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 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
金 輝 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

MAJOR TRANSACTION
ACQUISITION OF TWO VESSELS
AND
DISCLOSEABLE TRANSACTION
ACQUISITION OF A VESSEL

19 July 2008

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

"Acquisition of One Handysize"	the acquisition of the Third Vessel under the Contract;
"Acquisition of Two Post-Panamaxes"	the acquisition of the First Vessel and the Second Vessel under the First Agreement and the Second Agreement respectively;
"associates"	has the same meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"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;
"Contract"	the construction and sale contract dated 30 June 2008 entered into between Jinyu and the Contractor in respect of the acquisition of the Third Vessel;
"Contractor"	Sumitomo Corporation, a company incorporated in Japan;
"Directors"	the directors of the Company;
"Fairline"	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company holding 341,937,280 Shares which represent approximately 65.66 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;
"First Agreement"	the agreement dated 28 June 2008 entered into between Jinmei, the Vendor, JSTY and JSNYZ in respect of the acquisition of the First Vessel;
"First Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, JSTY and JSNYZ dated 6 December 2006 where the Vendor has agreed to purchase the First Vessel from JSTY and JSTY has agreed to cause JSNYZ to build, launch, equip and complete the First Vessel, and to sell and deliver the First Vessel to the Vendor;

"First Vessel"	a deadweight 92,500 metric tons type bulk carrier to be delivered on or before 30 April 2010;
"Group"	the Company and its subsidiaries;
"Handymax"	a dry cargo vessel of deadweight approximately 45,000 metric tons;
"Handysize"	a dry cargo vessel of deadweight below 40,000 metric tons;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jinhui Shipping"	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77 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 Shares"	ordinary shares of US$0.05 each in the share capital of Jinhui Shipping;
"Jinlang"	Jinlang Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinmei"	Jinmei Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Jinyu"	Jinyu Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"JSNYZ"	Jiangsu New Yangzi Shipbuilding Company Limited, a 75.19 per cent. owned subsidiary of YZJ as at the Latest Practicable Date, established under the Laws of the People's Republic of China, and is the builder of the First Vessel and the Second Vessel;
"JSTY"	Jiangsu Tianyuan Marine Import & Export Company Limited, a 90 per cent. owned subsidiary of YZJ as at the Latest Practicable Date;
"Latest Practicable Date"	14 July 2008, 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(es)"	vessel(s) of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
"Post-Panamax(es)"	vessel(s) of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
"Refund Guarantee(s)"	the guarantee(s) to be issued by JSTY's bank in favour of each of Jinmei and Jinlang respectively whereby JSTY's bank will guarantee the refund of any sum received by JSTY to each of Jinmei and Jinlang respectively if the delivery of any of the First Vessel and the Second Vessel is not effected according to the agreed date of delivery respectively;
"Second Agreement"	the agreement dated 28 June 2008 entered into between Jinlang, the Vendor, JSTY and JSNYZ in respect of the acquisition of the Second Vessel;
"Second Shipbuilding Contract"	the shipbuilding contract entered into between the Vendor, JSTY and JSNYZ dated 6 December 2006 where the Vendor has agreed to purchase the Second Vessel from JSTY and JSTY has agreed to cause JSNYZ to build, launch, equip and complete the Second Vessel, and to sell and deliver the Second Vessel to the Vendor;
"Second Vessel"	a deadweight 92,500 metric tons type bulk carrier to be delivered on or before 31 May 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;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supramax(es)"	dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
"Third Vessel"	a deadweight 38,000 metric tons type bulk carrier to be constructed in Japan;
"Third Vessel's Builder"	Naikai Zosen Corporation, a company incorporated in Japan;

"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;
"YZJ"	Yangzijiang Shipbuilding (Holdings) Ltd., a limited liability company established in Singapore and is one of the largest shipbuilding group in China, with its listing on the Singapore Stock Exchange;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong;
"JPY"	Japanese Yen, the lawful currency of Japan, and for the purpose of illustration only, translated into HK$ at the rate of JPY1 = HK$0.073428; and
"US$"	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
金 輝 集 團 有 限 公 司

(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 *

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

* *Independent Non-executive Director*

19 July 2008

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

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF TWO VESSELS
AND
DISCLOSEABLE TRANSACTION
ACQUISITION OF A VESSEL

I. INTRODUCTION

The Directors refer to the followings:

(i) the announcement of the Company dated 28 June 2008 in relation to the acquisition of two Post-Panamaxes by Jinmei and Jinlang from the Vendor pursuant to the First Agreement and the Second Agreement respectively both dated 28 June 2008; and

(ii) the announcement of the Company dated 30 June 2008 in relation to the acquisition of one Handysize by Jinyu from the Contractor pursuant to a construction and sale contract dated 30 June 2008.

The purpose of this circular is to give you further information in relation to the Acquisition of Two Post-Panamaxes and the Acquisition of One Handysize.

II. THE ACQUISITION OF TWO POST-PANAMAXES

Jinmei and Jinlang, both are ship owning companies and wholly-owned subsidiaries of Jinhui Shipping, which are in turn approximately 54.77 per cent. owned subsidiaries of the Company as at the Latest Practicable Date.

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, its ultimate beneficial owners and their respective associates do not hold shares of the Company, and are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Group has not acquired or disposed of any other vessel with the Vendor, its ultimate beneficial owners or their respective associates during the last twelve months from date of the First Agreement and the Second Agreement.

Background of the Acquisition of Two Post-Panamaxes

The Vendor has entered into the First Shipbuilding Contract and the Second Shipbuilding Contract with JSTY and JSNYZ, whereby the Vendor has agreed to purchase the First Vessel and the Second Vessel from JSTY and JSTY has agreed to cause JSNYZ to build, launch, equip and complete the First Vessel and the Second Vessel, and to sell and deliver the First Vessel and the Second Vessel to the Vendor.

Pursuant to the First Agreement dated 28 June 2008, the Vendor, JSTY and JSNYZ have agreed to transfer all the rights and obligations of the Vendor under the First Shipbuilding Contract to Jinmei whereby JSTY will cause JSNYZ to build, launch, equip and complete the First Vessel at JSNYZ's shipyard in China, and to sell and deliver the First Vessel to Jinmei. The First Vessel is a Post-Panamax of deadweight 92,500 metric tons and is proposed to be used for chartering out to gain operating income by Jinmei after delivery.

Pursuant to the Second Agreement dated 28 June 2008, the Vendor, JSTY and JSNYZ have agreed to transfer all the rights and obligations of the Vendor under the Second Shipbuilding Contract to Jinlang whereby JSTY will cause JSNYZ to build, launch, equip and complete the Second Vessel at JSNYZ's shipyard in China, and to sell and deliver the Second Vessel to Jinlang. The Second Vessel is a Post-Panamax of deadweight 92,500 metric tons and is proposed to be used for chartering out to gain operating income by Jinlang after delivery. Each of the First Agreement and the Second Agreement is separate and not inter-conditional of each other.

JSTY and JSNYZ are subsidiaries of YZJ, one of the largest shipbuilding group in China and is listed on the Singapore Stock Exchange. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, JSTY, JSNYZ, YZJ, the respective associates of JSTY and JSNYZ, and the respective shareholders of the remaining interests of JSTY and JSNYZ and their respective ultimate beneficial owners and associates do not hold shares of the Company, and are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Group has not acquired or disposed of any other vessel with these parties during the last twelve months from date of the First Agreement and the Second Agreement.

After the acquisition of the First Vessel and the Second Vessel, the Group's property, plant and equipment will increase by the amount of purchase prices of the First Vessel and the Second Vessel, 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 reduction 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 of the First Vessel is US$63,300,000 (approximately HK$493,740,000) and is payable by Jinmei as follows:

(1) the first installment in the sum of US$20,256,000 (approximately HK$157,996,800) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the first installment which is expected to be on or around 28 July 2008;

(2) the second installment in the sum of US$8,229,000 (approximately HK$64,186,200) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the second installment which is expected to be around January 2009;

(3) the third installment in the sum of US$9,495,000 (approximately HK$74,061,000) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the third installment which is expected to be around June 2009;

(4) the fourth installment in the sum of US$12,660,000 (approximately HK$98,748,000) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the fourth installment which is expected to be around January 2010; and

(5) the last installment in the sum of US$12,660,000 (approximately HK$98,748,000) shall become due and payable concurrently with delivery of the First Vessel on or before 30 April 2010.

Consideration of the Second Vessel

Subject to certain provisions for reduction 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 of the Second Vessel is US$63,300,000 (approximately HK$493,740,000) and is payable by Jinlang as follows:

(1) the first installment in the sum of US$20,256,000 (approximately HK$157,996,800) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the first installment which is expected to be on or around 28 July 2008;

(2) the second installment in the sum of US$8,229,000 (approximately HK$64,186,200) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the second installment which is expected to be around January 2009;

(3) the third installment in the sum of US$9,495,000 (approximately HK$74,061,000) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the third installment which is expected to be around June 2009;

(4) the fourth installment in the sum of US$12,660,000 (approximately HK$98,748,000) shall become due and payable and be paid within five business days after receipt of the Refund Guarantee covering the fourth installment which is expected to be around January 2010; and

(5) the last installment in the sum of US$12,660,000 (approximately HK$98,748,000) shall become due and payable concurrently with delivery of the Second Vessel on or before 31 May 2010.

