–	478,539,432	–
	533,940,480	53,394	531,710,480	53,171
Shares issued upon exercise of share options after Share Subdivision effective	594,000	59	2,230,000	223
Shares repurchased and cancelled *(Note 2)*	(9,151,000)	(915)	–	–
At 31 December	525,383,480	52,538	533,940,480	53,394

Notes:

1. 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.

2. During the year, the Company had repurchased 9,151,000 shares of the Company at the open market in the Hong Kong Stock Exchange. Details of the repurchase are as follows:

Month of repurchase	**Number of ordinary shares of HK$0.10 each**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid (before expenses)**
		HK$	*HK$*	*HK$'000*
June 2006	2,471,000	1.64	1.59	3,985
July 2006	6,680,000	1.72	1.58	10,981
	9,151,000			14,966

The repurchased shares were subsequently cancelled in 2006 and accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. An amount of approximately HK$915,000 equivalent to the nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate price was paid out from retained profits as disclosed in the statement of changes in equity of the Company on page 41.

28. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme pursuant to a resolution passed on 18 November 2004 (the "Share Option Scheme"). Under the Share Option Scheme, the Board may grant share options to acquire the shares of the Company to the directors, officers and employees of the Group and other persons selected by the Board who have contributed or will contribute to the Group. The purpose of granting the share options is to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group.

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

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

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restriction and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. 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 share options granted by the Company:

	Number of options granted	**Value of options at grant date**
		HK$'000
Options granted to Directors:		
Granted on 23 December 2004		
Performance based options *(Note 1)*	52,620,000	34,745
Non-performance based options *(Note 2)*	10,500,000	6,933
Granted on 29 June 2006		
Non-performance based options *(Note 1)*	9,552,000	3,435
	72,672,000	45,113
Options granted to employees other than Directors:		
Granted on 23 December 2004		
With vesting schedules *(Note 1)*	8,298,000	5,479
Without vesting schedule *(Note 2)*	5,374,000	3,549
	13,672,000	9,028
	86,344,000	54,141

Notes:

1. The Group had recognized these share options in income statements with corresponding increase in equity.

	2006	2005
	HK$'000	*HK$'000*
Employee share-based payments recognized under HKFRS 2		
In respect of options granted to Directors	20,807	17,373
In respect of options granted to employees other than Directors	2,740	2,739
	23,547	20,112

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

(b) Movements in the number of share options and weighted average share price of the Company at dates of exercise of options in 2006:

	Performance based options granted to Directors	Non-performance based options granted to Directors	Options with vesting schedules granted to employees other than Directors	Options without vesting schedule granted to employees other than Directors
Number of options				
Outstanding at beginning of the year	52,620,000	10,500,000	4,150,000	1,824,000
Granted during the year	–	9,552,000	–	–
Exercised during the year	–	–	(574,000)	(20,000)
Outstanding at end of the year	52,620,000	20,052,000	3,576,000	1,804,000
Exercisable at end of the year	52,620,000	20,052,000	Note 3	1,804,000
Weighted average share price of the Company at dates of exercise of options in 2006	N/A	N/A	HK$2.07	HK$2.00

Notes:

3. These share options are under vesting schedules, which began in January 2005 with monthly exercisable limit of about 10% of the share options granted. Subject to the vesting schedules, these share options are not exercisable as at 31 December 2006.

(c) Share options outstanding as at 31 December 2006 had the following remaining contractual lives and exercise prices:

	Number of outstanding share options as at 31 December 2006	Remaining contractual life	Exercise price *HK$*
Options granted on 23 December 2004			
Performance based options to Directors	52,620,000	8 years	1.60
Non-performance based options to Directors	10,500,000	3 years	1.60
Options with vesting schedules to employees other than Directors	3,576,000	3 years	1.60
Options without vesting schedule to employees other than Directors	1,804,000	3 years	1.60
Options granted on 29 June 2006			
Non-performance based options to Directors	9,552,000	10 years	1.57
	78,052,000		

29. 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 40 and 41.

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$295,435,000 (2005: HK$274,475,000).

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Profit before taxation	421,092	843,430
Depreciation and amortization	104,878	94,072
Interest income	(20,067)	(13,983)
Interest expenses	76,052	40,213
Dividend income from listed securities	(386)	(823)
Dividend income from unlisted investment	(10,902)	(11,783)
Employee share-based payments	23,547	20,112
Loss on written off of an intangible asset	–	105
Gain on disposal/written off of property, plant and equipment	(209,754)	(146)
Gain on disposal of an investment property	(1,609)	–
Reversal of impairment loss of property, plant and equipment	(11,568)	(11,234)
Gain on disposal of a subsidiary	(173)	–
Gain on disposal of partial interests in a subsidiary	–	(102,855)
Provision for bad and doubtful debts	2,422	2,160
Provision for impairment loss of available-for-sale financial assets	–	23
Recovery of claim receivable	–	(2,323)
Revaluation surplus of investment properties	(227)	(1,438)
Net drydocking expense deferred	(10,116)	(2,266)
Effects of exchange rates movement	236	–
Changes in working capital:		
Inventories	3,058	10,526
Trade and other receivables	61,715	(10,643)
Financial assets and financial liabilities at fair value through profit or loss	(73,147)	(253,304)
Trade and other payables	(24,586)	(102,322)
Cash generated from operations	330,465	497,521

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

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Bank balances and cash	51	–
Provision for taxation	(50)	–
	1	–
Gain on disposal of a subsidiary	173	–
Total consideration	174	–
Total consideration satisfied by:		
Net sale proceeds satisfied in cash	39	–
Other receivables	135	–
	174	–

(ii) Net cash outflow on disposal of a subsidiary

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Net sale proceeds satisfied in cash	39	–
Bank balances and cash disposed	(51)	–
	(12)	–

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

	Group	
	2006	**2005**
	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 then share capital of Jinhui Shipping in year 2005.

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

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Bank balances and cash	368,050	395,614

31. DEFERRED TAXATION

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

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Deductible temporary differences	4,713	6,704
Tax losses	525,569	516,737
At 31 December	530,282	523,441

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

32. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's property, plant and equipment and investment property with an aggregate net book value of HK$2,671,828,000 (2005: HK$2,079,281,000);

(b) Deposits totalling HK$70,273,000 (2005: HK$19,610,000) of the Group placed with banks and other institution;

(c) Financial assets at fair value through profit or loss with market value of HK$41,302,000 (2005: nil); and

(d) Assignment of twelve (2005: ten) ship owning companies' chartering income in favour of banks.

In addition, shares of ten (2005: ten) ship owning companies were charged to banks for vessel mortgage loans.

