

2006

Annual Report



JINHUI

Holdings Company Limited

(Stock Code : 137)

Contents

	<i>Page</i>
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
BUSINESS PROFILE	9
HIGHLIGHTS	14
CORPORATE GOVERNANCE REPORT	18
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	24
DIRECTORS' REPORT	27
INDEPENDENT AUDITORS' REPORT	35
CONSOLIDATED INCOME STATEMENT	37
BALANCE SHEETS	38
STATEMENTS OF CHANGES IN EQUITY	40
CONSOLIDATED CASH FLOW STATEMENT	42
NOTES TO THE FINANCIAL STATEMENTS	43

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

Ng Kam Wah Thomas, *Managing Director*

Ng Ki Hung Frankie

Ho Suk Lin

Independent Non-executive Directors

Cui Jianhua

Tsui Che Yin Frank

William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

Cui Jianhua

William Yau

REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*

Tsui Che Yin Frank

William Yau

QUALIFIED ACCOUNTANT

Ho Suk Lin

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Citibank N.A.

Commerzbank Aktiengesellschaft

Credit Suisse

Deutsche Schiffsbank Aktiengesellschaft

The Hongkong and Shanghai Banking

Corporation Limited

SHARE REGISTRAR

Standard Registrars Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

REGISTERED OFFICE

26th Floor

Yardley Commercial Building

1-6 Connaught Road West

Hong Kong

CONTACTS

Tel: (852) 2545 0951

Fax: (852) 2541 9794

E-mail: info@jinhuiship.com

WEBSITE

www.jinhuiship.com

SHARE LISTING

The Company's shares are listed on the Hong Kong Stock Exchange (stock code: 137).

Chairman's Statement

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK\$1,550,763,000; representing a decrease of 22% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK\$223,192,000; representing a decrease of 58% over net profit of HK\$526,862,000 for year 2005. Basic earnings per share for the year was HK\$0.421 as compared to basic earnings per share of HK\$0.992 of last year.

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

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

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

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2006 (2005: nil). As there is no interim dividend payable during the year (2005: HK\$0.19 per share), there will be no dividend distribution for the whole year of 2006 (2005: HK\$0.19 per share).

Chairman's Statement

BUSINESS REVIEW

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

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

Baltic Dry Index



Source: Bloomberg

The Group's shipping turnover for the year amounted to HK\$1,218,001,000; representing a decrease of 27% as compared to year 2005. The Group's shipping business recorded an operating profit of HK\$468,369,000 for the year; representing a decrease of 40% as compared to the operating profit of HK\$779,621,000 for year 2005. The decrease in turnover and overall net profit of shipping business was mainly due to the overall decrease in freight rates during the year and was also partly offset by the operating loss of the Capesize vessels chartered-in by the Group since mid 2005 at comparatively high costs at the then prevailing market condition. The average daily time charter equivalent rate ("TCE") of our fleet decreased by 18% to US\$21,555 for the year. The operating profit for the year was also partly attributable to the gain of HK\$209,673,000 on the completion of the disposal of five motor vessels while the profit for last year was partly attributable to an exceptional cancellation fee income of approximately HK\$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

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

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

FINANCIAL REVIEW

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

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

Chairman's Statement

FINANCIAL REVIEW *(Continued)*

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

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

Contingent liabilities. As at 31 December 2006, the Group had contingent liabilities in respect of a guarantee of approximately HK\$78,000,000 (2005: HK\$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., under an agreement dated 15 September 2006 regarding the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. for a consideration of approximately HK\$259,740,000, and in return, a counter guarantee was provided by Bocimar International N. V. to Jinhui Shipping.

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

RISK MANAGEMENT

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

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

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

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

Chairman's Statement

RISK MANAGEMENT *(Continued)*

Foreign currency risk. The Group's transactions, assets and liabilities for the year ended 31 December 2006 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US\$1.00 to HK\$7.80. The Group had outstanding capital expenditure commitments in relation to the acquisition of newbuildings in Japanese Yen which amounted to JPY21,183,000,000 as at 31 December 2006. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and for liquidity management.

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

- US\$50 million over five years up to June 2009 through cap at 4.3% with a knock out at 6.5%; and
- US\$30 million over three years up to January 2007 through cap at 2.5% with a knock out at 4%.

EMPLOYEES

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

SHARE CAPITAL

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

OUTLOOK

During the year 2006 and early 2007, the Group took advantage of the robust freight environment and renewed majority of the time charter parties for the Group's fleet. By end of February 2007, 91% of the Group's twelve owned vessels is covered in 2007 by time charter parties with an average daily TCE of approximately US\$24,266 and 62% in 2008 with an average daily TCE of approximately US\$24,454; 41% of the Group's eight chartered-in vessels is covered in 2007 by time charter parties with an average daily TCE of approximately US\$32,683 and 15% in 2008 with an average daily TCE of approximately US\$24,500.

Chairman's Statement

OUTLOOK *(Continued)*

Subsequent to the year ended 31 December 2006, the Group had entered into agreements to acquire two Supramax newbuildings and a 2003-built Supramax for total consideration of JPY6,880,000,000 and US\$40,500,000. This 2003-built Supramax and another 2002-built Supramax committed to acquire in 2006 were delivered to the Group in March and April 2007 respectively as scheduled.

As at date of this report, the total capacity of the Group's fleet is now around deadweight 1.5 million metric tons comprising fourteen owned vessels and eight chartered-in vessels. In addition, the Group will have additional thirteen newly built grabs fitted Supramaxes, one second hand Capesize and one second hand Handymax for delivery during the years from 2007 to 2011.

With the backdrop of world output growth expected to remain at healthy levels, continuous strong growth and raw material demand from China, India and other emerging markets, an infrastructure boom in the middle east, and increase in ton mile demand due to shifting in trade patterns, the Group expects the dry bulk market to remain robust going forward. The management of the Group firmly believes that the grabs fitted Supramax, in particular, will benefit most from the in and out bound cargoes both from China and India going forward. Having performed a series of timely acquisitions of this type of tonnage, the Group should be in an excellent position to leverage the expected firm freight environment going forward, thereby further enhancing profitability for our shareholders.

With the expectation of a healthy market outlook, the Group will continue to maintain a flexible chartering policy to achieve balance of revenue stability against spot exposure and to seek opportunistic growth in both newbuildings and second hand market.

The Group's trading business and investment in Shanxi Jinyao are expected to contribute steady returns to the Group in future.

APPRECIATION

I would like to take this opportunity to express my gratitude to my colleagues on the Board for their valuable contribution and to the staff for their hard work, commitment and dedication throughout the year.

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 19 April 2007

Business Profile

The Company was incorporated with limited liability in Hong Kong on 23 April 1991 and listed on the Hong Kong Stock Exchange (stock code: 137) on 6 December 1991 as the holding company for a number of ship owning and ship chartering subsidiaries. The Company started diversification of business since 1992 into other business such as trading and investments in various industries in China. Following a reorganization in June 1994, Jinhui Shipping and Transportation Limited (“Jinhui Shipping”) became the immediate holding company of the shipping group. In order to generate international interest in Jinhui Shipping, it has been listed on the Oslo Stock Exchange (stock code: JIN) since October 1994.

SHIPPING BUSINESS

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 54.34% owned subsidiary of the Company as at date of this report.