The total purchase price of the First Vessel and the Second Vessel is US$126,600,000 (approximately HK$987,480,000), which will be payable by cash in United States Dollars. It is currently expected that approximately 60 per cent. of the total purchase price will be funded by bank financing and approximately 40 per cent. will be funded by internal resources of the Group. Each of the purchase prices of the First Vessel and the Second Vessel was determined with 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 30 April 2010 to Jinmei in Jiangsu, China. The Second Agreement provides for the delivery of the Second Vessel on or before 31 May 2010 to Jinlang in Jiangsu, China. If there is any delay in delivery of the First Vessel or the Second Vessel which continues for a period of 210 days from the agreed delivery date, then after such period has expired, Jinmei or Jinlang (as the case may be) may at its option rescind the First Agreement or the Second Agreement (as the case may be). JSTY shall thereupon promptly refund to Jinmei or Jinlang (as the case may be) in United States Dollars the full amount of all sums received by JSTY together with interest accrued thereon at an agreed rate from the date of receipt by JSTY of such amount to the date of full payment to Jinmei or Jinlang (as the case may be) of such amount.

Undertaking by JSNYZ

The First Agreement and the Second Agreement were also signed by JSNYZ for the purpose of an undertaking on its part to duly perform all the terms and conditions stipulated in the First Agreement and the Second Agreement to be performed by a shipbuilder including the undertaking to remedy Jinmei and Jinlang free of charge for any defects in the First Vessel and the Second Vessel respectively which are due to defective material and/or poor workmanship on the part of JSNYZ and/or its subcontractors within a period of twelve months after the date of delivery of the First Vessel and the Second Vessel respectively.

Guarantees by Jinhui Shipping

Jinhui Shipping, the intermediate holding company of Jinmei and Jinlang, has undertaken that within five business days after receipt of the two Refund Guarantees covering the first installments of the First Vessel and the Second Vessel, which is expected to be on or around 28 July 2008, Jinhui Shipping will execute two guarantees in favour of JSTY pursuant to which Jinhui Shipping agrees to guarantee the full and punctual payment of the second installments of the First Vessel and the Second Vessel by Jinmei and Jinlang in accordance with the terms of the First Agreement and the Second Agreement respectively.

III. THE ACQUISITION OF ONE HANDYSIZE

Jinyu is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 54.77 per cent. owned subsidiary of the Company as at the Latest Practicable Date.

The Contractor is a trading firm listed on four stock exchanges in Tokyo, Osaka, Nagoya and Fukuoka. Through its worldwide network, the Contractor engages in diverse business activities including various domestic and overseas transactions and import and export of a wide range of goods and commodities. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Contractor is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Pursuant to the Contract dated 30 June 2008, the Contractor has agreed to procure the Third Vessel's Builder to build, launch, equip and complete the Third Vessel at the shipyard of the Third Vessel's Builder in Japan and to sell and deliver the Third Vessel to Jinyu, and Jinyu has agreed to purchase and take delivery of the Third Vessel from the Contractor. The Third Vessel is a Handysize of deadweight 38,000 metric tons and is proposed to be used for chartering out to gain operating income by Jinyu after delivery.

The principal activities of the Third Vessel's Builder are shipbuilding and repairs, industrial machinery and steel structures businesses and is listed on two stock exchanges in Tokyo and Osaka. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Third Vessel's Builder is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

After the acquisition of the Third Vessel, the Group's property, plant and equipment will increase by the amount of purchase price of the Third Vessel, the current assets will decrease by the amount of purchase price funded by internal resources and the liabilities will increase by the amount of purchase price funded by bank financing.

Consideration of the Third Vessel

Subject to certain provisions for adjustment to reduce the purchase price of the Third Vessel contained in the Contract 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 JPY4,500,000,000 (approximately HK$330,426,000) and is payable by Jinyu in the following manner:

(1) the first installment in the sum of JPY450,000,000 (approximately HK$33,042,600) was paid to the Contractor's designated bank account on 14 July 2008;

(2) the second installment in the sum of JPY900,000,000 (approximately HK$66,085,200) will be payable on 30 June 2009;

(3) the third installment in the sum of JPY450,000,000 (approximately HK$33,042,600) will be payable in September 2011;

(4) the fourth installment in the sum of JPY450,000,000 (approximately HK$33,042,600) will be payable in April 2012; and

(5) the last installment in the sum of JPY2,250,000,000 (approximately HK$165,213,000) will be payable upon delivery of the Third Vessel on or before 30 June 2012.

The purchase price for the Third Vessel will be payable by cash in Japanese Yen. It is currently expected that approximately 60 per cent. of the purchase price will be funded by bank financing and approximately 40 per cent. will be funded by internal resources of the Group. The purchase price for the Third Vessel was determined with reference to current market values of similar type of vessels and on the basis of arm's length negotiations.

Delivery

The Contract provides for the delivery of the Third Vessel on or before 30 June 2012 to Jinyu in Japan. Pursuant to the terms of the Contract, if there is any delay in delivery of the Third 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, Jinyu may at its option rescind the Contract. The Contractor shall thereupon promptly refund to Jinyu in Japanese Yen the full amount of all sums received by the Contractor together with interest accrued thereon at an agreed rate from the date of receipt by the Contractor of such amount to the date of full payment to Jinyu of such amount.

Undertaking by the Third Vessel's Builder

Pursuant to the Contract, the Contractor shall cause the Third Vessel's Builder to undertake to remedy Jinyu at first priority and free of charge for any defects in the Third Vessel which are due to defective material, defective construction and/or bad workmanship on the part of the Third Vessel's Builder and/or its subcontractors within a period of twelve months after the date of delivery of the Third Vessel.

Guarantee by Jinhui Shipping

Jinhui Shipping, the intermediate holding company of Jinyu, also executed on 30 June 2008 a guarantee in favour of the Contractor pursuant to which Jinhui Shipping agrees to guarantee the due and faithful performance and fulfillment by Jinyu in accordance with the terms of the Contract.

IV. REASONS FOR THE ACQUISITION OF TWO POST-PANAMAXES AND ONE HANDYSIZE

The Group's principal activities include international ship chartering, ship owning and trading. The Acquisition of Two Post-Panamaxes and the Acquisition of One Handysize will enable the Group to continuously maintain a young and modern owned fleet of vessels to serve the growing needs of our customers. The Group currently owns one modern Capesize, one modern Panamax and sixteen modern grabs fitted Supramaxes. Taking into account all existing commitments to acquire and dispose of other vessels as announced by the Company previously, the Group will have additional twenty newly built grabs fitted Supramaxes, two newly built Post-Panamaxes, two newly built Panamaxes, one second hand Handymax and one newly built Handysize for delivery going forward, where three of which will be delivered in 2008, seven in 2009, seven in 2010, five in 2011, three in 2012 and one in 2013.

The terms and conditions of the First Agreement, the Second Agreement and the Contract 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.

The Group had during the past twelve months entered into other two separate contracts with the Contractor on 5 November 2007 and 19 May 2008 and three amendment agreements with the Contractor on 27 November 2007 in relation to the acquisition of other five motor vessels from the Contractor. Each of the aforementioned contracts and amendment agreements is separate and not inter-conditional of each other.

GENERAL

Under the Listing Rules, the Acquisition of Two Post-Panamaxes constitutes a major transaction for the Company and is subject to shareholders' approval in general meeting. Fairline, the controlling shareholder of the Company holding 341,937,280 Shares which represent approximately 65.66 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 which represent approximately 0.57 per cent. of the issued share capital of Jinhui Shipping, is not interested in the Acquisition of Two Post-Panamaxes other than through its shareholding interest in the Company and Jinhui Shipping. If the Company were to convene a general meeting for the approval of the Acquisition of Two Post-Panamaxes, the Board would recommend the Shareholders to vote in favour of the Acquisition of Two Post-Panamaxes since the terms and conditions of the First Agreement and the Second Agreement are fair and reasonable and in the best interests of the Company and its shareholders as a whole, and no Shareholder is required to abstain from voting on the Acquisition of Two Post-Panamaxes. The Acquisition of Two Post-Panamaxes had been approved by a written shareholder's approval from Fairline.

According to Rule 14.67(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 major transaction. The First Vessel and the Second Vessel do not currently exist and there is no identifiable income stream or asset valuation available as at date of this circular. Hence, Rule 14.67(4)(b) of the Listing Rules should not apply to the Acquisition of Two Post-Panamaxes.

Furthermore, the Acquisition of One Handysize constitutes a discloseable transaction for the Company under the Listing Rules.

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 for each of three years ended 31 December 2007 of the Group as extracted from the relevant reports of the Company.