33. COMMITMENTS

(a) Capital expenditure commitments

At balance sheet date, the Group had outstanding capital expenditure commitments relating to the acquisition of eleven (2005: four) newbuildings and three (2005: nil) second hand vessels at a total purchase price of approximately HK$3,353,623,000 (2005: HK$766,738,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$3,025,123,000 (2005: HK$665,494,000).

(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	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year:		
Premises	522	779
Time charter hire	372,878	487,891
	373,400	488,670
After one year but within five years:		
Premises	540	333
Time charter hire	136,843	337,279
	137,383	337,612
	510,783	826,282

(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	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year:		
Premises	500	336
Time charter hire from owned vessels	623,830	183,984
Time charter hire from chartered-in vessels	299,639	186,452
Others	185	–
	924,154	370,772
After one year but within five years:		
Premises	–	56
Time charter hire from owned vessels	423,501	–
Time charter hire from chartered-in vessels	295,562	–
Others	51	–
	719,114	56
	1,643,268	370,828

34. SEGMENT INFORMATION

(a) (i) Consolidated income statement by business segments – 2006

	Chartering freight and hire	**Trading**	**Other operations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,218,001	332,762	–	1,550,763
Gain on disposal of motor vessels	209,673	–	–	209,673
Other operating income	27,111	4,207	30,211	61,529
	1,454,785	336,969	30,211	1,821,965
Operating expenses	(888,740)	(320,391)	(30,879)	(1,240,010)
Depreciation and amortization	(97,676)	(337)	(6,865)	(104,878)
Profit (Loss) from operations	468,369	16,241	(7,533)	477,077
Interest income				20,067
Interest expenses				(76,052)
Profit before taxation				421,092
Taxation				(2,796)
Net profit for the year				418,296
Attributable to:				
Shareholders of the Company				223,192
Minority interests				195,104
				418,296

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'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

(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% (2005: 83%) and 11% (2005: 11%) of the Group's trading business was carried out in Hong Kong and China respectively. The Group's other operations comprised investment holding, property investments, equity and debt securities, equity linked investments and foreign currency transactions which were mainly carried out in Hong Kong in both years; and in 2005, there was a gain of HK$102,855,000 on disposal of partial interests in a subsidiary of the Company, Jinhui Shipping, in Norway.

(b) (i) Consolidated balance sheet by business segments – 2006

	Chartering freight and hire	Trading	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Allocated assets				
Property, plant and equipment	2,865,711	898	108,348	2,974,957
Investment properties	–	–	32,314	32,314
Available-for-sale financial assets	–	–	37,763	37,763
Intangible asset	–	–	1,555	1,555
Other non-current assets	9,679	11,695	–	21,374
Current assets	138,637	105,899	201,909	446,445
Total segment assets	3,014,027	118,492	381,889	3,514,408
Unallocated assets				
Goodwill				39,040
Pledged deposits				70,273
Bank balances and cash				368,050
Total assets				3,991,771
Allocated liabilities				
Total segment liabilities	1,698,499	42,988	90,547	1,832,034
Total liabilities				1,832,034
Capital expenditures incurred during the year	1,303,178	776	26,611	1,330,565

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'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

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 10% (2005: 15%) of the segment assets under the other two business segments are located in China and the remaining are mainly located in Hong Kong.

35. RELATED PARTY TRANSACTIONS

Group

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

Compensation of key management personnel of the Group for the year are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Directors' fees	6,497	6,282
Salaries and other benefits	29,903	17,872
Employee share-based payments	21,138	17,703
Contributions to retirement benefits schemes	414	362
	57,952	42,219

Company

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

(a) Receipt of dividends of HK$23,700,000 (2005: HK$162,911,000) from a subsidiary;

(b) Payment of an administrative fee of HK$2,476,000 (2005: HK$2,264,000) to an indirect subsidiary;

(c) Receipt of interest income of HK$7,918,000 (2005: HK$7,050,000) from its subsidiaries;

(d) Payment of rental charges of HK$1,440,000 (2005: HK$1,440,000) to its subsidiaries;

(e) On 29 June 2006, 9,552,000 share options of the Company were granted to the Directors who are also directors of Jinhui Shipping at nil consideration. Save as disclosed herein, during the year, no share option of the Company was granted to any other officer or employee of the Group; and

(f) Compensation of key management personnel of the Company for the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Directors' fees	310	310
Salaries and other benefits	14,489	9,487
Employee share-based payments	3,171	2,655
Contributions to retirement benefits schemes	90	88
	18,060	12,540

36. 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 other 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 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 mainly denominated in United States Dollars. Details of maturity of secured bank loans are disclosed in note 26.

The Group also entered into interest rate swaps so as to mitigate the interest rate exposures. At 31 December 2006, the Group had interest rate swaps with a notional contract amount of US$80 million. The fair value of the interest rate swaps entered into by the Group at 31 December 2006 was recognized in balance sheet and, accordingly, HK$7,346,000 (2005: HK$6,008,000) was recognized as financial assets and nil (2005: 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 up to June 2009 through cap at 4.3% with a knock out at 6.5%; and

– US$30 million over three years up to 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 2006 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 2006, the Group had forward foreign exchange contracts and options whose fair values were recognized in the balance sheet and, accordingly, HK$4,202,000 (2005: HK$1,158,000) was recognized as financial assets at fair value through profit or loss and HK$30,962,000 (2005: HK$11,646,000) was recognized as financial liabilities at fair value through profit or loss.

The Group has from time to time closely monitored the foreign currency exposures, to mitigate foreign exchange risks where appropriate and for liquidity management.

At balance sheet date, the Group has entered into various forward foreign exchange contracts and options to buy or sell certain foreign currencies, mainly Japanese Yen, with their notional amount analyzed by maturity as follows:

	Group	
	2006	**2005**
	US$'m	*US$'m*
Long position with maturity:		
Within 3 months	150	31
After 3 months but within 6 months	44	11
After 6 months	69	2
	263	44
Short position with maturity:		
Within 3 months	58	15
After 3 months but within 6 months	7	11
After 6 months	4	–
	69	26

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 has, wherever possible, entered into transactions 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.

37. CONTINGENT LIABILITIES

At balance sheet date, the Group had contingent liabilities in respect of a guarantee of approximately HK$78,000,000 (2005: HK$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., 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$259,740,000, and in return, a counter guarantee was provided by Bocimar International N. V. to Jinhui Shipping.

At balance sheet date, the Company has contingent liabilities not provided for in the financial statements in respect of guarantees to secure credit facilities granted to subsidiaries amounting to HK$105,320,000 (2005: HK$108,320,000), and the amount of such facilities utilized was HK$19,106,000 (2005: HK$52,161,000).