The Group’s shipping activities began in the mid 1980’s, principally in the form of chartering dry bulk carriers worldwide. The Group masterminds a meticulous and complex shipping operation linking suppliers with end users around the world. Its chief task is to identify the exact requirements of clients and use suitable vessels to carry bulk cargo for specific voyages or periods of time.

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

On the revenue side, our strategy is to maintain a flexible chartering policy to achieve an optimal balance between long term time charter parties which generates a robust cash inflow, and spot exposure which allows the Group to take advantage of any upside in future freight rates.

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

In order to enhance its relationship with clients worldwide and its efficiency in the chartering operations, the Group has established a shipping branch office in New York since 1995.

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

Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2006, the Group owned twelve vessels. Based on the best estimation made by the Group as at 31 December 2006, the Group's owned vessels had a total market value of US\$512.8 million (approximately HK\$4,000 million), representing 53% higher than their total net book value of approximately HK\$2,608 million.

Name	Type	Built	Builder	Size (dwt)	Market value as at 31/12/2006 US\$m
Jin He	Panamax	2006	Oshima	77,250	54.0
Jin Sheng	Supramax	2006	IHI	52,050	46.5
Jin Hai	Supramax	2005	Oshima	55,557	45.8
Jin Yao	Supramax	2004	IHI	52,050	44.5
Jin Ping	Supramax	2002	Oshima	50,777	41.5
Jin Fu	Supramax	2001	Oshima	50,777	40.5
Jin Li	Supramax	2001	Oshima	50,777	40.5
Jin Kang	Supramax	2001	Mitsui	50,212	40.5
Jin Zhou	Supramax	2001	Mitsui	50,209	40.5
Jin An	Supramax	2000	Oshima	50,786	39.5
Jin Hui	Supramax	2000	Oshima	50,777	39.5
Jin Rong	Supramax	2000	Mitsui	50,236	39.5
				641,458	512.8

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

As at 31 December 2006, the Group also committed to acquire eleven newbuildings and three second hand vessels. Based on the best estimation made by the Group as at 31 December 2006, these ordered newbuildings and second hand vessels had a total market value of US\$600 million (approximately HK\$4,680 million), representing 40% higher than their total contract price of approximately HK\$3,354 million.

Name	Type	Built	Builder	Size (dwt)	Expected delivery	Market value as at 31/12/2006 <i>US\$m</i>
Jin Quan (ex Lowlands Patrasche)	Supramax	2002	Oshima	51,104	17 Apr 2007	41.5
Mineral Shanghai (to be named Jin Tai)	Capesize	2004	Shanghai Waigaoqiao	173,880	Apr to Jul 2007	89.0
Jin Yuan	Supramax	2007	Oshima	55,300	Jun 2007	47.8
Jin Yi	Supramax	2007	Oshima	55,300	Jul 2007	47.8
Jin Xing	Supramax	2007	Oshima	55,300	Aug 2007	47.8
Jin Man	Supramax	2008	Oshima	55,300	Mar 2008	42.5
Jin Pu	Supramax	2008	Oshima	55,300	Mar 2008	38.5
Arran Trader (to be named Jin Bi)	Handymax	2000	Oshima	48,220	Jul to Oct 2008	28.0
Jin Shun	Supramax	2009	Oshima	54,200	Mar 2009	37.8
Jin Mao	Supramax	2009	Oshima	54,200	Nov 2009	37.3
Jin Heng	Supramax	2010	Nantong Kawasaki	55,000	Jun 2010	35.5
Jin Yang	Supramax	2010	Tsuneishi	58,000	Jul 2010	35.5
Jin Xiao	Supramax	2010	Tsuneishi	58,000	Oct 2010	35.5
Jin Ming	Supramax	2010	Oshima	54,100	Dec 2010	35.5
				883,204		600.0

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels *(Continued)*

Subsequent to the year ended 31 December 2006 and up to the date of this report, the Group further committed to acquire the following second hand vessel and two newbuildings at total consideration of US\$40.5 million and JPY6,880 million (approximately HK\$767 million in total).

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin Cheng (ex Belpareil)	Supramax	2003	Oshima	52,961	26 Mar 2007
Jin Han	Supramax	2011	Oshima	54,100	Mar 2011
Jin Hong	Supramax	2011	Oshima	54,100	Sep 2011
				161,161	

Chartered-in Vessels

Apart from the owned vessels, the Group currently operates eight chartered-in vessels as at date of this report.

Name	Type	Built	Size (dwt)	Charter in date	Expiry	Expiry if exercise of chartering option
Mineral Shanghai	Capesize	2004	173,880	May 2005	Jul 2007	–
Gran Trader	Capesize	2001	172,579	Feb 2005	May 2008	–
Red Lily	Panamax	2004	76,500	Sep 2004	Sep 2009	Sep 2011
Goldbeam Trader	Panamax	2001	74,247	Mar 2007	May 2009	–
Bergen Trader	Panamax	2000	75,933	Jan 2007	Aug 2008	–
Bruno Salamon	Panamax	1998	73,965	Dec 2005	Feb 2008	–
Canton Trader *	Supramax	2003	52,300	Apr 2003	Apr 2007	Apr 2010
Arran Trader	Handymax	2000	48,220	Aug 2006	Sep 2008	–
			747,624			

Note *: The motor vessel "Canton Trader" has been chartered-in by the Group since April 2003 with purchase option exercisable by the Group on or after April 2005 at around US\$22 million (approximately HK\$170 million) which will be de-escalating by US\$1 million per annum until April 2010. Based on the best estimation made by the Group, the market value of this vessel was US\$40 million (approximately HK\$312 million) as at 31 December 2006.

Business Profile

SHIPPING BUSINESS *(Continued)*

Chartered-in Vessels *(Continued)*

In addition, the Group will charter in three more Capesize vessels in the coming years.

Vessel type	Built	Size (dwt)	Expected charter in date	Expiry	Expiry if exercise of chartering option
Capesize	2006	174,008	Jan to Jun 2008	Mar 2013	Apr 2014
Capesize	2008	170,500	Aug to Nov 2008	Oct 2013	–
Capesize	2008/2009	170,500	Dec 2008 to Feb 2009	Feb 2014	–
		515,008			

TRADING

The Group's trading activities have been carried out by Yee Lee Technology Company Limited ("Yee Lee") and its subsidiaries, which are principally engaged in the business of trading chemical and industrial raw materials serving various industries such as printed circuit boards, electroplating, bleaching and dyeing, packaging paper and electronics. The Group has 75% equity interests in the share capital of Yee Lee.

OTHER LONG TERM INVESTMENT

The Group has, through a wholly-owned subsidiary of Jinhui Shipping, invested around HK\$45 million in Shanxi Jinyao Coke & Chemicals Ltd. ("Shanxi Jinyao") since 1995, in Shanxi Province of China, where the country's largest and best coking coal reserve is found. Shanxi Jinyao operates battery type of metallurgical coke production and can achieve an annual capacity of around 280,000 tonnes.

Pursuant to the investment contract, the Group is entitled to 85% of Shanxi Jinyao's earnings up to the time when the accumulated earnings received by the Group from Shanxi Jinyao is equivalent to the amount of investment made by the Group, which had already been achieved in 2004. Thereafter, the Group is entitled to 32% of Shanxi Jinyao's earnings until expiry term of the investment contract in 2015.