Consolidated Income Statement

	Year ended 31 December		
	2007	**2006**	**2005**
	(Audited)	**(Audited)**	**(Audited)**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	2,575,790	1,550,763	1,985,235
Profit from operations	811,046	477,077	869,660
Interest income	28,761	20,067	13,983
Interest expenses	(165,961)	(76,052)	(40,213)
Profit before taxation	673,846	421,092	843,430
Taxation	(2,154)	(2,796)	(2,474)
Net profit for the year	671,692	418,296	840,956
Attributable to:			
Shareholders of the Company	367,724	223,192	526,862
Minority interests	303,968	195,104	314,094
	671,692	418,296	840,956
Dividend per share	HK$0.060	–	HK$0.190
Basic earnings per share	HK$0.704	HK$0.421	HK$0.992
Diluted earnings per share	HK$0.641	HK$0.418	HK$0.982

Consolidated Balance Sheet

	At 31 December		
	2007	**2006**	**2005**
	(Audited)	**(Audited)**	**(Audited)**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Property, plant and equipment	5,748,017	2,984,636	2,325,882
Investment properties	30,010	32,314	35,000
Goodwill	39,040	39,040	39,040
Available-for-sale financial assets	12,975	37,763	36,938
Intangible assets	2,590	1,555	–
Other non-current assets	–	11,695	22,174
Current assets	927,548	884,768	757,381
Current liabilities	(1,063,127)	(401,069)	(373,230)
Non-current liabilities	(2,965,787)	(1,430,965)	(1,005,205)
Net assets	2,731,266	2,159,737	1,837,980
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	51,996	52,538	53,394
Reserves	1,549,486	1,248,579	1,058,258
	1,601,482	1,301,117	1,111,652
Minority interests	1,129,784	858,620	726,328
Total equity	2,731,266	2,159,737	1,837,980

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 2007 together with accompanying notes.

Consolidated Income Statement
Year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	3	2,575,790	1,550,763
Gain on disposal of motor vessel(s)		158,004	209,673
Other operating income		91,250	61,733
Shipping related expenses		(1,065,290)	(782,717)
Cost of trading goods sold		(243,405)	(297,149)
Depreciation and amortization		(173,854)	(111,298)
Staff costs	4	(80,728)	(83,833)
Net loss on financial assets and financial liabilities at fair value through profit or loss	5	(363,850)	–
Other operating expenses		(86,871)	(70,095)
Profit from operations	6	811,046	477,077
Interest income	3	28,761	20,067
Interest expenses	7	(165,961)	(76,052)
Profit before taxation		673,846	421,092
Taxation	8	(2,154)	(2,796)
Net profit for the year		671,692	418,296
Attributable to:			
Shareholders of the Company	11	367,724	223,192
Minority interests		303,968	195,104
		671,692	418,296
Dividends	12	31,198	–
Earnings per share for net profit attributable to shareholders of the Company			
– Basic	13(a)	HK$0.704	HK$0.421
– Diluted	13(b)	HK$0.641	HK$0.418

Balance Sheets

At 31 December 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	5,748,017	2,984,636	–	–
Investment properties	*15*	30,010	32,314	–	–
Goodwill	*16*	39,040	39,040	–	–
Available-for-sale financial assets	*17*	12,975	37,763	7,505	6,541
Intangible assets	*18*	2,590	1,555	–	–
Investments in subsidiaries	*19*	–	–	441,170	375,008
Other non-current asset	*20*	–	11,695	–	–
		5,832,632	3,107,003	448,675	381,549
Current assets					
Inventories	*21*	16,590	13,591	–	–
Trade and other receivables	*22*	211,452	250,160	433	499
Financial assets at fair value through profit or loss	*23*	70,812	182,694	44,974	53,844
Due from subsidiaries	*24*	–	–	157,732	183,060
Pledged deposits	*32(b)*	55,938	70,273	21,362	38,866
Bank balances and cash		572,756	368,050	12,714	49,984
		927,548	884,768	237,215	326,253
Current liabilities					
Trade and other payables	*25*	306,328	189,307	13,991	11,953
Financial liabilities at fair value through profit or loss	*23*	35,444	33,379	16,056	3,540
Taxation		950	2,432	–	–
Secured bank loans	*26*	720,405	175,951	–	–
		1,063,127	401,069	30,047	15,493
Net current (liabilities) assets		(135,579)	483,699	207,168	310,760
Total assets less current liabilities		5,697,053	3,590,702	655,843	692,309
Non-current liabilities					
Secured bank loans	*26*	2,965,787	1,430,965	–	–
Net assets		2,731,266	2,159,737	655,843	692,309

Balance Sheets

At 31 December 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Equity attributable to shareholders of the Company					
Share capital	*27*	51,996	52,538	51,996	52,538
Reserves	*28*	1,549,486	1,248,579	603,847	639,771
		1,601,482	1,301,117	655,843	692,309
Minority interests		1,129,784	858,620	–	–
Total equity		2,731,266	2,159,737	655,843	692,309

Statements of Changes in Equity

Year ended 31 December 2007

Group

	Attributable to shareholders of the Company									
	Share 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 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 and 1 January 2007	52,538	301,088	2,938	3,038	2,506	26,259	912,750	1,301,117	858,620	2,159,737
Gain on revaluation of available-for-sale financial assets	–	–	–	–	1,558	–	–	1,558	–	1,558
Net income recognized directly in equity	–	–	–	–	1,558	–	–	1,558	–	1,558
Net profit for the year	–	–	–	–	–	–	367,724	367,724	303,968	671,692
Total recognized income	–	–	–	–	1,558	–	367,724	369,282	303,968	673,250
Shares issued upon exercise of share options	540	8,103	–	–	–	–	–	8,643	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	–	(45)	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	–	(44,157)	(44,157)	–	(44,157)
Acquisition of minority interests in a subsidiary	–	–	–	–	–	–	(33,358)	(33,358)	(32,804)	(66,162)
	(542)	8,058	1,082	–	–	–	(77,515)	(68,917)	(32,804)	(101,721)
At 31 December 2007	51,996	309,146	4,020	3,038	4,064	26,259	1,202,959	1,601,482	1,129,784	2,731,266

Statements of Changes in Equity

Year ended 31 December 2007

Company

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Reserve for available-for-sale financial assets *HK$'000*	Employee share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 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 and 1 January 2007	52,538	301,088	2,938	1,541	6,549	327,655	692,309
Gain on revaluation of available-for-sale financial assets	–	–	–	964	–	–	964
Net income recognized directly in equity	–	–	–	964	–	–	964
Net loss for the year	–	–	–	–	–	(1,871)	(1,871)
Total recognized income (expenses)	–	–	–	964	–	(1,871)	(907)
Shares issued upon exercise of share options	540	8,103	–	–	–	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	(44,157)	(44,157)
	(542)	8,058	1,082	–	–	(44,157)	(35,559)
At 31 December 2007	51,996	309,146	4,020	2,505	6,549	281,627	655,843

Consolidated Cash Flow Statement
Year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	30(a)	1,017,961	347,001
Interest paid		(156,613)	(72,316)
Hong Kong Profits Tax paid		(3,636)	(3,592)
Net cash from operating activities		857,712	271,093
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,097,955)	(1,324,514)
Purchase of investment properties		–	(22,587)
Purchase of intangible asset		–	(1,599)
Proceeds from disposal of property, plant and equipment		397,987	771,250
Proceeds from disposal of an investment property		12,272	27,109
Deposits paid for purchase of motor vessels		–	(77,415)
Net cash outflow on disposal of a subsidiary		–	(12)
Net cash outflow on acquisition of partial interests in a subsidiary		(66,162)	(78,751)
Interest received		29,501	19,381
Net amount of loan received		13,607	2,012
Dividend income received from listed securities		580	386
Dividend income received from unlisted investment		5,479	7,917
Net cash used in investing activities		(2,704,691)	(676,823)
FINANCING ACTIVITIES			
New secured bank loans		2,731,406	1,205,905
Repayment of secured bank loans		(658,497)	(730,638)
Decrease (Increase) in pledged deposits		14,335	(56,255)
Dividend paid to minority interests		–	(26,764)
Proceeds from exercise of share options		8,643	950
Share issuance expenses related to exercise of share options		(45)	(12)
Repurchase of own shares		(44,157)	(15,020)
Net cash from financing activities		2,051,685	378,166
Net increase (decrease) in cash and cash equivalents		204,706	(27,564)
Cash and cash equivalents at 1 January		368,050	395,614
Cash and cash equivalents at 31 December	30(b)	572,756	368,050

Notes to the Financial Statements

Year ended 31 December 2007

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 29.

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 Hong Kong 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 the HKFRS 7, Financial Instruments: Disclosures and the amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and Presentation. These disclosures are provided in note 36.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are included in note 28.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognized in the Group's financial statements.

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

Basis of preparation

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities as of 31 December 2007. Taking into due consideration of the existing and available long term credit facilities, cash, and marketable equity and debt securities as well as continuing revenue from profitable operation, the directors are satisfied that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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.

Subsidiaries

A subsidiary is an entity over which the Group, directly or indirectly, has the power to govern the financial and operating policies of the entity 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.

Minority interests

Minority interests represent the portion of the results and net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries. Minority interests are presented in the consolidated balance sheet and the Group's statement of changes in equity within equity, separately from the equity attributable to the shareholders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results between the minority interests and the shareholders of the Company.

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 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

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

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.

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 terms.

Taxation

The charge for taxation is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at 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 at 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 (including directors) of the Group 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 expenses when incurred, except to the extent that they are capitalized as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

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

Property, plant and equipment

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 maintenance are charged to the income statement.

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.

Vessels under construction are stated at cost less necessary provision for impairment loss and are not depreciated. All direct costs relating to the construction of vessels, including finance costs on related borrowing funds during the construction period are capitalized as costs of vessels. When the assets concerned are brought into use, the costs are transferred to vessels and depreciated in accordance with the policy as stated below.

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

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

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 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 are 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 sales 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 assets

Intangible assets represent club entrance fee and berth license which are amortized on straight-line basis over their expected useful lives.