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

The Group's contributions to the retirement benefits schemes charged to the consolidated income statement during the year was HK$1,884,000 (2005: HK$1,762,000).

39. POST BALANCE SHEET EVENTS

On 9 January 2007, the Group entered into two construction and sale contracts to acquire two motor vessels of deadweight 54,100 metric tons each for a total consideration of JPY6,880,000,000 which will be delivered to the Group on or before 31 March 2011 and 30 September 2011 respectively.

During January 2007, the Company further increased its shareholdings in Jinhui Shipping from 52.99% to 54.34% by acquiring additional 1,140,500 shares of Jinhui Shipping at the open market in Oslo Stock Exchange for approximately HK$43,232,000.

On 2 March 2007, the Group entered into a memorandum of agreement to acquire a 2003-built vessel of deadweight 52,961 metric tons for a consideration of US$40,500,000 which was delivered to the Group on 26 March 2007 and renamed as "Jin Cheng".

40. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	52.99%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	52.99%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US$1 each	52.99%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	52.99%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	52.99%	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
Exalten Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	52.99%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	Property investment	Hong Kong
First King International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
First Lion International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK$1 each	52.99%	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 and investment trading	Hong Kong
Linkford International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	52.99%	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	52.99%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	52.99%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	52.99%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	52.99%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	52.99%	Ship chartering	Worldwide

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinhe Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Jinyuan Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	52.99%	Ship owning	Worldwide
Incorporated in the State of Delaware, United States of America				
Jinhui Shipping (USA) Inc.	500 shares of US$1 each	52.99%	Shipping agent	United States of America

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

* Companies are not audited by Messrs. Moores Rowland Mazars.

(2) MANAGEMENT DISCUSSION AND ANALYSIS

(i) For the year ended 31 December 2004

Business review

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,974,661,000, representing an increase of 88% as compared to that of last year. Although partly offset by the losses on forward freight agreements ("FFAs"), the overall net profit of the Group for the year 2004 soared to a record high of HK$227,514,000, representing an increase of 520% over net profit of HK$36,676,000 for year 2003.

The shipping market of year 2004 was characterized by a tight demand and supply balance and a high level of volatility. The dry bulk market in 2004 was mainly driven by strong growth in mineral trades as a result of booming activity in China. The freight rates were at very firm level as compared to historical rates though there was a drastic drop during mid of the year.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market value of dry bulk carriers, the book values of the Group's owned vessels vis-à-vis the Group's net asset value as at 31 December 2004 were greatly stated below their current market values. Based on the valuation made by an independent professional valuer, the market values of the Group's eight owned vessels as at 31 December 2004 were approximately HK$1,571.7 million as compared to their net book values of approximately HK$925.8 million. In addition, the market values of the Group's six newbuildings under construction as at 31 December 2004 were valued by the independent professional valuer at approximately HK$1,786.2 million as compared to the total contract prices of approximately HK$1,283.3 million.

Chartering freight and hire

The dry bulk market throughout year 2004 has been characterized by overall strength and extreme volatility. The Baltic Dry Index, an index reflects the performance of charter hire for bulk carriers, opened at 4,765 at the beginning of the year, rose to record 5,681 on 4 February 2004, slumped to the year's low of 2,622 on 22 June 2004, set a new all time high of 6,208 on 6 December 2004 and closed at 4,598 at end of the year.

The Group's shipping turnover was HK$1,687,997,000 for the year, representing an increase of 109% as compared to that of last year. Though partly offset by the losses on FFAs during the year, the Group's shipping business recorded an operating profit of HK$375,965,000 for the year, representing an increase of 215% as compared to an operating profit of HK$119,181,000 last year.

The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 59.61% owned subsidiary of the Company as at date of this report whose shares are listed on the Oslo Stock Exchange. In view of the upturn of the shipping market during early 2004, Jinhui Shipping has entered into certain FFAs in order to mitigate its risks associated primarily with upward trend of freight rates. However, 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 suffered from the realized losses incurred from, and the provisions made for the unrealized losses from, the FFAs entered into by the Group since January 2004. The majority of the FFAs entered into by the Group have been squared off during mid of 2004 and hence the Group's losses under such squared off FFAs have been crystallized. All the FFAs entered into by the Group were transacted through professional brokers in England. As a consequence, the losses attributable to the FFAs amounting to HK$490,947,000 had been recognized as expenses for the year.

The Group continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet size as appropriate. During the years 2003 and 2004, the Group had committed to acquire six newbuildings of dry bulk carriers for a total consideration of approximately HK$1,283,256,000; one of which was delivered to the Group on 18 February 2005 as scheduled, two will be delivered later in 2005, one in 2006 and another two in 2007. In addition, the Group further committed on 22 February 2005 to acquire two 2001 built dry bulk carriers for a total consideration of approximately HK$530,400,000; which are expected to be delivered to the Group on or before 2 May 2005 and 30 June 2005 respectively. During the year, the Group had disposed of two motor vessels with a net gain of HK$127,201,000.

Subsequent to the year ended 31 December 2004, an amount of approximately HK$156 million was received by the Group on 14 February 2005 pursuant to an agreement made by the Group on 31 August 2004 whereby one of the Jinhui Shipping's wholly-owned subsidiaries, as charterer, agreed to early terminate a charter party in respect of a chartered-in Capesize vessel. This income will be accounted for in the Group's results for year 2005.

Trading and investments in China

The turnover for the Group's trading of chemical and industrial raw materials was HK$286,664,000, representing an increase of 20% as compared to that of last year. Due to the increase in demand and price for chemical and industrial raw materials as a result of economic recovery, the performance of the Group's trading business was improved with an operating profit of HK$11,755,000, representing an increase of 192% as compared with an operating profit of HK$4,032,000 last year. The Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather promising. An operating profit of HK$12,051,000 with respect to the Group's investments in China was recorded for the year against an operating profit of HK$1,320,000 last year.

Other operations

The Group's other operations recorded an operating profit of HK$13,151,000 against an operating loss of HK$25,788,000 for last year. The profit for the year was mainly due to the reversal of impairment loss of HK$18,907,000 on the Group's leasehold land and buildings located in Hong Kong and, however, offset by the amortization of goodwill of HK$11,587,000. Goodwill in the amount of HK$57,935,000 arising from deemed acquisition of additional interests in a subsidiary, Jinhui Shipping, is recognized during the year as a result of the repurchase of 14,383,000 shares of Jinhui Shipping by Jinhui Shipping at an aggregate price of approximately HK$218,367,000 during the year. The loss for year 2003 was mainly attributed to the exchange loss of HK$43,090,000 as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. The Group had converted the outstanding Japanese Yen borrowings in relation to the ship mortgage loans into United States Dollars during the last quarter of 2003.