Highlights

While the Group's expertise for its ship chartering business remained in Asia, by deploying a flexible and responsive sales strategy as well as an efficient fleet of vessels, the Group managed to serve a balancing portfolio of customers of our ship chartering business geographically during the year.

Loading Ports Analysis

	2006	2005
<i>(Expressed as a percentage of turnover for chartering freight and hire)</i>	%	%
Asia excluding China	20.8	17.8
South America	20.4	19.1
North America	19.2	20.9
Australia	17.3	20.6
China	12.3	7.0
Africa	6.3	5.8
Europe	3.7	8.0
Others	–	0.8
	100.0	100.0

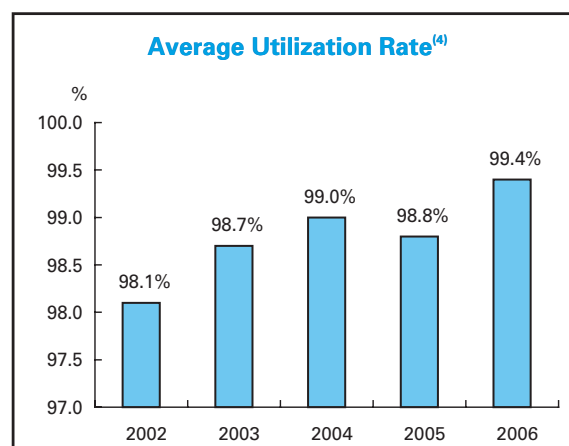
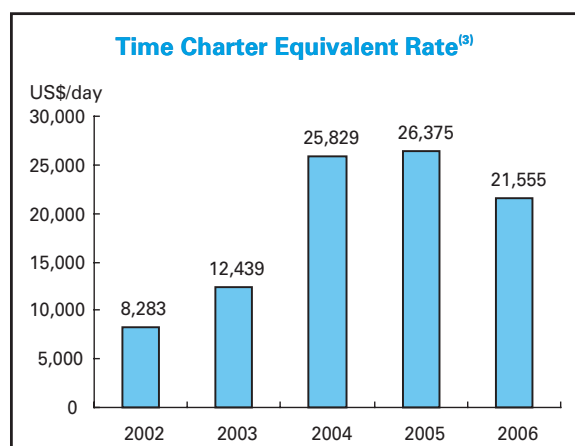
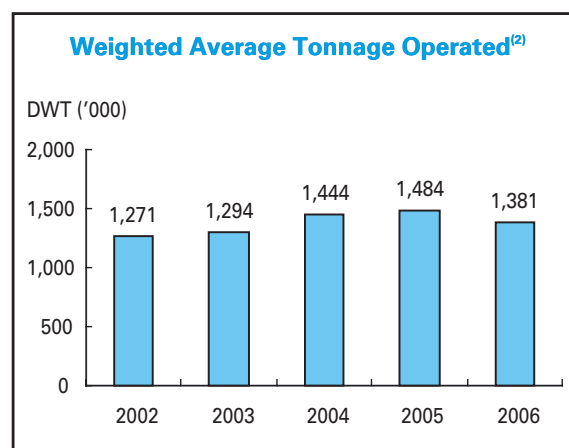
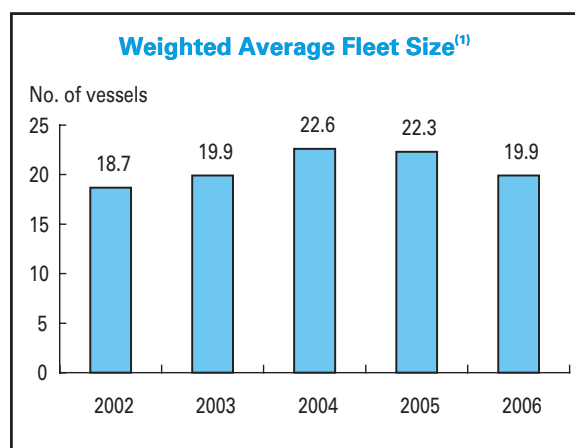
Discharging Ports Analysis

	2006	2005
<i>(Expressed as a percentage of turnover for chartering freight and hire)</i>	%	%
Asia excluding China	34.1	37.9
China	23.0	26.8
Europe	15.6	16.5
North America	15.4	11.3
Africa	6.1	1.7
South America	3.5	4.3
Others	1.5	1.0
Australia	0.8	0.5
	100.0	100.0

Types of Cargoes Carried by the Group's Fleet

	2006		2005	
	Metric Tons <i>(in '000)</i>	%	Metric Tons <i>(in '000)</i>	%
Minerals	5,014	44.1	4,931	37.0
Coal	2,525	22.3	4,942	37.1
Agricultural products	2,009	17.7	1,662	12.5
Cement	822	7.2	421	3.2
Steel products	753	6.6	957	7.2
Fertilizer	115	1.0	34	0.2
Alumina	88	0.8	371	2.8
Others	28	0.3	–	–
	11,354	100.0	13,318	100.0

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS



Notes:

1. Weighted average fleet size is the weighted average number of vessels that constituted the fleet during the year and is calculated as the sum of each vessel's number of available days divided by the number of calendar days in the year.
2. Weighted average tonnage operated is calculated as the sum of each vessel's deadweight tonnage multiplied by the number of available days divided by the number of calendar days in the year.
3. Time charter equivalent rate is calculated as the voyage and time charter revenue less voyage expenses divided by the number of available days in the year.
4. Average utilization rate is calculated as the number of operating days divided by the number of available days in the year.

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Consolidated Income Statements					
Turnover	<u>1,550,763</u>	<u>1,985,235</u>	<u>1,974,661</u>	<u>1,048,515</u>	<u>756,179</u>
Profit (Loss) from operations	477,077	869,660	412,922	98,745	(89,290)
Interest income	20,067	13,983	4,165	4,279	6,113
Interest expenses	<u>(76,052)</u>	<u>(40,213)</u>	<u>(22,972)</u>	<u>(20,947)</u>	<u>(22,250)</u>
Profit (Loss) before taxation	421,092	843,430	394,115	82,077	(105,427)
Taxation	<u>(2,796)</u>	<u>(2,474)</u>	<u>(2,608)</u>	<u>(64)</u>	<u>(667)</u>
Net profit (loss) for the year	<u>418,296</u>	<u>840,956</u>	<u>391,507</u>	<u>82,013</u>	<u>(106,094)</u>
Attributable to:					
Shareholders of the Company	223,192	526,862	227,514	36,676	(62,339)
Minority interests	<u>195,104</u>	<u>314,094</u>	<u>163,993</u>	<u>45,337</u>	<u>(43,755)</u>
	<u>418,296</u>	<u>840,956</u>	<u>391,507</u>	<u>82,013</u>	<u>(106,094)</u>
Dividend per share	<u>–</u>	<u>HK\$0.190</u>	<u>HK\$0.120</u>	<u>–</u>	<u>–</u>
Basic earnings (loss) per share	<u>HK\$0.421</u>	<u>HK\$0.992</u>	<u>HK\$0.432</u>	<u>HK\$0.070</u>	<u>(HK\$0.118)</u>

Highlights

FIVE-YEAR FINANCIAL SUMMARY (Continued)