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, unlisted available-for-sale financial assets 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 cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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

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

The Group prepared interim financial statements in accordance with HKAS 34, Interim Financial Reporting, in respect of its interim results of the financial year. At the end of the interim period, the Group applies the same impairment testing and reversal criteria as it would be at the end of the financial year.

Impairment losses recognized in an interim period in respect of unlisted available-for-sale financial assets carried at cost will not be reversed in subsequent periods.

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 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 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 unquoted financial asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of 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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and 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$79,328,000 (2006: HK$84,610,000). 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 2008 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	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	1,130,176	591,176
Other chartering freight and hire income	1,180,850	626,825
Trading	264,764	332,762
	2,575,790	1,550,763
Other revenue		
Dividend income from listed securities	580	386
Dividend income from unlisted investment	–	10,902
Interest income	28,761	20,067
Revenue	2,605,131	1,582,118

4. STAFF COSTS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Directors' other emoluments (excluding directors' fees):		
Salaries and other benefits	39,339	23,989
Employee share-based payments	–	20,807
Contributions to retirement benefits schemes	341	90
Employees other than directors:		
Salaries and other benefits	39,091	34,413
Employee share-based payments	–	2,740
Contributions to retirement benefits schemes	1,957	1,794
	80,728	83,833

At balance sheet date, the Group had 103 full-time employees and 440 crew (2006: 105 full-time employees and 293 crew).

5. NET LOSS ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount for the year represented the net loss on financial assets and financial liabilities at fair value through profit or loss mainly due to the loss on forward foreign exchange contracts and options against Japanese Yen during the year ended 31 December 2007.

6. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Auditors' remuneration	2,186	2,540
Cost of inventories	251,944	298,083
Amortization of intangible assets	165	44
Hire payments under time charters	681,240	575,381
Operating lease payments in respect of premises	3,787	4,337
Net exchange gain	(5,069)	(4,718)
Net loss on financial assets and financial liabilities at fair value through profit or loss included in other operating expenses	–	12,606
Gain on disposal/write-off of property, plant and equipment, other than motor vessels	(188)	(81)
Gain on disposal of an investment property	(1,708)	(1,609)
Reversal of impairment loss on property, plant and equipment	(23,847)	(11,568)
Impairment loss on available-for-sale financial assets	26,346	–
Provision for bad and doubtful debts	1,672	2,422
Revaluation surplus of investment properties	(8,260)	(227)
Gross rental income from operating leases on investment properties	(590)	(575)
Direct operating expenses arising from investment properties that generated rental income	129	102

7. INTEREST EXPENSES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts:		
Wholly repayable within five years	30,613	19,803
Not wholly repayable within five years	145,491	56,249
	176,104	76,052
Less: Interest expenses capitalized into vessels under construction	(10,143)	–
	165,961	76,052

8. TAXATION

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	2,133	2,796
Under provision in prior years	21	–
	2,154	2,796

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

Reconciliation of tax expense:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	673,846	421,092
Income tax at the rates applicable to (losses) profits in the tax jurisdiction concerned	(72,687)	4,794
Non-deductible expenses	7,467	2,223
Tax exempt revenue	(5,234)	(8,253)
Unrecognized tax losses	75,263	8,466
Unrecognized temporary differences	(607)	(977)
Utilization of previously unrecognized tax losses	(2,355)	(3,586)
Recognition of previously unrecognized temporary differences	281	–
Under provision in prior years	21	–
Others	5	129
Tax expense for the year	2,154	2,796

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	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Executive Directors							
Ng Siu Fai	1,933	2,907	14,760	115	19,715	–	19,715
Ng Kam Wah Thomas	1,933	2,640	14,660	115	19,348	–	19,348
Ng Ki Hung Frankie	1,326	1,542	2,560	43	5,471	–	5,471
Ho Suk Lin	421	1,151	928	68	2,568	–	2,568
Independent Non-executive Directors							
Cui Jianhua	100	–	–	–	100	–	100
Tsui Che Yin Frank	235	–	–	–	235	–	235
William Yau	190	–	–	–	190	–	190
	6,138	8,240	32,908	341	47,627	–	47,627
2006							
Executive Directors							
Ng Siu Fai	1,933	1,157	8,820	14	11,924	11,568	23,492
Ng Kam Wah Thomas	1,933	960	8,720	15	11,628	8,094	19,722
Ng Ki Hung Frankie	1,326	1,066	1,820	15	4,227	1,145	5,372
Ho Suk Lin	780	818	628	46	2,272	–	2,272
Independent Non-executive Directors							
Cui Jianhua	100	–	–	–	100	–	100
Tsui Che Yin Frank	235	–	–	–	235	–	235
William Yau	190	–	–	–	190	–	190
	6,497	4,001	19,988	90	30,576	20,807	51,383

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2006: four) directors whose details of emoluments are set out in note 9. Emoluments of the remaining one (2006: 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	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	2,059	1,797
Discretionary bonus	278	231
Employee share-based payments	–	165
Contributions to retirement benefits schemes	30	30
	2,367	2,223

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year of HK$367,724,000 (2006: HK$223,192,000) included a net loss of HK$3,465,000 (2006: net profit of HK$8,278,000) which has been dealt with in the financial statements of the Company.

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

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Amount of net (loss) profit attributable to shareholders dealt with in the Company's financial statements	(3,465)	8,278
Dividends from a subsidiary	–	23,700
Other transactions with subsidiaries	1,594	4,002
Company's net (loss) profit for the year	(1,871)	35,980

12. DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$0.06 (2006: nil) per share for the year ended 31 December 2007 after the balance sheet date. The proposed final dividend for 2007 will be accounted for as an appropriation of retained profits in the year ending 31 December 2008 if it is approved at the forthcoming annual general meeting of the Company.

There was no interim dividend declared in the year (2006: nil).

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$367,724,000 (2006: HK$223,192,000) and the weighted average number of 522,618,116 (2006: 529,673,508) 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$367,724,000 (2006: HK$223,192,000) 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:

	2007 Number of shares	2006 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	522,618,116	529,673,508
Deemed issue of ordinary shares on granting of share options	51,195,651	4,208,112
	573,813,767	533,881,620

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Motor vessels and improvement and capitalized drydocking costs HK$'000	Vessels under construction HK$'000	Plant and machinery HK$'000	Leasehold improvement, utility vessels, furniture and equipment HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2006	203,096	2,598,904	103,928	810	33,819	2,940,557
Reclassification	–	257,944	(257,944)	–	–	–
Additions	300	907,802	411,888	–	4,524	1,324,514
Disposals/write-off	–	(866,986)	–	(488)	(1,917)	(869,391)
At 31 December 2006	203,396	2,897,664	257,872	322	36,426	3,395,680
Reclassification	–	509,762	(454,699)	–	–	55,063
Additions	–	1,598,353	1,498,563	268	771	3,097,955
Disposals/write-off	–	(272,316)	–	–	(515)	(272,831)
At 31 December 2007	203,396	4,733,463	1,301,736	590	36,682	6,275,867
Accumulated depreciation and impairment losses						
At 1 January 2006	108,166	477,406	–	771	28,332	614,675
Charge for the year	4,321	104,071	–	16	2,846	111,254
Eliminated on disposals/write-off	–	(301,272)	–	(488)	(1,557)	(303,317)
Impairment loss reversed	(11,568)	–	–	–	–	(11,568)
At 31 December 2006	100,919	280,205	–	299	29,621	411,044
Charge for the year	4,884	166,059	–	35	2,711	173,689
Eliminated on disposals/write-off	–	(32,551)	–	–	(485)	(33,036)
Impairment loss reversed	(23,847)	–	–	–	–	(23,847)
At 31 December 2007	81,956	413,713	–	334	31,847	527,850
Net book value						
At 31 December 2007	121,440	4,319,750	1,301,736	256	4,835	5,748,017
At 31 December 2006	102,477	2,617,459	257,872	23	6,805	2,984,636

Group

	Leasehold land and buildings	Motor vessels and improvement and capitalized drydocking costs	Vessels under construction	Plant and machinery	Leasehold improvement, utility vessels, furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Analysis of cost or valuation of property, plant and equipment						
At 31 December 2007						
At Cost	150,396	4,733,463	1,301,736	590	36,682	6,222,867
At professional valuation in 1994	53,000	–	–	–	–	53,000
	203,396	4,733,463	1,301,736	590	36,682	6,275,867

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

Having regard to the remarkable rise 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 2007. The review led to the recognition of reversal of impairment loss of HK$23,847,000 in the consolidated income statement of 2007. 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 amount at cost less accumulated depreciation and impairment losses would have been HK$101,613,000 (2006: HK$90,379,000).

15. INVESTMENT PROPERTIES

Group

	HK$'000
At fair value	
At 1 January 2006	35,000
Additions	22,587
Disposal	(25,500)
Revaluation	227
At 31 December 2006	32,314
Disposal	(10,564)
Revaluation	8,260
At 31 December 2007	30,010

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 2007 HK$'000	Group 2006 HK$'000
Cost and carrying amount		
At 1 January and **31 December**	39,040	39,040

This goodwill arose from deemed acquisition of additional interests in Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), a subsidiary of the Company, in 2004.