Liquidity, financial resources and capital structure

After the completion of the disposal of two motor vessels before end of year 2004, the total of the Group's securities, bank balances and cash increased to HK$481,430,000 as at 31 December 2004 (2003: HK$133,001,000). The Group's bank borrowings decreased to HK$470,621,000 as at 31 December 2004 (2003: HK$749,540,000), of which 12%, 10%, 28% and 50% are repayable respectively within one year, one to two years, two to five years and over five years. The Group was in a net cash position (total of securities, cash and cash equivalents net of total interest bearing debts) of HK$10,809,000 as at 31 December 2004 as compared to net debts (total interest bearing debts net of securities, cash and cash equivalents) of HK$616,539,000 or gearing ratio, as calculated on the basis of net debts over shareholders' equity, of 125% as at 31 December 2003. All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. The Group hedged the interest rate exposures by entering into interest rate swaps during January 2004 and June 2004 respectively as follows:

– US$30 million over three years through cap at 2.5% with knock out at 4%; and

– US$50 million over five years through cap at 4.3% with knock out at 6.5%.

Pledge of assets

As at 31 December 2004, the Group's fixed assets of HK$859,153,000 (2003: HK$1,192,488,000), short-term investments of HK$10,009,000 (2003: HK$1,767,000), bank deposits of HK$23,522,000 (2003: HK$30,551,000) and shares of five (2003: seven) ship owning companies were pledged together with the assignment of chartering income of five (2003: seven) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK$199,265,000 (2003: HK$29,998,000) for the year ended 31 December 2004, approximately HK$184,087,000 (2003: HK$28,169,000) was spent on the constructions of the Group's owned vessels.

As at 31 December 2004, there were outstanding capital commitments relating to the newbuildings of six (2003: two) dry bulk carriers at total purchase prices of HK$1,283,256,000 (2003: HK$321,516,000) and the total amount contracted but not provided for, net of deposits paid, was HK$1,076,794,000 (2003: HK$296,872,000).

Contingent liabilities

The Group had no material contingent liability not provided for both years ended 31 December 2003 and 2004.

Risk management

Business risk

The Group is exposed to the market risk to the extent that the fluctuations in freight rates of the shipping market may have a negative effect on the Group's cash flows and operations. The Group used to enter into FFAs in order to manage its exposures to the risk of movements in the spot market for certain trade routes. However, the international shipping market, while enjoying favourable performance by historical standards, is also becoming extremely volatile. As a result, the Board believed that FFAs now have a low correlation with the actual physical market and the trading of FFAs for hedging purpose can no longer be achieved.

The Board announced on 2 February 2005 that the Group would not enter into new open position in the trading of FFAs until further notice. The Board believed by terminating the use of FFAs in the prevailing market conditions, unnecessary business risks will be eliminated, thus allowing the management to focus on the core business and achieve a more secure and predictable revenue stream. Should the correlation between FFAs and the physical shipping market normalize to a level where Jinhui Shipping consider the use of FFAs for hedging purpose to be beneficial to the core shipping business, Jinhui Shipping will inform the market immediately before entering into new open position in FFAs. Jinhui Shipping will subsequently inform the public, details of any new FFAs entered into by Jinhui Shipping in the future should they arise.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amount, if any, by which the counterparty's obligations exceed those of the Group. The Group will, wherever possible, enter into derivative financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on managing the derivative financial instruments.

Foreign currency risk

The Group's transactions, assets and liabilities for year ended 31 December 2004 are mainly denominated in United States Dollars and Hong Kong Dollars. 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.

Interest rate risk

The Group's exposure to interest rate risk relating to bank borrowings is closely monitored and the Group uses financial instruments, as disclosed above, to reduce the risk associated with fluctuations in interest rates.

Employees

As at 31 December 2004, the Group had 106 full-time employees and 208 crew (2003: 100 full-time employees and 262 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits.

The Group had adopted a share option scheme at an extraordinary general meeting of the Company on 18 November 2004. On 23 December 2004, options to subscribe for an aggregate of 7,679,200 shares of the Company were granted to the officers and employees of the Group including options granted to Mr. Ng Siu Fai, Chairman of the Company, and Mr. Ng Kam Wah Thomas, Managing Director of the Company, to subscribe for 3,157,000 and 2,105,000 shares of the Company respectively. The grant of share options to both Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas were approved at an extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions as set out in the circular of the Company dated 11 January 2005 including a performance target, whereby the 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 2005.

(ii) For the year ended 31 December 2005

Business review

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,985,235,000, representing a slight increase of 1% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$526,862,000; representing an increase of 132% over net profit of HK$227,514,000 for year 2004.

The Group achieved a record high annual results supported by rather strong dry bulk market conditions during the first half of the year notwithstanding a drop in freight rates during the second half, partly attributed to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party, and a gain of HK$102,855,000 on disposal of 7,900,000 shares or 9.4% interests in the share capital of a subsidiary, Jinhui Shipping and Transportation Limited ("Jinhui Shipping"); whereas the profit for last year was partly offset by the losses of HK$490,947,000 on the forward freight agreements ("FFAs").

According to the Group's accounting policies, all the Group's owned vessels were stated at cost or valuation, as disclosed in note 2 to the financial statements, less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market value of dry bulk carriers, the book values of the Group's owned vessels vis-à-vis the Group's net asset value as at 31 December 2005 were greatly stated below their current market values. Based on the valuation made by an independent professional valuer, the total market value of the Group's thirteen owned vessels as at 31 December 2005 was approximately HK$2,458 million as compared to their net book values of approximately HK$2,115 million. In addition, the market values of the Group's four newbuildings under construction as at 31 December 2005 were valued by the independent professional valuer at approximately HK$987 million as compared to the total contract prices of approximately HK$767 million.

Chartering freight and hire

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 50.21% owned subsidiary of the Company as at date of this report whose shares are listed on the Oslo Stock Exchange.

Year 2005 was another good year for the dry bulk market despite the high volatility in freight rates. After reaching record high in early December last year, the freight rates softened and remained at firm and relatively stable situation during the first few months given the iron ore trades continued to drive the market supported by strong level of coal shipment. Since mid of the year, the compound effects of influx of newbuildings which entered the fleet and the reduction of port congestion caused the downturn in freight rates. During summer, natural disasters also took their toll with Hurricanes Katrina and Rita wreaking havoc on New Orleans and the US Gulf region. The Baltic Dry Index opened at 4,598, and went on to hit its 2005 high in late February at 4,880, before falling steadily to its lowest point of 1,747 in early August. The Baltic Dry Index closed at 2,407 at end of the year, around 48% below its opening level.