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Consolidated Balance Sheets					
Non-current assets	3,107,003	2,459,034	1,375,084	1,489,475	1,454,444
Current assets	884,768	757,381	1,251,242	346,086	272,794
Current liabilities	(401,069)	(373,230)	(1,092,536)	(303,838)	(240,180)
Non-current liabilities	(1,430,965)	(1,005,205)	(414,872)	(643,891)	(690,665)
Net assets	<u>2,159,737</u>	<u>1,837,980</u>	<u>1,118,918</u>	<u>887,832</u>	<u>796,393</u>
Issued capital	52,538	53,394	52,624	52,624	52,624
Reserves	<u>1,248,579</u>	<u>1,058,258</u>	<u>667,599</u>	<u>440,073</u>	<u>394,551</u>
Equity attributable to shareholders of the Company	<u>1,301,117</u>	<u>1,111,652</u>	<u>720,223</u>	<u>492,697</u>	<u>447,175</u>
Minority interests	<u>858,620</u>	<u>726,328</u>	<u>398,695</u>	<u>395,135</u>	<u>349,218</u>
Total equity	<u>2,159,737</u>	<u>1,837,980</u>	<u>1,118,918</u>	<u>887,832</u>	<u>796,393</u>

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Group has applied the principles in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) with these objectives in mind.

To this end, the Group has promulgated a set of Code on Corporate Governance Practices (“Company Code”) which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices as set out in the Code which came into effect on 1 January 2005. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the Code and ultimately ensuring high transparency and accountability to the Company’s shareholders.

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code with deviations from code provisions A.2.1, A.4.2, E.1.2 and A.4.1 of the Code in respect of the roles of chairman and chief executive officer, the rotation of directors, the chairman’s absence from the annual general meeting and the service term for non-executive directors.

Code provision A.2.1 Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes a deviation from code provision A.2.1 of the Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group’s operations is clearly beneficial to the Company. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company.

Corporate Governance Report

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

Code provision A.4.2 Under code provision A.4.2 of the Code, all directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company before 26 June 2006, a Managing Director and a Director holding any other executive office shall not be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the Code. The Board reviewed the Articles of Association and proposed amendments to the Articles of Association at the annual general meeting of the Company so as to provide that all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation, and such amendments were duly passed by the shareholders of the Company at the annual general meeting of the Company held on 26 June 2006. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting.

Code provision E.1.2 Under code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting.

Due to personal reason, the Chairman did not attend the annual general meeting of the Company held on 26 June 2006, and the said meeting was chaired by the Managing Director.

Code provision A.4.1 Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from code provision A.4.1 of the Code. After the approval of the amendments to the Articles of Association of the Company by shareholders of the Company at the annual general meeting of the Company held on 26 June 2006, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to retirement provisions. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

BOARD COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman, the Managing Director and the management.

Corporate Governance Report

BOARD COMPOSITION *(Continued)*

The Board comprises a total of seven Directors, with four Executive Directors, Mr. Ng Siu Fai (Chairman), Mr. Ng Kam Wah Thomas (Managing Director), Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin; and three Independent Non-executive Directors, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau. Details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are disclosed on pages 24 and 25.

The Board meets at least four times each year at approximately quarterly intervals. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his/her duties, take independent professional advice where necessary at the expense of the Company.

Save as disclosed herein, the roles of the Chairman and the Managing Director are separate to ensure a clear division between the Chairman's responsibility to manage the Board and the Managing Director's responsibility to manage the Group's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

During the year, the Board has at all times complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard as set out therein throughout 2006.

Corporate Governance Report

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2006, the Board held 41 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	Attendance
Ng Siu Fai, <i>Chairman</i>	40
Ng Kam Wah Thomas, <i>Managing Director</i>	41
Ng Ki Hung Frankie	37
Ho Suk Lin	41
Independent Non-executive Directors	
Cui Jianhua	8
Tsui Che Yin Frank	7
William Yau	8

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 August 2005, comprising three Independent Non-executive Directors, Mr. Cui Jianhua (Chairman), Mr. Tsui Che Yin Frank and Mr. William Yau. The role and function of the Remuneration Committee included the determination of the specific remuneration packages of all Executive Directors and senior management, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee should consider factors such as the performance of Directors and senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Group. The Remuneration Committee shall meet at least once a year.

One meeting was held in 2006 and all the committee members were present at the meeting. The Remuneration Committee also held a meeting on 19 April 2007 to consider and approve the directors' fees and other emoluments of the senior management including the Directors. Details of the emoluments of the Directors are set out in note 9 to the financial statements.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee was established on 22 September 1998, currently comprises three Independent Non-executive Directors, Mr. Tsui Che Yin Frank (Chairman), Mr. Cui Jianhua and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the system of internal control and compliance. The Audit Committee is also responsible for making recommendation in relation to the appointment, re-appointment and removal of the external auditors, and reviews and monitors the external auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

The Audit Committee held two meetings in 2006. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31 December 2006 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

INTERNAL CONTROLS

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization and the accounting records are reliable for preparing financial information used within the business for publication and maintaining accountability for assets and liabilities.

The Company has conducted an annual review during the year of the effectiveness of the Group's internal control system over all material controls including financial, operational and compliance controls and risk management functions. The Board considers that the Company has complied with the requirements under the Listing Rules regarding the internal controls, and will continue to review, revise and strengthen its internal controls from time to time so that practical and effective systems are implemented.

Corporate Governance Report

AUDITORS' REMUNERATION

During the year under review, the performance of the external auditors of the Company has been reviewed and it is proposed to re-appoint the external auditors in the forthcoming annual general meeting. Other non-audit related services were also provided by the Group's external auditors during the year. In 2006, the remuneration paid and payable to the external auditors of the Company, Messrs. Moores Rowland Mazars, for the provision of the Group's audit service and other non-audit related services which comprise the review engagements of internal control procedures and various circulars issued during the year were HK\$1,308,000 and HK\$1,232,000 respectively.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 35.

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, through annual general meetings or other general meetings to communicate with shareholders and encourage their participation. Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. The Company will inform the shareholders of the procedures for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association.

In order to further promote effective communication, the Company maintains a website (www.jinhuiship.com) to disseminate shareholder information electronically on a timely basis.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, Chairman

Aged 50. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

Mr. Ng is a brother of Messrs. Ng Kam Wah Thomas and Ng Ki Hung Frankie, both are directors of the Company (as disclosed hereinafter).

Mr. Ng Kam Wah Thomas, Managing Director

Aged 44. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, Executive Director

Aged 53. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments in China. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, Executive Director

Aged 43. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Board of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Mr. Cui Jianhua, *Independent Non-executive Director*

Aged 52. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

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

Aged 49. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in direct investment and investment banking with key management responsibilities for investments and operations in China. He is currently an executive director of Melco International Development Limited (Hong Kong listed). Mr. Tsui holds a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. William Yau, *Independent Non-executive Director*

Aged 39. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited. Mr. Yau graduated with a Bachelor Degree of Engineering from the Carleton University in Canada.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 32. Joined the Group in 2004 as Vice President, responsible for the corporate finance matters of the Group. Mr. Ching has over 10 years of working experience in finance and banking field in the U.K. and Asia. Prior to joining the Group, he worked in the investment banking division for a US bank. Mr. Ching has a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

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

Aged 53. Joined the Group in 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Ltd. as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 54. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

Mr. Stephen E. Lofberg, *Head of US Office*

Aged 56. Joined the Group in 1995 as Head of US office, responsible for the chartering business of the Group. Mr. Lofberg has extensive knowledge and working experience in ship chartering. He holds a Bachelor Degree in Marine Transportation from United States Merchant Marine Academy.