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

With effect from 1 January 2005, 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	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted club debentures, at fair value				
Cost of club debentures	7,410	7,410	5,000	5,000
Changes in fair value	4,064	2,506	2,505	1,541
	11,474	9,916	7,505	6,541
Unlisted investments, at cost				
Co-operative joint ventures	27,847	27,847	–	–
Less: Accumulated impairment losses	(26,346)	–	–	–
	1,501	27,847	–	–
Other unlisted investments, at cost	23	11,723	–	–
Less: Accumulated impairment losses	(23)	(11,723)	–	–
	–	–	–	–
	12,975	37,763	7,505	6,541

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

Unlisted investments in co-operative joint ventures and other unlisted investments were stated at cost less accumulated impairment losses.

Pursuant to the investment contracts with the co-operative joint ventures, the Group is entitled to share investment income until expiry term of the investment contracts in 2015. Given the significant drop in investment income in 2007 and uncertainty over the future returns, the Group had provided an impairment loss of HK$26,346,000 in 2007 for the investment in Shanxi Jinyao Coke & Chemicals Ltd. which produces battery type of metallurgical coke in Shanxi Province of China.

18. INTANGIBLE ASSETS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Club entrance fee and berth license		
Cost		
At 1 January	1,599	–
Addition	1,200	1,599
At 31 December	2,799	1,599
Accumulated amortization		
At 1 January	44	–
Charge for the year	165	44
At 31 December	209	44
Net book value		
At 31 December	2,590	1,555

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	441,157	374,995
Unlisted shares, at cost	13	13
	441,170	375,008

Details of the Company's principal subsidiaries are set out in note 41 to the financial statements.

During the year, the Company had further increased its shareholdings in Jinhui Shipping from 52.99% to 54.77% by acquiring additional 1,502,300 shares of Jinhui Shipping for approximately HK$66,162,000 at the open market in the Oslo Stock Exchange. Accordingly, the minority interests in relation to Jinhui Shipping were decreased by HK$32,804,000 from 47.01% to 45.23% and the difference of HK$33,358,000 had been charged directly to retained profits with no impact on the consolidated income statement for the year.

At balance sheet date, the Company held 46,034,800 (2006: 44,532,500) shares of Jinhui Shipping with market value amounted to approximately HK$3,936,236,000 (2006: HK$1,765,922,000).

20. OTHER NON-CURRENT ASSET

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Loan receivable	9,268	22,875
Less: Amount included in other receivables in current assets	(9,268)	(11,180)
Loan receivable due over one year	–	11,695

The loan receivable is interest-bearing at commercial borrowing rate and will be recovered in 2008.

21. INVENTORIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Ship stores	249	183
Trading goods	16,341	13,408
	16,590	13,591

Inventories at balance sheet date were carried at cost.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	79,328	84,610	–	–
Prepayments, deposits and other receivables	132,124	165,550	433	499
	211,452	250,160	433	499

Details of the Group's credit policy are set out in note 36 to the financial statements.

The aging analysis of trade receivables (net of provision for specific bad and doubtful debts) are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 3 months	64,579	58,362
Over 3 months but within 6 months	13,084	22,873
Over 6 months but within 12 months	890	1,568
Over 12 months	775	1,807
	79,328	84,610

The movements in provision for specific bad and doubtful debts during the year are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	6,419	4,751
Impairment loss recognized	1,674	1,668
At 31 December	8,093	6,419

The aging analysis of trade receivables (net of provision for specific bad and doubtful debts) that are past due but not individually considered to be impaired are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Neither past due nor impaired	53,225	45,755
Within 3 months past due	22,003	32,290
Over 3 months but within 6 months past due	2,580	3,911
Over 6 months but within 12 months past due	745	924
Over 12 months past due	775	1,730
	79,328	84,610

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good payment track records with the Group. Based on past experiences, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over customers.

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	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	33,587	44,491	25,414	22,582
Listed outside Hong Kong	3,628	–	3,628	–
	37,215	44,491	29,042	22,582
Debt securities				
Listed outside Hong Kong	15,932	15,093	15,932	15,093
Unlisted	11,167	17,393	–	–
	27,099	32,486	15,932	15,093
Derivative financial instruments				
Interest rate swaps	2,845	7,346	–	–
Forward foreign exchange contracts and options	3,483	4,202	–	804
Securities derivatives	170	–	–	–
Equity linked investments	–	50,826	–	15,365
Bank deposits with embedded derivatives	–	43,343	–	–
	6,498	105,717	–	16,169
	70,812	182,694	44,974	53,844
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Forward foreign exchange contracts and options	7,896	30,962	–	1,123
Securities derivatives	27,548	2,417	16,056	2,417
	35,444	33,379	16,056	3,540

24. DUE FROM SUBSIDIARIES

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

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	17,433	33,118	–	–
Accrued charges and other payables	288,895	156,189	13,991	11,953
	306,328	189,307	13,991	11,953

The aging analysis of trade payables are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 3 months	7,284	22,192
Over 3 months but within 6 months	4	167
Over 6 months but within 12 months	187	1,124
Over 12 months	9,958	9,635
	17,433	33,118

26. SECURED BANK LOANS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	720,405	175,951
After one year but within two years	368,984	153,335
After two years but within five years	881,336	426,936
After five years	1,715,467	850,694
	3,686,192	1,606,916
Less: Amount repayable within one year and included in current liabilities	(720,405)	(175,951)
Amount repayable after one year	2,965,787	1,430,965

At balance sheet date, secured bank loans included vessel mortgage loans of approximately HK$3,660,496,000 (2006: HK$1,587,810,000) that were denominated in United States Dollars and were committed on floating rate basis at 5.49% to 5.95% (2006: 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

	2007 Number of ordinary shares of HK$0.10 each	2007 Amount *HK$'000*	2006 Number of ordinary shares of HK$0.10 each	2006 Amount *HK$'000*
Authorized				
At 31 December	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid				
At 1 January	525,383,480	52,538	533,940,480	53,394
Shares issued upon exercise of share options	5,402,000	540	594,000	59
Shares repurchased and cancelled *(Note)*	(10,824,000)	(1,082)	(9,151,000)	(915)
At 31 December	519,961,480	51,996	525,383,480	52,538

Note:

During the year, the Company had repurchased 10,824,000 ordinary shares of the Company at the open market in the Hong Kong Stock Exchange. Details of the repurchases are as follows:

Month of the repurchase	Number of ordinary shares of HK$0.10 each	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid (before expenses) *HK$'000*
April 2007	9,602,000	4.490	3.380	37,996
June 2007	1,222,000	5.100	4.690	6,003
	10,824,000			43,999

The repurchased shares were subsequently cancelled in 2007, and accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. An amount of approximately HK$1,082,000 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 43.

28. 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 42 and 43.

Capital management

The Group's capital management objectives are:

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

(ii) to provide adequate returns for shareholders;

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

(iv) to support the Group's sustainable growth.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions, recent market value of the Group's assets as well as the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

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

The Group's capital management strategy is to rely on internal resources and interest-bearing borrowings to finance the capital expenditures for the acquisition of motor vessels, which is unchanged from prior years. The gearing ratio as at 31 December 2007 increased to 112% (2006: 49%) mainly due to financing the delivery of additional owned vessels and installment payments for ordered vessels.

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Short term secured bank loans	720,405	175,951
Long term secured bank loans	2,965,787	1,430,965
Total secured bank loans	3,686,192	1,606,916
Less: Cash and cash equivalents	(572,756)	(368,050)
Less: Equity and debt securities, equity linked investments and bank deposits with embedded derivatives	(64,314)	(171,146)
Net debts	3,049,122	1,067,720
Total equity	2,731,266	2,159,737
Gearing ratio	112%	49%

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$249,407,000 (2006: HK$295,435,000).

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

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

The Black-Scholes option pricing model was used in estimating the fair value of traded options that have no vesting restriction and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. 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 dates *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 recognized these share options under HKFRS 2 amounting to HK$23,547,000 in the consolidated income statement of 2006 with corresponding increase in equity. In 2007, there was no employee share-based payment recognized as no share option was granted.

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 2007:

	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	20,052,000	3,576,000	1,804,000
Exercised during the year	–	(2,300,000)	(2,038,000)	(1,064,000)
Lapsed during the year	–	–	(62,000)	–
Outstanding at end of the year	52,620,000	17,752,000	1,476,000	740,000
Exercisable at end of the year	52,620,000	17,752,000	*Note 3*	740,000
Weighted average share price of the Company at dates of exercise of options in 2007	N/A	HK$2.91	HK$4.17	HK$3.67

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 2007.