The Group's shipping turnover for the year amounted to HK$1,672,792,000; representing a slight decrease of 1% over last year. The Group's shipping business recorded an operating profit of HK$779,621,000 for the year; representing an increase of 107% as compared to that of last year. The increase in overall net profit of shipping business was partly attributed to the improvement in average freight rates and partly attributed to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party; whereas the profit for 2004 was partly offset by the losses of HK$490,947,000 on the FFAs. The average daily time charter equivalent rate of our fleet was increased by 2% to US$26,375 in year 2005. However, the net profit for the year was offset by the operating loss of two Capesize vessels chartered-in by the Group, comparatively lower number of available days of operations as quite a number of vessels operated by the Group were under scheduled drydocking, and off-hire for repairs, in particular, one of our owned vessels "Jin An" had been off-hire for nearly two months. On 30 June 2005, motor vessel "Jin An" touched ground near the port at Visakhapatnam, India to avoid collision and sustained various damages. The said vessel came into operation again by end of August 2005 after taking all necessary repairs and surveys.

The Group continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet size as appropriate. During the year, the Group had further committed to acquire one newbuilding and three second hand vessels. However, the Group had terminated the acquisition of one of the second hand vessels due to the protracted delay in delivery.

During the year, two Panamax newbuildings, one Handymax newbuilding and two 2001-built Handymax vessels were delivered to the Group as scheduled.

Trading

The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK$312,443,000, representing an increase of 9% as compared to that of last year. The increase in turnover was mostly a result of the increase in prices for raw materials traded by the Group, predominately copper and nickel. The business was particular strong in the fourth quarter because of shortages of supplies in certain raw materials traded by the Group. The Group's trading business recorded a profit of HK$13,181,000, representing an increase of 12% as compared to that of last year.

Other operations

The Group's other operations recorded an operating profit of HK$76,858,000 as compared to an operating profit of HK$25,202,000 last year. The increase in profit for other operations for the year was primarily due to a gain of HK$102,855,000 on disposal of 9.4% interests in the share capital of Jinhui Shipping. In addition, the Group's investment in Shanxi Jinyao Coke & Chemicals Ltd. ("Shanxi Jinyao") which produces battery type of metallurgical coke in Shanxi Province of China, declared a dividend income of HK$11,783,000 to the Group during the year. Whereas the profit for other operations in 2004 was mainly due to the reversal of impairment loss of HK$18,907,000 on the Group's leasehold land and buildings located in Hong Kong and, however, offset by the amortization of goodwill of HK$11,587,000.

Liquidity, financial resources and capital structure

During the year, net sale proceeds of HK$248 million was received on disposal of 9.4% interests in the share capital of Jinhui Shipping and offset by cash used to partially finance the delivery of five additional vessels. The total of the Group's equity and debt securities, bank balances and cash decreased to HK$460,815,000 as at 31 December 2005 (2004: HK$481,430,000). The Group's bank borrowings increased to HK$1,159,803,000 as at 31 December 2005 (2004: HK$470,621,000), of which 13%, 8%, 25% and 54% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, cash and cash equivalents) over total equity, was 38% as compared to nil gearing ratio as at 31 December 2004. All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash and marketable equity and debt securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets

As at 31 December 2005, the Group's motor vessels of HK$1,996,802,000 (2004: HK$787,485,000), leasehold land and buildings and investment properties of HK$82,479,000 (2004: HK$71,668,000), bank deposits of HK$19,610,000 (2004: HK$23,522,000) and shares of ten (2004: five) ship owning companies were pledged together with the assignment of chartering income of ten (2004: five) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK$1,173,839,000 for the year (2004: HK$199,265,000), approximately HK$1,171,864,000 (2004: HK$184,087,000) was spent on the construction of the Group's newbuildings and acquisition of second hand motor vessels.

As at 31 December 2005, there were outstanding capital 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).

Contingent liabilities

As at 31 December 2005, except for guarantee amounting to HK$78,000,000 granted by the Group to a third party in its ordinary course of businesses, the Group had no other contingent liabilities. As at 31 December 2004, the Group had no material contingent liability not provided for.

Risk management

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

Business risk

The Group is exposed to the market risk to the extent that the fluctuations in freight rates of the shipping market and prices for raw materials traded by the Group may have a negative effect on the Group's cash flows and operations. The Group used to enter into FFAs in order to manage its exposures to the risk of movements in the spot market for certain trade routes. However, the international shipping market, while enjoying favourable performance by historical standards, is also becoming extremely volatile. As a result, the Board believed that FFAs now have a low correlation with the actual physical market and the trading of FFAs for hedging purpose can no longer be achieved.

The Board announced on 2 February 2005 that the Group would not enter into new open position in the trading of FFAs until further notice. The Board believed by terminating the use of FFAs in the prevailing market conditions, unnecessary business risks will be eliminated, thus allowing the management to focus on the core business and achieve a more secure and predictable revenue stream. We may in the future enter into FFAs should our management determines that the use of such instruments for hedging purposes would be beneficial to our business or would result in minimizing our exposure to market risks. The Company will inform the public immediately, details of any new FFAs entered into by the Group in the future should they arise.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amount, if any, by which the counterparty's obligations exceed those of the Group. The Group will, wherever possible, enter into derivative financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on managing the derivative financial instruments.

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 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.

Interest rate risk

The Group's exposure to interest rate risk relating to bank borrowings is closely monitored and the Group uses financial instruments to reduce the risk associated with fluctuations in interest rates. The Group had managed the interest rate exposures by entering into interest rate swaps 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%.

Employees

As at 31 December 2005, the Group had 107 full-time employees and 330 crew (2004: 106 full-time employees and 208 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Share capital

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.

During the year, the number of issued shares of the Company was increased from 526,242,480 (restated) shares to 533,940,480 shares following the allotment and issue of new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

(iii) For the year ended 31 December 2006

Business review

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,550,763,000; representing a decrease of 22% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$223,192,000; representing a decrease of 58% over net profit of HK$526,862,000 for year 2005.

The Group achieved a satisfactory annual result for 2006. The profit for the year was partly attributable to the gain of HK$209,673,000 on the completion of the disposal of five motor vessels while the profit for 2005 was partly attributable to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party, and a gain of HK$102,855,000 on disposal of 7,900,000 shares or 9.4% interests in the then share capital of a subsidiary, Jinhui Shipping and Transportation Limited ("Jinhui Shipping").