Mr. Lau Kam Hung Alexander, *Head of Yee Lee*

Aged 47. Joined the Group in 1994 as a director of Yee Lee, which is engaged in the trading business in chemical and industrial raw materials. Mr. Lau has extensive working experience in finance and management. He graduated in Accountancy from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Directors submit herewith their annual report and the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

Segment information of the Group for the year ended 31 December 2006 is set out in note 34 to the financial statements.

REGISTERED OFFICE

The Company is registered in Hong Kong and the registered office is at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong. The Group's businesses of ship chartering and ship owning are carried out internationally and trading business is principally carried out in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 37.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2006 (2005: nil). As there is no interim dividend payable during the year (2005: HK\$0.19 per share), there will be no dividend distribution for the whole year of 2006 (2005: HK\$0.19 per share).

FINANCIAL SUMMARY

A summary of the consolidated income statements and balance sheets of the Group for the last five financial years is set out on pages 16 and 17.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 respectively to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 40 and 41.

SUBSIDIARIES

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

SECURED BANK LOANS

Details of the secured bank loans of the Group at balance sheet date are set out in note 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for approximately 11% and 36% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 22% and 63% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or any shareholders which to the best knowledge of the Directors own more than 5% of the Company's share capital had interest in any of the five largest customers or the five largest suppliers.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$51,000 (2005: HK\$560,000).

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Ng Siu Fai
Mr. Ng Kam Wah Thomas
Mr. Ng Ki Hung Frankie
Ms. Ho Suk Lin

Independent Non-executive Directors:

Mr. Cui Jianhua
Mr. Tsui Che Yin Frank
Mr. William Yau

In accordance with the Company's Articles of Association, Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

The Board has obtained written confirmations from all Independent Non-executive Directors of the Company concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board believed that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The biographical details of the Directors are set out in the "Board of Directors and Senior Management" section of this Annual Report on pages 24 and 25.

None of the Directors has a service contract with any member of the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than under normal statutory obligations.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

The directors of the Company who held office as at 31 December 2006 had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

(i) Interests in shares of the Company and Jinhui Shipping

Name	Type of interests	Number of shares in the Company	Percentage of total issued shares of the Company	Number of shares in Jinhui Shipping	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	Personal interests	6,299,000	1.20%	1,098,500	1.31%
	Family interests	10,770,000	2.05%	–	–
	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Kam Wah Thomas	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Ki Hung Frankie	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline Consultants Limited ("Fairline") which is the legal and beneficial owner of 325,654,280 shares of the Company (representing approximately 61.98% of the total issued shares of the Company) and 480,000 shares of Jinhui Shipping (representing approximately 0.57% of the total issued shares of Jinhui Shipping) at balance sheet date. 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) Interests in underlying shares of the Company

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

Directors' Report

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

(ii) Interests in underlying shares of the Company (Continued)

At 31 December 2006, the directors of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme:

Name	Date of grant	Closing price per share at date of grant of options HK\$	Exercise price per share HK\$	Period during which options exercisable	Number of options		
					As at 1 January 2006	Granted during the year	As at 31 December 2006
Ng Siu Fai	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 <i>Note 2</i>	31,570,000	–	31,570,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ng Kam Wah Thomas	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 <i>Note 2</i>	21,050,000	–	21,050,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ng Ki Hung Frankie	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	3,000,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ho Suk Lin	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	5,000,000	–	5,000,000
Cui Jianhua	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
Tsui Che Yin Frank	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
William Yau	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	500,000	–	500,000
					63,120,000	9,552,000	72,672,000

Directors' Report

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

(ii) Interests in underlying shares of the Company *(Continued)*

Notes:

1. During the year, no share option was exercised, cancelled and lapsed.
2. The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the shareholders of the Company 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. These share options may be exercised during the period commencing on 31 March 2006 (the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005) to 22 December 2014 or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.
3. The closing price per share of the Company as at 31 December 2006 was HK\$2.34.
4. All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

Save as disclosed above, as at 31 December 2006, none of the Directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any Director or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company or any of their spouses or children under the age of 18 had any interests in, or had been granted, any right to subscribe for the shares in or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, in accordance with the register kept under Section 336 of the SFO, the following persons (other than the directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Name of shareholders	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	325,654,280	–	61.98%
Wong Yee Man Gloria	342,723,280 (Note 1)	–	65.23%
	–	34,754,000 (Note 2)	6.62%

Notes:

1. The interest in shares includes 10,770,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 331,953,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).
2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 31 December 2006, the Company has not been notified of any person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

During the year, the Company had repurchased 9,151,000 shares of the Company at an aggregate price of HK\$14,966,000 before expenses, which were subsequently cancelled in 2006. The nominal value of the cancelled shares of approximately HK\$915,000 was credited to capital redemption reserve and the aggregate price was paid out from retained profits. Details of the repurchase are set out in note 27 to the financial statements.

The Directors considered that the repurchase would increase the net asset value and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained during the year the amount of public float as required under the Listing Rules.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Moores Rowland Mazars, *Chartered Accountants, Certified Public Accountants*, as auditors of the Company.

On behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 19 April 2007

Independent Auditors' Report

Moores Rowland Mazars

Chartered Accountants
Certified Public Accountants
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

To the members of

Jinhui Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 100, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Independent Auditors' Report