(c) Share options outstanding as at 31 December 2007 had the following remaining contractual lives and exercise prices:

	Number of outstanding share options as at 31 December 2007	Remaining contractual lives	Exercise price *HK$*
Options granted on 23 December 2004			
Performance based options granted to Directors	52,620,000	7 years	1.60
Non-performance based options granted to Directors	8,200,000	2 years	1.60
Options with vesting schedules granted to employees other than Directors	1,476,000	2 years	1.60
Options without vesting schedule granted to employees other than Directors	740,000	2 years	1.60
Options granted on 29 June 2006			
Non-performance based options granted to Directors	9,552,000	9 years	1.57
	72,588,000		

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	673,846	421,092
Depreciation and amortization	173,854	111,298
Interest income	(28,761)	(20,067)
Interest expenses	165,961	76,052
Dividend income from listed securities	(580)	(386)
Dividend income from unlisted investment	–	(10,902)
Employee share-based payments	–	23,547
Gain on disposal/write-off of property, plant and equipment	(158,192)	(209,754)
Gain on disposal of an investment property	(1,708)	(1,609)
Reversal of impairment loss on property, plant and equipment	(23,847)	(11,568)
Impairment loss on available-for-sale financial assets	26,346	–
Gain on disposal of a subsidiary	–	(173)
Provision for bad and doubtful debts	1,672	2,422
Revaluation surplus of investment properties	(8,260)	(227)
Effects of exchange rates movement	(414)	236
Changes in working capital:		
Inventories	(2,999)	3,058
Trade and other receivables	(26,944)	61,715
Financial assets and financial liabilities at fair value through profit or loss	113,947	(73,147)
Trade and other payables	114,040	(24,586)
Cash generated from operations	1,017,961	347,001

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Bank balances and cash	572,756	368,050

31. DEFERRED TAXATION

Group

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

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

	Accelerated tax depreciation	Revaluation of investment properties	Losses available for offset against future taxable profit	Net deferred tax assets (liabilities)
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
At 1 January and 31 December 2006	–	–	–	–
Deferred tax (charged) credited to the consolidated income statement during the year	(461)	(1,445)	1,906	–
At 31 December 2007	(461)	(1,445)	1,906	–

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

	Group 2007	Group 2006
	HK\$'000	*HK\$'000*
Deductible temporary differences	1,052	4,713
Tax losses	933,995	525,569
At 31 December	935,047	530,282

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\$4,404,517,000 (2006: HK\$2,681,507,000);

(b) Deposits totalling HK\$55,938,000 (2006: HK\$70,273,000) of the Group placed with banks and other institution;

(c) Financial assets at fair value through profit or loss with market value of HK\$59,733,000 (2006: HK\$41,302,000); and

(d) Assignment of eighteen (2006: twelve) ship owning companies' chartering income in favour of banks.

In addition, shares of twenty (2006: 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 twenty six (2006: eleven) newbuildings and one (2006: three) second hand vessel(s) at a total purchase price of approximately HK$9,459,897,000 (2006: HK$3,353,623,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$8,095,580,000 (2006: HK$3,025,123,000).

The above capital expenditure commitments included (i) two Supramax newbuildings at a total original cost of US$33,820,000 and JPY3,590,500,000 (approximately HK$514 million in total), which were contracted to be disposed to a third party at a total consideration of US$34,255,100 and JPY3,703,031,000 (approximately HK$526 million in total) at their expected dates of delivery in October 2010 and August 2012 respectively; and (ii) two VLOC newbuildings at a total original cost of US$245,240,000 (approximately HK$1,913 million), which were subsequently cancelled by the Group on 31 January 2008.

(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	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year:		
Premises	509	522
Time charter hire	1,101,183	372,878
	1,101,692	373,400
Over one year but within five years:		
Premises	119	540
Time charter hire	2,636,595	136,843
	2,636,714	137,383
Over five years:		
Time charter hire	406,676	–
	4,145,082	510,783

(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	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year:		
Premises	660	500
Time charter hire from owned vessels	907,466	623,830
Time charter hire from chartered-in vessels	1,634,135	299,639
Others	164	185
	2,542,425	924,154
Over one year but within five years:		
Premises	550	–
Time charter hire from owned vessels	635,557	423,501
Time charter hire from chartered-in vessels	895,703	295,562
Others	–	51
	1,531,810	719,114
Over five years:		
Time charter hire from owned vessels	163,577	–
	4,237,812	1,643,268

34. SEGMENT INFORMATION

(a) (i) Consolidated income statement by business segments – 2007

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Turnover	2,311,026	264,764	–	2,575,790
Gain on disposal of a motor vessel	158,004	–	–	158,004
Other operating income	45,605	5,255	40,390	91,250
	2,514,635	270,019	40,390	2,825,044
Net loss on financial assets and financial liabilities at fair value through profit or loss	–	–	(363,850)	(363,850)
Operating expenses	(1,163,901)	(265,077)	(47,316)	(1,476,294)
Depreciation and amortization	(166,086)	(234)	(7,534)	(173,854)
Profit (Loss) from operations	1,184,648	4,708	(378,310)	811,046
Interest income				28,761
Interest expenses				(165,961)
Profit before taxation				673,846
Taxation				(2,154)
Net profit for the year				671,692
Attributable to:				
Shareholders of the Company				367,724
Minority interests				303,968
				671,692

(a) (ii) 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	27,268	4,157	30,308	61,733
	1,454,942	336,919	30,308	1,822,169
Operating expenses	(882,477)	(320,341)	(30,976)	(1,233,794)
Depreciation and amortization	(104,096)	(337)	(6,865)	(111,298)
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

(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 73% (2006: 83%) and 25% (2006: 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, investments in equity and debt securities, and derivative financial instruments which were mainly carried out in Hong Kong in both years.

(b) (i) Consolidated balance sheet by business segments – 2007

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Allocated assets				
Property, plant and equipment	5,621,604	954	125,459	5,748,017
Investment properties	–	–	30,010	30,010
Available-for-sale financial assets	–	–	12,975	12,975
Intangible assets	–	–	2,590	2,590
Current assets	130,000	89,256	79,598	298,854
Total segment assets	5,751,604	90,210	250,632	6,092,446
Unallocated assets				
Goodwill				39,040
Pledged deposits				55,938
Bank balances and cash				572,756
Total assets				6,760,180
Allocated liabilities				
Total segment liabilities	3,894,269	27,600	107,045	4,028,914
Total liabilities				4,028,914
Capital expenditures incurred during the year	3,096,916	378	661	3,097,955

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Allocated assets				
Property, plant and equipment	2,875,390	898	108,348	2,984,636
Investment properties	–	–	32,314	32,314
Available-for-sale financial assets	–	–	37,763	37,763
Intangible asset	–	–	1,555	1,555
Other non-current asset	–	11,695	–	11,695
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	1,319,714	776	26,611	1,347,101

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 10% (2006: 10%) 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:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	47,925	29,903
Employee share-based payments	–	21,138
Contributions to retirement benefits schemes	687	414
	48,612	51,455

Company

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

(a) Payment of an administrative fee of HK$3,220,000 (2006: HK$2,476,000) to an indirect subsidiary;

(b) Receipt of interest income of HK$6,254,000 (2006: HK$7,918,000) from its subsidiaries;

(c) Payment of rental charges of HK$1,440,000 (2006: HK$1,440,000) to its subsidiaries; and

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

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	17,668	14,489
Employee share-based payment	–	3,171
Contributions to retirement benefits schemes	155	90
	17,823	17,750

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, equity price 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 interest rate risk relates primarily to the Group's long term debt obligations. 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 change in interest rate will affect the loan interest expenses of the Group. It is estimated that a decrease of 225 basis points (2006: 100 basis points) in interest rate, with all other variables remaining constant, the Group's net profit would increase by approximately HK$82,934,000 (2006: HK$16,069,000). The other components of consolidated equity would correspondingly increase by approximately HK$82,934,000 (2006: HK$16,069,000).

The sensitivity analysis* above has been determined as if the change in interest rate had occurred at the balance sheet date. The basis of 225 points represented (i) the change in United States Federal Funds Rate of 4.25% as at balance sheet date to present rate of 3% in March 2008; and (ii) the expected further interest rate reduction of up to 100 basis points before end of 2008 with United States facing a negative economical outlook sparked off by the subprime mortgage financial crisis. The management took a conservative approach towards interest rate forecast and considered 225 basis points decrease is a reasonable possible change in interest rate over the balance sheet date until the next balance sheet date.

The Group also entered into interest rate swaps so as to mitigate the interest rate exposures. As at 31 December 2007, the Group had an interest rate swap which was entered into by the Group during June 2004 with notional contract amount of US$50 million for five years up to June 2009 through cap at 4.3% with a knock out at 6.5% (2006: certain interest rate swaps with notional amount of US$80 million). The fair value of the interest rate swap as at 31 December 2007 was recognized in balance sheet and, accordingly, HK$2,845,000 (2006: HK$7,346,000) was recognized as financial assets.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of 31 December 2007. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2007 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 maintaining certain Japanese Yen bank deposits and trading of various derivative financial instruments such as forward foreign exchange contracts and options. As at 31 December 2007, the Group had Japanese Yen deposits amounted to approximately HK$98 million (2006: HK$231 million) and forward foreign exchange contracts and options which fair values were recognized in the balance sheet and, accordingly, HK$3,483,000 (2006: HK$4,202,000) were recognized as financial assets at fair value through profit or loss and HK$7,896,000 (2006: HK$30,962,000) were recognized as financial liabilities at fair value through profit or loss.

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	
	2007	**2006**
	US$'m	*US$'m*
Long position with maturity:		
Within 3 months	18	150
Over 3 months but within 6 months	6	44
Over 6 months but within 12 months	1	59
Over 12 months	–	10
	25	263
Short position with maturity:		
Within 3 months	5	58
Over 3 months but within 6 months	5	7
Over 6 months but within 12 months	–	4
	10	69

Based on the net exposures to Japanese Yen of approximately JPY1,885 million (2006: JPY37,013 million) as at balance sheet date, it is estimated that an appreciation of 5% from 112 to 106 (2006: 1% appreciation from 119 to 117) in exchange rate of Japanese Yen against United States Dollar would result in an increase to the Group's net profit by approximately HK$3 million (2006: HK$42 million) and other variables remain constant.