Year 2006 was another milestone for the Group. During the year, the Group has altogether committed to purchase nine newbuildings and five second hand vessels for delivery during the years from 2006 to 2010 at a total consideration of approximately HK$3,715,087,000. As scheduled, three Supramaxes and one Panamax were delivered to the Group in 2006. As an ongoing effort to maintain a young modern fleet and putting its focus on the ownership of a sizeable Supramax fleet, the Group disposed five motor vessels in 2006, comprising two Handysizes and one Handymax built in 1980s and two modern Panamaxes, for a total consideration of approximately HK$795,990,000 and realized a gain of approximately HK$209,673,000.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market values of dry bulk carriers, the net book values of the Group's owned vessels vis-a-vis the Group's net asset value as at 31 December 2006 were greatly stated below their current market values. Based on the best estimation made by the Group, the total market value of the Group's twelve owned vessels as at 31 December 2006 was approximately HK$4,000 million as compared to their total net book value of approximately HK$2,608 million; and the total market value of the Group's eleven newbuildings under construction and three second hand vessels to be delivered was approximately HK$4,680 million as compared to their total contract price of approximately HK$3,354 million.

Chartering freight and hire

The Group operates its worldwide shipping activities through Jinhui Shipping whose shares are listed on the Oslo Stock Exchange. During the year, the Company had further increased its shareholdings in Jinhui Shipping from 50.21% to 52.99% by acquiring additional 2,332,500 shares of Jinhui Shipping for approximately HK$78,751,000 at the open market in Oslo Stock Exchange. Accordingly, the minority interests of the Group in relation to Jinhui Shipping was decreased by HK$49,271,000 from 49.79% to 47.01% and the difference of HK$29,480,000 had been charged directly to retained profits with no impact on the consolidated income statement for the year.

The shipping market started in a relatively pessimistic atmosphere but then picked up during second half of the year with newbuilding contracts and long term period rates increased to record levels by the end of the year. The Baltic Dry Index opened at 2,407 and dropped to 2,033 in late January 2006, but gradually increased and reached to a high level of 4,407 in early December 2006 and closed at 4,397.

The Group's shipping turnover for the year amounted to HK1,218,001,000; representing a decrease of 27% as compared to year 2005. The Group's shipping business recorded an operating profit of HK$468,369,000 for the year; representing a decrease of 40% as compared to the operating profit of HK$779,621,000 for year 2005. The decrease in turnover and overall net profit of shipping business was mainly due to the overall decrease in freight rates during the year and was also partly offset by the operating loss of the Capesize vessels chartered-in by the Group since mid 2005 at comparatively high costs at the then prevailing market condition. The average daily time charter equivalent rate ("TCE") of our fleet decreased by 18% to US$21,555 for the year. The operating profit for the year was also partly attributable to the gain of HK$209,673,000 on the completion of the disposal of five motor vessels while the profit for last year was partly attributable to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party.

Trading

The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK$332,762,000; representing an increase of 7% as compared to that of last year. During the year, raw material prices fluctuated significantly and remained at a level above that of 2005, resulting in a rise in cost of goods sold. However, as a consequence to prudent cost control measures, the Group's trading business recorded an operating profit of HK$16,241,000; representing an increase of 23% as compared to that of last year.

Other operations

The Group's other operations recorded an operating loss of HK$7,533,000 as compared to an operating profit of HK$76,858,000 for last year. The operating loss for the year was primarily due to the net loss on the investment in financial derivatives relating to forward foreign exchange contracts and options whereas the operating profit for 2005 was primarily due to the gain of HK$102,855,000 on disposal of 9.4% interests in the then share capital of Jinhui Shipping. In addition, the Group's investment in Shanxi Jinyao Coke & Chemicals Ltd. ("Shanxi Jinyao") which produces battery type of metallurgical coke in Shanxi Province of China continued to contribute a stable return to the Group and a dividend income of HK$10,902,000 (2005: HK$11,783,000) was attributable to the Group for the year.

Liquidity, financial resources and capital structure

During the year, upon receiving the net sale proceeds on completion of the disposal of five motor vessels and offset by cash used to partially finance the delivery of four additional vessels, the total of the Group's equity and debt securities, equity linked investments, bank deposits with embedded derivatives, bank balances and cash increased to HK$539,196,000 as at 31 December 2006 (2005: HK$460,815,000). The Group's bank borrowings increased to HK$1,606,916,000 as at 31 December 2006 (2005: HK$1,159,803,000), of which 11%, 9%, 27% and 53% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, equity linked investments, bank deposits with embedded derivatives, cash and cash equivalents) over total equity, was 49% (2005: 38%). All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash, marketable equity and debt securities, and equity linked investments in hand as well as available credit facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets

As at 31 December 2006, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$2,671,828,000 (2005: HK$2,079,281,000), deposits of HK$70,273,000 (2005: HK$19,610,000) placed with banks and other institution, and financial assets at fair value through profit or loss with market value of HK$41,302,000 (2005: nil) were pledged together with the assignment of twelve (2005: ten) ship owning companies' chartering income to secure credit facilities utilized by the Group. In addition, shares of ten (2005: ten) ship owning companies were charged to banks for vessel mortgage loans.

Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK$1,330,565,000 for the year ended 31 December 2006 (2005: HK$1,173,839,000), approximately HK$1,303,154,000 (2005: HK$1,171,864,000) was spent on the construction and acquisition of the Group's vessels.

As at 31 December 2006, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$3,025,123,000 (2005: HK$665,494,000), representing the Group's outstanding capital expenditure commitments to acquire eleven (2005: four) newbuildings and three (2005: nil) second hand vessels at a total purchase price of approximately HK$3,353,623,000 (2005: HK$766,738,000).

Contingent liabilities

As at 31 December 2006, the Group had contingent liabilities in respect of a guarantee of approximately HK$78,000,000 (2005: HK$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., 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$259,740,000, and in return, a counter guarantee was provided by Bocimar International N. V. to Jinhui Shipping.

Save as disclosed above, the Group had no other contingent liabilities as at 31 December 2006.

Risk management

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

Business risk

The Group is exposed to the market risk to the extent that the fluctuations in freight rates of the shipping market and prices for raw materials traded by the Group may have a negative effect on the Group's cash flows and operations.

The Group used to enter into forward freight agreements ("FFAs") in order to manage its exposures to the risk of movements in the spot market for certain trade routes. However, the management decides to focus on the core business and achieve a more secure and predictable revenue stream, the Group decides not to enter into open position in the trading of FFAs until further notice.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amount, if any, by which the counterparty's obligations exceed those of the Group. The Group will, wherever possible, enter into transactions with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on managing financial instruments.

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2006 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 had outstanding capital expenditure commitments in relation to the acquisition of newbuildings in Japanese Yen which amounted to JPY21,183,000,000 as at 31 December 2006. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and for liquidity management.