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2007

Consolidated Income Statement

Year ended 31 December 2006

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

Balance Sheets

At 31 December 2006

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

Balance Sheets

At 31 December 2006

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

Approved and authorized for issue by the Board of Directors on 19 April 2007

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2006

Group

	Attributable to shareholders of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other asset revaluation reserve HK\$'000	Reserve for available-for-sale financial assets HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2005	52,624	288,733	2,023	4,578	-	-	372,265	720,223	398,695	1,118,918
Gain on revaluation for property, plant and equipment	-	-	-	3,038	-	-	-	3,038	-	3,038
Gain on revaluation of available-for-sale financial assets	-	-	-	-	1,681	-	-	1,681	-	1,681
Net income recognized directly in equity	-	-	-	3,038	1,681	-	-	4,719	-	4,719
Net profit for the year	-	-	-	-	-	-	526,862	526,862	314,094	840,956
Total recognized income	-	-	-	3,038	1,681	-	526,862	531,581	314,094	845,675
2004 final dividend	-	-	-	-	-	-	(63,713)	(63,713)	-	(63,713)
2005 interim dividend	-	-	-	-	-	-	(101,356)	(101,356)	-	(101,356)
Dividend to minority interests	-	-	-	-	-	-	-	-	(132,088)	(132,088)
Shares issued upon exercise of share options	770	11,547	-	-	-	-	-	12,317	-	12,317
Expenses for shares issued upon exercise of share options	-	(71)	-	-	-	-	-	(71)	-	(71)
Employee share option benefits	-	-	-	-	-	12,671	-	12,671	7,441	20,112
Disposal of partial interests in a subsidiary	-	-	-	-	-	-	-	-	138,186	138,186
	770	11,476	-	-	-	12,671	(165,069)	(140,152)	13,539	(126,613)
At 31 December 2005 and 1 January 2006	53,394	300,209	2,023	7,616	1,681	12,671	734,058	1,111,652	726,328	1,837,980
Release on disposal of motor vessels	-	-	-	(4,578)	-	-	-	(4,578)	-	(4,578)
Gain on revaluation of available-for-sale financial assets	-	-	-	-	825	-	-	825	-	825
Net income (expenses) recognized directly in equity	-	-	-	(4,578)	825	-	-	(3,753)	-	(3,753)
Net profit for the year	-	-	-	-	-	-	223,192	223,192	195,104	418,296
Total recognized income (expenses)	-	-	-	(4,578)	825	-	223,192	219,439	195,104	414,543
Dividend to minority interests	-	-	-	-	-	-	-	-	(23,500)	(23,500)
Shares issued upon exercise of share options	59	891	-	-	-	-	-	950	-	950
Expenses for shares issued upon exercise of share options	-	(12)	-	-	-	-	-	(12)	-	(12)
Employee share option benefits	-	-	-	-	-	13,588	-	13,588	9,959	23,547
Repurchase of own shares	(915)	-	915	-	-	-	(15,020)	(15,020)	-	(15,020)
Acquisition of minority interests in a subsidiary	-	-	-	-	-	-	(29,480)	(29,480)	(49,271)	(78,751)
	(856)	879	915	-	-	13,588	(44,500)	(29,974)	(62,812)	(92,786)
At 31 December 2006	52,538	301,088	2,938	3,038	2,506	26,259	912,750	1,301,117	858,620	2,159,737

Statements of Changes in Equity

Year ended 31 December 2006

Company

	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve for available- for-sale financial assets HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2005	52,624	288,733	2,023	-	-	132,799	476,179
Gain on revaluation of available-for-sale financial assets	-	-	-	1,260	-	-	1,260
Net income recognized directly in equity	-	-	-	1,260	-	-	1,260
Net profit for the year	-	-	-	-	-	338,965	338,965
Total recognized income	-	-	-	1,260	-	338,965	340,225
2004 final dividend	-	-	-	-	-	(63,713)	(63,713)
2005 interim dividend	-	-	-	-	-	(101,356)	(101,356)
Shares issued upon exercise of share options	770	11,547	-	-	-	-	12,317
Expenses for shares issued upon exercise of share options	-	(71)	-	-	-	-	(71)
Employee share option benefits	-	-	-	-	3,017	-	3,017
	770	11,476	-	-	3,017	(165,069)	(149,806)
At 31 December 2005 and 1 January 2006	53,394	300,209	2,023	1,260	3,017	306,695	666,598
Gain on revaluation of available-for-sale financial assets	-	-	-	281	-	-	281
Net income recognized directly in equity	-	-	-	281	-	-	281
Net profit for the year	-	-	-	-	-	35,980	35,980
Total recognized income	-	-	-	281	-	35,980	36,261
Shares issued upon exercise of share options	59	891	-	-	-	-	950
Expenses for shares issued upon exercise of share options	-	(12)	-	-	-	-	(12)
Employee share option benefits	-	-	-	-	3,532	-	3,532
Repurchase of own shares	(915)	-	915	-	-	(15,020)	(15,020)
	(856)	879	915	-	3,532	(15,020)	(10,550)
At 31 December 2006	52,538	301,088	2,938	1,541	6,549	327,655	692,309

Consolidated Cash Flow Statement

Year ended 31 December 2006

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

Notes to the Financial Statements

Year ended 31 December 2006

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong. The address of the Company's registered office and its principal place of businesses are disclosed in the directors' report on page 27.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the current year are consistent with those of the last year except that the Group has adopted HKAS 39 and HKFRS 4 Amendments "Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts". The adoption of this amendment did not have significant effects on the financial statements of the Group and the Company.

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

Basis of preparation

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

Basis of consolidation

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

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

On acquisition of subsidiaries, if the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired recognized at the date of acquisition exceeds the cost of business combination, the Group reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired and the measurement of the cost of the business combination. Any excess remaining after that reassessment is recognized immediately in the income statement.

Acquisition of minority interests in a subsidiary

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

Subsidiaries

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

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

Revenue recognition

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

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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

Drydocking, repairs and survey costs

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

Foreign currencies

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

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

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

On consolidation, the assets and liabilities in the balance sheet of entities denominated in currencies other than Hong Kong Dollars are translated at the exchange rates ruling at the balance sheet date while the income and expenses in the income statement are translated at an average exchange rate for the year. Exchange differences arising from the translation of these entities are recognized in a separate component of equity and recognized in the income statement on disposal of these entities.

Operating leases

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

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Employee benefits

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

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

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

Share-based payment transactions

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Property, plant and equipment

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

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

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

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

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Improvements are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures incurred in restoring assets to their normal working conditions and other repairs and maintenances are charged to the income statement.

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost or valuation of motor vessels over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method of 25 years from the date on which they are available for use.

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

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

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

Investment properties

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

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

Intangible asset

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment, investments in subsidiaries, deferred drydocking expenses and intangible asset have suffered an impairment loss or impairment loss previously recognized no longer exists or may be reduced. If any such indication exists, an impairment loss is determined and recognized as follows:

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

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

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

Inventories

Inventories comprise ship stores and trading goods.

Initial ship stores are capitalized as part of the costs of the vessels. Subsequent purchases of ship stores are charged as operating expenses to the extent that they are consumed during the year. Ship stores unused at the balance sheet date are carried forward as inventories at the lower of cost and net realizable value. Trading goods are stated at the lower of cost and net realizable value.

Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

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

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

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

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortized cost, using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Any gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. An impairment loss is recognized in the income statement when there is objective evidence that the financial asset is impaired, and is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the original market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for loans and receivables are reversed if, in a subsequent period, the amount of the impairment loss decreases.

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial assets

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

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

Financial liabilities

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

Financial guarantee contracts

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

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Provisions

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

Cash equivalents

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

Related parties

A party is related to the Group if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Group;
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Notes to the Financial Statements

Year ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Provision for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of the trade receivables and on management's judgement. At balance sheet date, the trade receivables, net of provision, amounted to HK\$84,610,000 (2005: HK\$118,919,000). A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were deteriorated, resulting in an impairment of their ability to make payments, additional provision will be required.

Provision for inventories

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

Future changes in accounting policies

At the date of authorization of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective. The Group has already commenced an assessment of these HKFRS which are effective for accounting periods beginning on or after 1 January 2007 but is not yet in a position to state whether these HKFRS would have a significant impact on its results of operations and financial position. The Group will be continuing with the assessment of the impact of these new HKFRS and other significant changes may be identified as a result.