The estimated appreciation of 5% used in the sensitivity analysis* is based on the management expectation of reasonable exchange movement of Japanese Yen against United States Dollar from 112 as at balance sheet date to reach 106 over the period until the next balance sheet date. Although the exchange rate of Japanese Yen against United States Dollar remains at around 102 in March 2008, it is expected there will be a rebound of United States Dollar against the Japanese Yen given the United States Dollar against the Japanese Yen is approaching a trough and the fact that a strong Japanese Yen will hurt the Japan's export driven economy which has only recently began to turnaround in March 2008.

The Group has from time to time closely monitored the foreign currency exposures, to mitigate foreign exchange risks where appropriate and for liquidity management. The Board has adopted the following guidelines upon considering the terms of various forward foreign exchange contracts and options in order to manage the risks arising from fluctuations in exchange rates.

- The Group mitigates the expected currency risk by means of derivative instruments including forward foreign exchange plain vanilla contracts, purchased options and option-combination strategies.

- The Group monitors the mark-to-market values frequently of its underlying assets and liabilities on various forward foreign exchange contracts and derivative instruments.

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities, equity linked investments and securities derivatives.

If the market bid prices of the investments in listed equity securities had been 10% higher/lower, the Group's net profit would increase/decrease by approximately HK$4 million for both the years ended 31 December 2007 and 2006 respectively. This is mainly attributable to the changes in fair values of the investments in listed equity securities held for trading purpose.

If the market bid prices of the equity securities underlying in the securities derivatives had been 10% higher, the Group's net profit would increase by approximately HK$15 million and HK$6 million for the years ended 31 December 2007 and 2006 respectively.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of 31 December 2007. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

If the market bid prices of the equity securities underlying in the securities derivatives had been dropped by 10%, the Group's net profit would decrease by approximately HK$16 million and HK$7 million for the years ended 31 December 2007 and 2006 respectively.

The sensitivity analysis* above have been determined based on the exposure to equity price risks at the respective year end date and the change in the estimated equity price movement and other variables remain constant. A 10% change is used when reporting the equity price risk internally to the management. The management constantly reviews the portfolio of equity investments and maintains the Group's exposures to equity price risk within an acceptable level.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

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

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

The maximum exposure to credit risk is represented by the carrying amounts of trade and other receivables in the consolidated balance sheet. At balance sheet date, the Group did not hold any collateral from customers. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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 Group does not expect to incur material credit losses on managing financial instruments.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of 31 December 2007. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

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.

The maturities of contractual financial liabilities of the Group as at the balance sheet date are summarized as follows:

	Within one year	**After one year but within two years**	**After two years but within five years**	**After five years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Trade and other payables	306,328	–	–	–	306,328
Financial liabilities at fair value through profit or loss	35,444	–	–	–	35,444
Secured bank loans	720,405	368,984	881,336	1,715,467	3,686,192
	1,062,177	368,984	881,336	1,715,467	4,027,964
2006					
Trade and other payables	189,307	–	–	–	189,307
Financial liabilities at fair value through profit or loss	33,379	–	–	–	33,379
Secured bank loans	175,951	153,335	426,936	850,694	1,606,916
	398,637	153,335	426,936	850,694	1,829,602

37. CONTINGENT LIABILITIES

Financial guarantee contracts

At balance sheet date, the Group had outstanding guarantees given to HSH Nordbank AG for due and punctual payments of contractual installment and interest thereon in relation to the acquisition of seven newbuildings by subsidiaries amounting to approximately HK$225,819,000 (2006: nil). In addition, the Group had issued a guarantee to a third party for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., regarding the acquisition of a vessel by Bocimar Hong Kong Limited for a consideration of approximately HK$259,740,000, and in return, a counter guarantee was provided by Bocimar International N.V. to Jinhui Shipping, as at 31 December 2007 and 2006.

At balance sheet date, the Company had guarantees given to banks to secure credit facilities granted to subsidiaries amounting to HK$105,320,000 (2006: HK$105,320,000), and the amount of such facilities utilized was HK$25,696,000 (2006: HK$19,106,000).

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$2,298,000 (2006: HK$1,884,000).

39. POST BALANCE SHEET EVENTS

On 31 January 2008, the Group decided to cancel the two shipbuilding contracts, both dated 23 November 2007, for the acquisition of two VLOCs of deadweight 300,000 metric tons each for a total purchase price of US$245,240,000. As a result of the cancellation, under the two shipbuilding contracts, the Group is required to pay US$4,000,000 in cash to the vendors and the two shipbuilding contracts were terminated accordingly.

On 10 March 2008, the Group entered into a contract to acquire a Panamax newbuilding of deadweight 75,000 metric tons at a purchase price of JPY5,550,000,000, which will be delivered to the Group on or before 30 April 2011.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation including the reclassification of capitalized drydocking costs from other non–current assets to property, plant and equipment which enables a better reflection of the cost of the Group's owned motor vessels. In addition, as a result of adopting HKFRS 7, Financial Instruments: Disclosures and the amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures, certain comparative figures have been adjusted to conform to the changes in disclosures in current year and to show separately comparative amounts in respect of items disclosed for the first time adoption in the year.

41. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	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	54.77%	52.99%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	54.77%	52.99%	Investment holding	Worldwide

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	54.77%	52.99%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	54.77%	52.99%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	54.77%	52.99%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	75%	75%	Investment holding	Hong Kong
Incorporated in Hong Kong					
Carpa Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	54.77%	52.99%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	100%	Property investment	Hong Kong
First King International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
First Lion International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK$1 each	54.77%	52.99%	Ship management services, shipping agent and investment	Hong Kong

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
# Jinhui Investments (China) Limited	2 shares of HK$1 each	100%	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK$1 each	100%	100%	Investment trading	Hong Kong
Linkford International Limited	2 shares of HK$1 each	100%	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	54.77%	52.99%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK$100 each	75%	75%	Trading of chemical and industrial raw materials	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	54.77%	52.99%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	54.77%	52.99%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	54.77%	52.99%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	54.77%	52.99%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	54.77%	52.99%	Ship chartering	Worldwide

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in the Republic of Panama					
Huafeng Shipping Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinan Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinhe Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinman Marine Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinpu Marine Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Jinrong Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinying Marine Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	54.77%	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	54.77%	52.99%	Shipping agent	United States of America

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

* *These companies are not audited by Messrs. Grant Thornton.*

(2) INDEBTEDNESS

As at the close of business on 31 May 2008, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings amounting to approximately HK$4,190 million. The bank borrowings comprised secured term loans of approximately HK$4,166 million and secured trust receipt and import loans of approximately HK$24 million.

As at 31 May 2008, 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$5,444 million, financial assets at fair value through profit or loss with market value of approximately HK$105 million and deposits in banks and other institution amounting to approximately HK$61 million. Shares of twenty two ship owning companies, being members of the Group, were pledged together with the assignment of chartering income of twenty one ship owning companies to secure credit facilities utilized by the Group. The above outstanding bank borrowings and credit facilities were guaranteed by the Company or Jinhui Shipping.

As at 31 May 2008, 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.

As at 31 May 2008, 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, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities.

(3) FINANCIAL AND TRADING PROSPECTS

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

(4) WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources, the existing available credit facilities, the indebtedness statement of the Group as set out in the section headed "(2) INDEBTEDNESS" above and the Acquisition of Two Post-Panamaxes, the Group has sufficient working capital for its present requirements for the next twelve-month period from date of this circular.

(5) MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, 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:

Long position

(i) Directors' interests in Shares

Name	No. of Shares held and capacity Beneficial owner	Interest of spouse	Beneficiary of trust	Total	Percentage of total issued Shares
Ng Siu Fai	19,537,000	16,717,000	341,937,280 *(Note 1)*	378,191,280	72.62%
Ng Kam Wah Thomas	5,909,000	–	341,937,280 *(Note 1)*	347,846,280	66.79%
Ng Ki Hung Frankie	–	–	341,937,280 *(Note 1)*	341,937,280	65.66%
Ho Suk Lin	1,774,000	–	–	1,774,000	0.35%
Cui Jianhua	700,000	–	–	700,000	0.13%
William Yau	241,000	–	–	241,000	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 341,937,280 Shares (representing approximately 65.66 per cent. of the total issued 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.

(ii) Directors' rights to acquire Shares under the share option scheme of the Company adopted on 18 November 2004

Name	No. of options outstanding – Beneficial owner	Exercise price per Share	Date of grant	Exercise period	Percentage of total issued Shares
Ng Siu Fai	31,570,000 *(Note 2)*	HK$1.60	23 December 2004	31 March 2006 to 22 December 2014	6.06%
	3,184,000	HK$1.57	29 June 2006	29 June 2006 to 28 June 2016	0.61%
Ng Kam Wah Thomas	21,050,000 *(Note 2)*	HK$1.60	23 December 2004	31 March 2006 to 22 December 2014	4.04%
	3,184,000	HK$1.57	29 June 2006	29 June 2006 to 28 June 2016	0.61%
Ng Ki Hung Frankie	3,000,000	HK$1.60	23 December 2004	23 December 2004 to 22 December 2009	0.57%
	3,184,000	HK$1.57	29 June 2006	29 June 2006 to 28 June 2016	0.61%
Ho Suk Lin	3,000,000	HK$1.60	23 December 2004	23 December 2004 to 22 December 2009	0.57%
Cui Jianhua	300,000	HK$1.60	23 December 2004	23 December 2004 to 22 December 2009	0.06%
Tsui Che Yin Frank	1,000,000	HK$1.60	23 December 2004	23 December 2004 to 22 December 2009	0.19%
William Yau	200,000	HK$1.60	23 December 2004	23 December 2004 to 22 December 2009	0.04%

Note 2: The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the Shareholders at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options became exercisable upon the Group having recorded an audited consolidated net profit of not less than HK$400 million for the financial year 2005, which had been achieved.