Interest rate risk

The Group's exposure to interest rate risk relating to bank borrowings is closely monitored and the Group uses financial instruments to reduce the risk associated with fluctuations in interest rates. The Group had managed the interest rate exposures by entering into interest rate swaps as follows:

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

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

Employees

As at 31 December 2006, the Group had 105 full-time employees and 293 crew (2005: 107 full-time employees and 330 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Share capital

During the year, the number of issued shares of the Company was decreased from 533,940,480 shares to 525,383,480 shares following the repurchase and cancellation of 9,151,000 shares of HK$0.10 each and the allotment and issue of 594,000 new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

(iv) Events subsequent to year ended 31 December 2006

During the period from 1 January 2007 to the Latest Practicable Date, the Company had repurchased 10,824,000 Shares at an aggregate price of HK$43,998,890 before expenses, which were subsequently cancelled.

During the period from 1 January 2007 to the Latest Practicable Date, the Company had allotted and issued 5,046,000 new Shares as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

During the period from 1 January 2007 to the Latest Practicable Date, the Company further increased its shareholdings in Jinhui Shipping from 52.99% to 54.62% by acquiring additional 1,375,900 Jinhui Shipping Shares at the open market in Oslo Stock Exchange for approximately HK$57,554,000.

On 9 January 2007, the Group entered into two contracts to acquire two Supramaxes for a total consideration of JPY6,880,000,000, which will be delivered to the Group on or before 31 March 2011 and 30 September 2011 respectively.

On 2 March 2007, the Group entered into an agreement to acquire a 2003-built Supramax for a consideration of US$40,500,000, which was delivered to the Group on 26 March 2007 and renamed as “Jin Cheng”.

On 7 May 2007, the Group entered into two contracts to acquire two Supramaxes for a total consideration of JPY3,821,000,000 and US$35,000,000, which will be delivered to the Group on or before 31 March 2012 and 31 August 2012 respectively.

On 8 May 2007, the Group entered into an agreement to dispose a 2001-built Supramax “Jin Kang” for a consideration of US$53,725,000, which will be delivered to the purchaser during the period from 1 August 2007 to 2 October 2007.

On 22 May 2007, the Group entered into two agreements to dispose two Supramaxes under construction for a total consideration of JPY3,703,031,000 and US$34,255,100, which will be delivered to the purchaser on or before 31 October 2010 and 31 August 2012 respectively.

On 30 May 2007, the Group entered into the Eight Agreements to acquire the Eight Vessels for a total consideration of US$328,000,000, which will be delivered to the Group from years 2008 to 2010.

(3) INDEBTEDNESS

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings amounting to approximately HK$2,023 million. The bank borrowings comprised secured term loans of approximately HK$1,983 million, secured bank overdrafts of approximately HK$10 million and secured trust receipt and import loans of approximately HK$30 million.

As at 30 April 2007, 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$3,247 million, financial assets at fair value through profit or loss with market value of approximately HK$37 million and deposits in banks and other institutions amounting to approximately HK$155 million. Shares of ten ship owning companies, being members of the Group, were pledged together with the assignment of chartering income of fourteen ship owning companies to secure credit facilities utilized by the Group.

As at 30 April 2007, 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 April 2007, 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.

(4) 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.

(5) 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.

(6) 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 2006, the date to which the latest published audited financial statements of the Group were made up.

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	16,910,000	3.25%	1,098,500	1.31%
	Personal interests (Option) *Note 2*	31,570,000	6.08%	–	–
	Personal interests (Option) *Note 4*	3,184,000	0.61%	–	–
	Family interests	16,717,000	3.22%	–	–
	Other interests	*Note 1*	*Note 1*	*Note 1*	*Note 1*
Ng Kam Wah Thomas	Personal interests	5,909,000	1.14%	–	–
	Personal interests (Option) *Note 2*	21,050,000	4.05%	–	–
	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	0.58%	–	–
	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	1,774,000	0.34%	–	–
	Personal interests (Option) *Note 3*	3,000,000	0.58%	–	–
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	300,000	0.06%	–	–
	Personal interests (Option) *Note 3*	200,000	0.04%	–	–

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 336,013,280 Shares (representing approximately 64.67 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 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	336,013,280	–	64.67%
Wong Yee Man Gloria	369,640,280*	–	71.14%
	–	34,754,000**	6.69%

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 16,717,000 Shares in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 352,923,280 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 54.62 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 CONTRACTS

The following contracts 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:

(1) 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;

(2) an agreement dated 2 November 2005 entered into between Jinyuan Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,350,000,000;

(3) an agreement dated 4 January 2006 entered into between Jinman Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,430,000,000;

(4) an agreement dated 4 January 2006 entered into between Jinpu Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,430,000,000;

(5) an agreement dated 23 January 2006 entered into between Jinhui Shipping, a member of the Group, and Bocimar International NV regarding the acquisition of a vessel at a consideration of US$60,000,000;

(6) an agreement dated 13 April 2006 entered into between Jinda Shipping Inc., a member of the Group, and SK Shipping (Singapore) Pte. Ltd. regarding the disposal of a vessel at a consideration of US$9,800,000;

(7) an agreement dated 21 April 2006 entered into between Jinshun Shipping Inc., a member of the Group, and Vergina Maritime Company regarding the disposal of a vessel at a consideration of US$7,550,000;

(8) an agreement dated 25 April 2006 entered into between Jinyang Marine Inc., a member of the Group, and Panstar Maritime Inc. regarding the disposal of a vessel at a consideration of US$39,100,000;

(9) an agreement dated 25 April 2006 entered into between Jinsheng Marine Inc., a member of the Group, and Pansolar Maritime Inc. regarding the disposal of a vessel at a consideration of US$39,100,000;

(10) an agreement dated 9 May 2006 entered into between Jinbi Shipping Ltd., a member of the Group, and Five Stars Bulkcarriers Private Ltd. regarding the disposal of a vessel at a consideration of US$6,500,000;

(11) an agreement dated 9 June 2006 entered into between Jinshun Shipping Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,430,000,000;

(12) an agreement dated 14 July 2006 entered into between Jinsheng Marine Inc., a member of the Group, and Master Aim S.A. regarding the acquisition of a vessel at a consideration of US$40,250,000;

(13) an agreement dated 2 August 2006 entered into between Goldbeam Shipping Inc., a member of the Group, and Ratu Shipping Co., S.A. regarding the acquisition of a vessel at a consideration of US$26,000,000;

(14) an agreement dated 7 August 2006 entered into between Jinrong Marine Inc., a member of the Group, and Nordhval Pte. Ltd. regarding the acquisition of a vessel at a consideration of US$32,650,000;

(15) an agreement dated 25 August 2006 entered into between Jinyao Marine Inc., a member of the Group, and Alicantia Marine Inc. regarding the acquisition of a vessel at a consideration of US$40,000,000;