Notes to the Financial Statements

Year ended 31 December 2006

3. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are analyzed as follows:

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

4. CANCELLATION FEE INCOME

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

Notes to the Financial Statements

Year ended 31 December 2006

5. STAFF COSTS

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

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

Notes to the Financial Statements

Year ended 31 December 2006

6. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

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

Notes to the Financial Statements

Year ended 31 December 2006

7. INTEREST EXPENSES

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

8. TAXATION

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

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

Notes to the Financial Statements

Year ended 31 December 2006

8. TAXATION (Continued)

Reconciliation of tax expense:

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

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

Notes to the Financial Statements

Year ended 31 December 2006

9. DIRECTORS' EMOLUMENTS

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

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

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2005: four) Directors whose details of emoluments are set out in note 9 above. Emoluments of the remaining one (2005: one) highest paid individual fall within the band from HK\$2,000,001 to HK\$2,500,000 and his aggregate emoluments were as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Salaries and other benefits	1,797	1,786
Discretionary bonus	231	231
Employee share-based payments	165	165
Contributions to retirement benefits schemes	30	30
	<u>2,223</u>	<u>2,212</u>

Notes to the Financial Statements

Year ended 31 December 2006

11. NET PROFIT FOR THE YEAR

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

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

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

12. DIVIDENDS

	Group	
	2006 HK\$'000	2005 HK\$'000
Interim dividend declared during the year		
2005 interim dividend of HK\$0.19 per share declared and paid	<u>-</u>	<u>101,356</u>

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

Notes to the Financial Statements

Year ended 31 December 2006

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK\$223,192,000 (2005: HK\$526,862,000) and the weighted average number of 529,673,508 (2005: 531,337,466) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK\$223,192,000 (2005: HK\$526,862,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

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

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

Notes to the Financial Statements

Year ended 31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings <i>HK\$'000</i>	Motor vessels and improvement <i>HK\$'000</i>	Vessels under construction <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement, utility vessels, furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1 January 2005	210,248	1,309,313	208,731	842	32,995	1,762,129
Reclassification	(10,231)	315,745	(315,745)	-	-	(10,231)
Additions	500	960,922	210,942	39	1,436	1,173,839
Disposals/written off	(459)	-	-	(71)	(612)	(1,142)
Revaluation	3,038	-	-	-	-	3,038
At 31 December 2005	203,096	2,585,980	103,928	810	33,819	2,927,633
Reclassification	-	257,944	(257,944)	-	-	-
Additions	300	891,266	411,888	-	4,524	1,307,978
Disposals/written off	-	(853,014)	-	(488)	(1,917)	(855,419)
At 31 December 2006	203,396	2,882,176	257,872	322	36,426	3,380,192
Accumulated depreciation and impairment losses						
At 1 January 2005	116,816	383,532	-	804	26,154	527,306
Charge for the year	3,849	87,603	-	38	2,582	94,072
Reclassification	(1,169)	-	-	-	-	(1,169)
Eliminated on disposals/written off	(96)	-	-	(71)	(404)	(571)
Impairment loss reversed	(11,234)	-	-	-	-	(11,234)
At 31 December 2005	108,166	471,135	-	771	28,332	608,404
Charge for the year	4,321	97,651	-	16	2,846	104,834
Eliminated on disposals/written off	-	(294,390)	-	(488)	(1,557)	(296,435)
Impairment loss reversed	(11,568)	-	-	-	-	(11,568)
At 31 December 2006	100,919	274,396	-	299	29,621	405,235
Net book value						
At 31 December 2006	102,477	2,607,780	257,872	23	6,805	2,974,957
At 31 December 2005	94,930	2,114,845	103,928	39	5,487	2,319,229

Notes to the Financial Statements

Year ended 31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Leasehold land and buildings <i>HK\$'000</i>	Motor vessels and improvement <i>HK\$'000</i>	Vessels under construction <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement, utility vessels, furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Analysis of cost or valuation of property, plant and equipment						
At 31 December 2006						
At Cost	150,396	2,882,176	257,872	322	36,426	3,327,192
At professional valuation in 1994	53,000	-	-	-	-	53,000
	<u>203,396</u>	<u>2,882,176</u>	<u>257,872</u>	<u>322</u>	<u>36,426</u>	<u>3,380,192</u>

Having regard to the moderate recovery of property market in Hong Kong, the Group carried out a review of the recoverable amount of its leasehold land and buildings situated in Hong Kong as at 31 December 2006. The review led to the recognition of reversal of impairment loss of HK\$11,568,000 in the income statement of 2006. The recoverable amount of the relevant assets has been determined on the basis of fair value determined by reference to an active market.

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

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Leasehold land and buildings	<u>90,379</u>	<u>94,930</u>

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

Notes to the Financial Statements

Year ended 31 December 2006

15. INVESTMENT PROPERTIES

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

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

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

16. GOODWILL

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

18. INTANGIBLE ASSET

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

19. INVESTMENTS IN SUBSIDIARIES

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

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

Notes to the Financial Statements

Year ended 31 December 2006

19. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

20. OTHER NON-CURRENT ASSETS

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

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

Notes to the Financial Statements

Year ended 31 December 2006

21. INVENTORIES

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Ship stores	183	226
Trading goods	13,408	16,423
	<u>13,591</u>	<u>16,649</u>

Inventories at balance sheet date were carried at cost.

22. TRADE AND OTHER RECEIVABLES

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

Notes to the Financial Statements

Year ended 31 December 2006

22. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group	
	2006	2005
	HK\$'000	HK\$'000
0 – 90 days	58,362	98,447
91 – 180 days	22,873	17,452
181 – 365 days	1,568	1,964
Over 365 days	1,807	1,056
	84,610	118,919

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

Notes to the Financial Statements

Year ended 31 December 2006

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

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Analysis of financial assets at fair value through profit or loss:				
<i>Held for trading or not qualifying as hedges</i>				
Equity securities				
Listed in Hong Kong	44,491	44,331	22,582	21,605
Listed outside Hong Kong	–	5,470	–	5,470
	<u>44,491</u>	<u>49,801</u>	<u>22,582</u>	<u>27,075</u>
Debt securities				
Listed outside Hong Kong	15,093	15,400	15,093	15,400
Unlisted	17,393	–	–	–
	<u>32,486</u>	<u>15,400</u>	<u>15,093</u>	<u>15,400</u>
Derivative financial instruments				
Equity linked investments	50,826	–	15,365	–
Bank deposits with embedded derivatives	43,343	–	–	–
Interest rate swaps	7,346	6,008	–	–
Forward foreign exchange contracts and options	4,202	1,158	804	–
Securities derivatives	–	6	–	–
Forward freight agreements	–	27,415	–	–
	<u>105,717</u>	<u>34,587</u>	<u>16,169</u>	<u>–</u>
	<u>182,694</u>	<u>99,788</u>	<u>53,844</u>	<u>42,475</u>
Analysis of financial liabilities at fair value through profit or loss:				
<i>Held for trading or not qualifying as hedges</i>				
Derivative financial instruments				
Interest rate swaps	–	942	–	–
Forward foreign exchange contracts and options	30,962	11,646	1,123	153
Securities derivatives	2,417	–	2,417	–
Forward freight agreements	–	17,735	–	–
	<u>33,379</u>	<u>30,323</u>	<u>3,540</u>	<u>153</u>

Notes to the Financial Statements

Year ended 31 December 2006

24. DUE FROM SUBSIDIARIES

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

25. TRADE AND OTHER PAYABLES

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

The aging analysis of trade payables is as follows:

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

Notes to the Financial Statements

Year ended 31 December 2006

26. SECURED BANK LOANS

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

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

Notes to the Financial Statements

Year ended 31 December 2006

27. SHARE CAPITAL

Company

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

Notes:

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

Notes to the Financial Statements

Year ended 31 December 2006

27. SHARE CAPITAL (Continued)

Notes:

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

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

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

28. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

28. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

28. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Notes:

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

28. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Notes:

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

29. RESERVES

Details of movements in reserves of the Group and the Company for current and last years are disclosed in the statements of changes in equity on pages 40 and 41.