(iii) Directors' interests in associated corporations

Name	Beneficial owner	Interest of spouse	Beneficiary of trust	Total	Percentage of total issued Jinhui Shipping Shares
	No. of Jinhui Shipping Shares held and capacity				
Ng Siu Fai	1,098,500	20,000	46,514,800 *(Note 3)*	47,633,300	56.68%
Ng Kam Wah Thomas	–	–	46,514,800 *(Note 3)*	46,514,800	55.34%
Ng Ki Hung Frankie	–	–	46,514,800 *(Note 3)*	46,514,800	55.34%

Note 3: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the controlling shareholder of the Company as disclosed hereinabove. Each of Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie, the eligible beneficiaries of the Ng Hing Po 1991 Trust, is deemed to be interested in 46,034,800 Jinhui Shipping Shares held by the Company and 480,000 Jinhui Shipping Shares held by Fairline through their beneficial interests in the Company and Fairline respectively.

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 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 since the date to which the latest published audited annual financial statements of the Group were made up.

(e) 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:

Long position

Name of Shareholders	Capacity	No. of Shares	No. of Shares (Option)	Percentage of total issued Shares
Fairline	Beneficial owner	341,937,280	–	65.66%
Wong Yee Man Gloria	Beneficial owner and interest of spouse	378,191,280 *	–	72.62%
	Interest of spouse	–	34,754,000 **	6.67%

Name of shareholder	Capacity	No. of Jinhui Shipping Shares	Percentage of total issued Jinhui Shipping Shares
Genco Investments LLC	Beneficial owner	16,335,100	19.44%

Name of shareholder	Capacity	No. of shares in Yee Lee Technology	Percentage of total issued shares in Yee Lee Technology
Asiawide Profits Limited	Beneficial owner	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 361,474,280 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, the Group was engaged in the below legal proceeding which is or may be of material importance to the Group:

A charterer is claiming around US$3,500,000 against Wokefield Enterprises Limited, a wholly-owned subsidiary of Jinhui Shipping, for the loss and damage as a result of a stowage dispute between the owner and sub-charterer of the vessel. An arbitrator was appointed and the arbitration proceedings in London 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 (marked with an "*" below) within two years preceding the date of this circular and each of which is or may be material:

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

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

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

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

(5) 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;

(6) 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 (5) above;

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

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

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

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

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

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

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

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

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

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

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

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

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

(20) an agreement dated 30 May 2007 entered into between Jinsui Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(21) an agreement dated 30 May 2007 entered into between Jintong Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(22) an agreement dated 30 May 2007 entered into between Jinwan Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(23) an agreement dated 30 May 2007 entered into between Jingang Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(24) an agreement dated 30 May 2007 entered into between Jinji Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(25) an agreement dated 30 May 2007 entered into between Jinjun Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(26) an agreement dated 30 May 2007 entered into between Jinao Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(27) an agreement dated 30 May 2007 entered into between Jinyue Marine Inc.*, Dragonmark International Inc., China Shipbuilding Trading Company, Limited and Shanghai Shipyard Co., Ltd. regarding the acquisition of a vessel at a consideration of US$41,000,000;

(28) an agreement dated 23 August 2007 entered into between Jinying Marine Inc.* and Xing Long Maritime S.A. regarding the acquisition of a vessel at a consideration of US$59,000,000;

(29) an agreement dated 29 October 2007 entered into between Jinrui Marine Inc.* and Xing Long Maritime S.A. regarding the acquisition of a vessel at a consideration of US$67,250,000;

(30) an agreement dated 5 November 2007 entered into between Jinxiang Marine Inc.* and Sumitomo Corporation regarding the acquisition of a vessel at a consideration of JPY4,100,000,000;

(31) an agreement dated 23 November 2007 entered into between Jinchao Marine Inc.*, China Shipbuilding & Offshore International (H.K.) Co., Ltd. and Dalian Shipbuilding Industry Co., Ltd. regarding the acquisition of a vessel at a consideration of US$122,620,000, which was terminated by the Group on 31 January 2008;

(32) an agreement dated 23 November 2007 entered into between Jinning Marine Inc.*, China Shipbuilding & Offshore International (H.K.) Co., Ltd. and Dalian Shipbuilding Industry Co., Ltd. regarding the acquisition of a vessel at a consideration of US$122,620,000, which was terminated by the Group on 31 January 2008;

(33) an amendment agreement dated 27 November 2007 entered into between Jinming Marine Inc.* and Sumitomo Corporation regarding the amendment to certain terms of an agreement dated 30 November 2006 stated in (11) above, inter alia, the consideration is changed from JPY3,430,000,000 to JPY3,755,000,000;

(34) an amendment agreement dated 27 November 2007 entered into between Jinhan Marine Inc.* and Sumitomo Corporation regarding the amendment to certain terms of an agreement dated 9 January 2007 stated in (12) above, inter alia, the consideration is changed from JPY3,440,000,000 to JPY3,765,000,000;

(35) an amendment agreement dated 27 November 2007 entered into between Jinhong Marine Inc.* and Sumitomo Corporation regarding the amendment to certain terms of an agreement dated 9 January 2007 stated in (13) above, inter alia, the consideration is changed from JPY3,440,000,000 to JPY3,765,000,000;

(36) an agreement dated 14 December 2007 entered into between Jinqing Marine Inc.* and Mitsubishi Corporation regarding the acquisition of a vessel at a consideration of JPY4,500,000,000;

(37) an agreement dated 19 December 2007 entered into between Huafeng Shipping Inc.* and Xing Long Maritime S.A. regarding the acquisition of a vessel at a consideration of US$80,000,000;

(38) an agreement dated 10 March 2008 entered into between Jinchao Marine Inc.* and Xing Long Maritime S.A. regarding the acquisition of a vessel at a consideration of JPY5,550,000,000;

(39) an agreement dated 11 April 2008 entered into between Jinhai Marine Inc.* and Tolani Shipping Co. Ltd. regarding the disposal of a vessel at a consideration of US$74,250,000;

(40) an agreement dated 16 April 2008 entered into between Huafeng Shipping Inc.* and Panoria Maritime Inc. regarding the disposal of a vessel at a consideration of US$81,000,000;

(41) an agreement dated 16 April 2008 entered into between Jinying Marine Inc.* and Panoceanis Maritime Inc. regarding the disposal of a vessel at a consideration of US$79,000,000;

(42) an agreement dated 19 May 2008 entered into between Jinning Marine Inc.*, Sumitomo Corporation and Oshima Shipbuilding Co., Ltd. regarding the acquisition of a vessel at a consideration of JPY5,100,000,000;

(43) an agreement dated 28 June 2008 entered into between Jinmei Marine Inc.*, Dragonmark International Inc., Jiangsu Tianyuan Marine Import & Export Company Limited and Jiangsu New Yangzi Shipbuilding Company Limited regarding the acquisition of a vessel at a consideration of US$63,300,000;

(44) an agreement dated 28 June 2008 entered into between Jinlang Marine Inc.*, Dragonmark International Inc., Jiangsu Tianyuan Marine Import & Export Company Limited and Jiangsu New Yangzi Shipbuilding Company Limited regarding the acquisition of a vessel at a consideration of US$63,300,000;

(45) an agreement dated 30 June 2008 entered into between Jinyu Marine Inc.*, Sumitomo Corporation and Naikai Zosen Corporation regarding the acquisition of a vessel at a consideration of JPY4,500,000,000; and

(46) an agreement dated 11 July 2008 entered into between Huafeng Shipping Inc.* and STX (Dalian) Shipbuilding Co., Ltd. regarding the acquisition of a vessel at a consideration of US$46,500,000.

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 4 August 2008:

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

(b) the 2006 and 2007 annual reports of the Company for the two financial years ended 31 December 2006 and 2007 respectively;

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

(d) the circular issued by the Company dated 4 January 2008 in relation to two discloseable transactions regarding the acquisition of two vessels;

(e) the circular issued by the Company dated 31 March 2008 in relation to a discloseable transaction regarding the acquisition of a vessel;

(f) the circular issued by the Company dated 1 April 2008 in relation to the general mandates to issue new shares and to repurchase shares, re-election of retiring directors and the notice of annual general meeting;

(g) the circular issued by the Company dated 2 May 2008 in relation to a discloseable transaction regarding the disposal of a vessel;

(h) the circular issued by the Company dated 7 May 2008 in relation to a major transaction regarding the disposal of two vessels;

(i) the circular issued by the Company dated 7 June 2008 in relation to a discloseable transaction regarding the acquisition of a vessel; and

(j) the written approval dated 28 June 2008 given by Fairline in relation to the Acquisition of Two Post-Panamaxes.

GENERAL

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

(b) The registered office, also the head 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 Tricor Standard 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.