(16) an agreement dated 15 September 2006 entered into between Jinheng Marine Inc., a member of the Group, and Super Shipping Ltd. regarding the acquisition of a vessel at a consideration of US$33,300,000;

(17) 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;

(18) 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 (17) above;

(19) an agreement dated 12 October 2006 entered into between Jinmao Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,480,000,000;

(20) an agreement dated 2 November 2006 entered into between Jinyang Marine Inc., a member of the Group, and Mitsubishi Corporation regarding the acquisition of a vessel at a consideration of JPY1,680,000,000 and US$16,320,000;

(21) an agreement dated 2 November 2006 entered into between Jinxiao Marine Inc., a member of the Group, and Mitsubishi Corporation regarding the acquisition of a vessel at a consideration of JPY1,680,000,000 and US$16,320,000;

(22) an agreement dated 22 November 2006 entered into between Jinquan Marine Inc., a member of the Group, and Cobelfret S.A. regarding the acquisition of a vessel at a consideration of US$39,250,000;

(23) an agreement dated 30 November 2006 entered into between Jinming Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,430,000,000;

(24) an agreement dated 9 January 2007 entered into between Jinhan Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,440,000,000;

(25) an agreement dated 9 January 2007 entered into between Jinhong Marine Inc., a member of the Group, and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY3,440,000,000;

(26) an agreement dated 2 March 2007 entered into between Jincheng Maritime Inc., a member of the Group, and Jubilee Line S.A. regarding the acquisition of a vessel at a consideration of US$40,500,000;

(27) an agreement dated 7 May 2007 entered into between Jinze Marine Inc., a member of the Group, and Mitsubishi Corporation regarding the acquisition of a vessel at a consideration of JPY1,910,500,000 and US$17,500,000;

(28) an agreement dated 7 May 2007 entered into between Jinjiang Marine Inc., a member of the Group, and Mitsubishi Corporation regarding the acquisition of a vessel at a consideration of JPY1,910,500,000 and US$17,500,000;

(29) an agreement dated 8 May 2007 entered into between Jinkang Marine Inc., a member of the Group, and Royal Maritime Limited regarding the disposal of a vessel at a consideration of US$53,725,000;

(30) an agreement dated 22 May 2007 entered into between Jinxiao Marine Inc., a member of the Group, and Bocimar Hong Kong Limited regarding the disposal of a vessel at a consideration of JPY1,773,233,000 and US$16,569,500;

(31) an agreement dated 22 May 2007 entered into between Jinjiang Marine Inc., a member of the Group, and Bocimar Hong Kong Limited regarding the disposal of a vessel at a consideration of JPY1,929,798,000 and US$17,685,600;

(32) an agreement dated 30 May 2007 entered into between Jinsui, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(33) an agreement dated 30 May 2007 entered into between Jintong, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(34) an agreement dated 30 May 2007 entered into between Jinwan, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(35) an agreement dated 30 May 2007 entered into between Jingang, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(36) an agreement dated 30 May 2007 entered into between Jinji, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(37) an agreement dated 30 May 2007 entered into between Jinjun, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000;

(38) an agreement dated 30 May 2007 entered into between Jinao, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000; and

(39) an agreement dated 30 May 2007 entered into between Jinyue, the Vendor, CSTC and the Builder regarding the acquisition of a vessel at a consideration of US$41,000,000.

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 up to and including 9 July 2007:

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

(b) the 2005 and 2006 annual reports of the Company for the two financial years ended 31 December 2005 and 2006 respectively;

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

(d) the circular issued by the Company dated 31 January 2007 in relation to a major transaction regarding the acquisition of two vessels;

(e) the circular issued by the Company dated 23 March 2007 in relation to a discloseable transaction regarding the acquisition of a vessel;

(f) the circular issued by the Company dated 30 April 2007 in relation to the general mandates to issue new shares and to repurchase shares, re-election of retiring directors and notice of annual general meeting;

(g) the circular issued by the Company dated 25 May 2007 in relation to two discloseable transactions regarding the acquisition of two vessels and disposal of a vessel;

(h) the circular issued by the Company dated 8 June 2007 in relation to a discloseable transaction regarding the disposal of two vessels; and

(i) the written approval dated 30 May 2007 given by Fairline in relation to the Acquisition.

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.

1. Subject to the provisions of the Companies Ordinance, a poll may be demanded:

   (a) by the chairman; or

   (b) by not less than five members having the right to vote at the meeting; or

   (c) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (d) by a member or members holding shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

2. The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

3. A poll shall be taken as the chairman directs, and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

4. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a casting vote in addition to any other vote he may have.

5. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs, not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

6. No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting in respect of which it is demanded. In any other case, at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Jinhui Holdings Company Limited (the "Company") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 9 July 2007 at 9:30 a.m. for the following purposes of considering and, if thought fit, to pass, with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by Shanghai Shipyard Co., Ltd. (the "Builder") and delivered to Jinsui Marine Inc. (the "First Acquisition") be and is hereby approved and any of the board of directors (the "Director(s)") of the Company be and is hereby authorized to do all things and execute all documents in connection with or incidental to the First Acquisition."

2. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jintong Marine Inc. (the "Second Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Second Acquisition."

3. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jinwan Marine Inc. (the "Third Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Third Acquisition."

4. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jingang Marine Inc. (the "Fourth Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Fourth Acquisition."

5. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jinji Marine Inc. (the "Fifth Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Fifth Acquisition."

6. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jinjun Marine Inc. (the "Sixth Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Sixth Acquisition."

7. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jinao Marine Inc. (the "Seventh Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Seventh Acquisition."

8. "**THAT** the acquisition of a deadweight 57,000 metric tons type bulk carrier to be built by the Builder and delivered to Jinyue Marine Inc. (the "Eighth Acquisition") be and is hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the Eighth Acquisition."

9. "**THAT** subject to the approval of the ordinary resolutions numbered (1) to (8) above, the First Acquisition, the Second Acquisition, the Third Acquisition, the Fourth Acquisition, the Fifth Acquisition, the Sixth Acquisition, the Seventh Acquisition and the Eighth Acquisition, in aggregate, be and are hereby approved and any of the Directors be and is hereby authorized to do all things and execute all documents in connection with or incidental to the First Acquisition, the Second Acquisition, the Third Acquisition, the Fourth Acquisition, the Fifth Acquisition, the Sixth Acquisition, the Seventh Acquisition and the Eighth Acquisition."

By Order of the Board
Ho Suk Lin
Company Secretary

Hong Kong, 20 June 2007

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the registered office of the Company at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong not less than 48 hours before the time appointed for holding the above meeting and any adjourned meeting.

3. The register of members of the Company will be closed from 5 July 2007 to 9 July 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting at the meeting, shareholders should ensure that they are registered as members of the Company on 4 July 2007.