Group

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

Company

The retained profits of the Company includes HK\$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK\$295,435,000 (2005: HK\$274,475,000).

Notes to the Financial Statements

Year ended 31 December 2006

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

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

Notes to the Financial Statements

Year ended 31 December 2006

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

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

(ii) Net cash outflow on disposal of a subsidiary

	Group	
	2006 HK\$'000	2005 HK\$'000
Net sale proceeds satisfied in cash	39	–
Bank balances and cash disposed	(51)	–
	<u>(12)</u>	<u>–</u>

Notes to the Financial Statements

Year ended 31 December 2006

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Group	
	2006 HK\$'000	2005 HK\$'000
Goodwill released	–	7,308
Loss of dividend receivable which paid to minority interests	–	12,324
Increase in minority interests	–	125,862
Gain on disposal of partial interests in a subsidiary (Note)	–	102,855
Total consideration, satisfied by cash	<u>–</u>	<u>248,349</u>
Net cash inflow on disposal of partial interests in a subsidiary:		
Gross sale proceeds	–	252,773
Commission to placing agent	–	(4,424)
	<u>–</u>	<u>248,349</u>

Note: The amount represented a gain on disposal of 7,900,000 shares or 9.4% interests in the then share capital of Jinhui Shipping in year 2005.

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

	Group	
	2006 HK\$'000	2005 HK\$'000
Bank balances and cash	<u>368,050</u>	<u>395,614</u>

Notes to the Financial Statements

Year ended 31 December 2006

31. DEFERRED TAXATION

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

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

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

32. PLEDGE OF ASSETS

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

- (a) Legal charges on the Group's property, plant and equipment and investment property with an aggregate net book value of HK\$2,671,828,000 (2005: HK\$2,079,281,000);
- (b) Deposits totalling HK\$70,273,000 (2005: HK\$19,610,000) of the Group placed with banks and other institution;
- (c) Financial assets at fair value through profit or loss with market value of HK\$41,302,000 (2005: nil); and
- (d) Assignment of twelve (2005: ten) ship owning companies' chartering income in favour of banks.

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

Notes to the Financial Statements

Year ended 31 December 2006

33. COMMITMENTS

(a) Capital expenditure commitments

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

(b) Commitments under operating leases (as lessee)

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

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

Notes to the Financial Statements

Year ended 31 December 2006

33. COMMITMENTS (Continued)

(c) Commitments under operating leases (as lessor)

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

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

Notes to the Financial Statements

Year ended 31 December 2006

34. SEGMENT INFORMATION

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

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

Notes to the Financial Statements

Year ended 31 December 2006

34. SEGMENT INFORMATION (Continued)

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

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

- (iii) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 83% (2005: 83%) and 11% (2005: 11%) of the Group's trading business was carried out in Hong Kong and China respectively. The Group's other operations comprised investment holding, property investments, equity and debt securities, equity linked investments and foreign currency transactions which were mainly carried out in Hong Kong in both years; and in 2005, there was a gain of HK\$102,855,000 on disposal of partial interests in a subsidiary of the Company, Jinhui Shipping, in Norway.

Notes to the Financial Statements

Year ended 31 December 2006

34. SEGMENT INFORMATION (Continued)

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

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

Notes to the Financial Statements

Year ended 31 December 2006

34. SEGMENT INFORMATION (Continued)

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

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:

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

Company

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

- (a) Receipt of dividends of HK\$23,700,000 (2005: HK\$162,911,000) from a subsidiary;
- (b) Payment of an administrative fee of HK\$2,476,000 (2005: HK\$2,264,000) to an indirect subsidiary;
- (c) Receipt of interest income of HK\$7,918,000 (2005: HK\$7,050,000) from its subsidiaries;
- (d) Payment of rental charges of HK\$1,440,000 (2005: HK\$1,440,000) to its subsidiaries;

Notes to the Financial Statements

Year ended 31 December 2006

35. RELATED PARTY TRANSACTIONS (Continued)

Company

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

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

Notes to the Financial Statements

Year ended 31 December 2006

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's long term debt obligation. The Group's bank borrowings were all committed on floating rate basis and mainly denominated in United States Dollars. Details of maturity of secured bank loans are disclosed in note 26.

The Group also entered into interest rate swaps so as to mitigate the interest rate exposures. At 31 December 2006, the Group had interest rate swaps with a notional contract amount of US\$80 million. The fair value of the interest rate swaps entered into by the Group at 31 December 2006 was recognized in balance sheet and, accordingly, HK\$7,346,000 (2005: HK\$6,008,000) was recognized as financial assets and nil (2005: HK\$942,000) was recognized as financial liabilities. The Group had managed the interest rate exposures by entering into interest rate swaps during June 2004 and January 2004 respectively as follows:

- US\$50 million over five years up to June 2009 through cap at 4.3% with a knock out at 6.5%; and
- US\$30 million over three years up to January 2007 through cap at 2.5% with a knock out at 4%.

Notes to the Financial Statements

Year ended 31 December 2006

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2006 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US\$1.00 to HK\$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

In addition, the Group is exposed to foreign currency risk primarily through trading of derivative financial instruments such as forward foreign exchange contracts and options. As at 31 December 2006, the Group had forward foreign exchange contracts and options whose fair values were recognized in the balance sheet and, accordingly, HK\$4,202,000 (2005: HK\$1,158,000) was recognized as financial assets at fair value through profit or loss and HK\$30,962,000 (2005: HK\$11,646,000) was recognized as financial liabilities at fair value through profit or loss.

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

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

Liquidity risk

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

37. CONTINGENT LIABILITIES

At balance sheet date, the Group had contingent liabilities in respect of a guarantee of approximately HK\$78,000,000 (2005: HK\$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., under an agreement dated 15 September 2006 regarding the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. for a consideration of approximately HK\$259,740,000, and in return, a counter guarantee was provided by Bocimar International N. V. to Jinhui Shipping.

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

Notes to the Financial Statements

Year ended 31 December 2006

38. RETIREMENT BENEFITS SCHEMES

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

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

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

39. POST BALANCE SHEET EVENTS

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

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

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

Notes to the Financial Statements

Year ended 31 December 2006

40. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	52.99%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US\$0.05 each	52.99%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US\$1 each	52.99%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US\$1 each	52.99%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US\$1 each	52.99%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US\$1 each	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK\$1 each	75%	Investment holding	Hong Kong

Notes to the Financial Statements

Year ended 31 December 2006

40. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in Hong Kong				
Carpa Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK\$1 each	52.99%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK\$1 each	100%	Property investment	Hong Kong
First King International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
First Lion International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK\$1 each	52.99%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	2 shares of HK\$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK\$1 each	100%	Property investment and investment trading	Hong Kong

Notes to the Financial Statements

Year ended 31 December 2006

40. PRINCIPAL SUBSIDIARIES (Continued)

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

Notes to the Financial Statements

Year ended 31 December 2006

40. PRINCIPAL SUBSIDIARIES (Continued)

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

Notes to the Financial Statements

Year ended 31 December 2006

40. PRINCIPAL SUBSIDIARIES (Continued)

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

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

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