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

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JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

MAJOR TRANSACTION
ACQUISITION OF A VESSEL

16 February 2006

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DEFINITIONS

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

“Acquisition”	the acquisition of the Vessel under the Agreement;
“Agreement”	the memorandum of agreement dated 23 January 2006 between Jinhui Shipping and the Vendor in respect of the Acquisition;
“Board”	the board of Directors;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Jinhui Holdings Company Limited;
“Directors”	the directors of the Company;
“Fairline”	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company holding approximately 55.36 per cent. of the issued share capital and voting rights in general meetings of the Company as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 50.21 per cent. owned subsidiary of the Company as at the Latest Practicable Date whose shares are listed on the Oslo Stock Exchange, Norway;
“Latest Practicable Date”	14 February 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);

DEFINITIONS

“Share Subdivision”	the subdivision of every one issued and unissued share of HK\$1.00 each in the share capital of the Company into ten shares of HK\$0.10 each in the share capital of the Company, which became effective on 23 May 2005;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Bocimar International NV;
“Vessel”	a deadweight 173,880 metric tons bulk carrier named “Mineral Shanghai” built in 2004 and registered in Antwerp;
“Yee Lee Technology”	Yee Lee Technology Company Limited, a company incorporated in the British Virgin Islands and a 75 per cent. owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“US\$”	United States dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00 = HK\$7.80.

LETTER FROM THE BOARD



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

Directors:

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

Registered office:

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

* *Independent non-executive director*

16 February 2006

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

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF A VESSEL

INTRODUCTION

The Directors refer to the announcement of the Company dated 25 January 2006 in relation to the Acquisition of the Vessel pursuant to the Agreement dated 23 January 2006 entered into between Jinhui Shipping and the Vendor.

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

Purchaser

The purchaser of the Vessel is Jinhui Shipping (or its nominee). Jinhui Shipping is an approximately 50.21 per cent. owned subsidiary of the Company. The principal activities of Jinhui Shipping and its subsidiaries include international ship chartering and ship owning.

LETTER FROM THE BOARD

Vendor

The Vendor of the Vessel is Bocimar International NV. The Vendor is in the business of the transportation of dry bulk goods and its 100% owned parent company CMB NV is a maritime company whose shares are quoted on Euronext Brussels. Each of CMB NV and the Vendor is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Vessel is currently under a time charter party arrangement entered into on 30 March 2005 with a wholly-owned subsidiary of Jinhui Shipping.

The Acquisition

Pursuant to the Agreement, the Vendor has agreed to sell and deliver to Jinhui Shipping or its nominee the Vessel, and Jinhui Shipping has agreed to purchase and take delivery of the Vessel from the Vendor.

The Vessel is proposed to be used by Jinhui Shipping or its nominee for chartering out to gain operating income after delivery.

Consideration

The purchase price for the Vessel is US\$60,000,000 (approximately HK\$468,000,000) and is payable in the following manner:

- (1) a deposit of US\$6,000,000 (approximately HK\$46,800,000) was paid on 24 January 2006; and
- (2) the balance of US\$54,000,000 (approximately HK\$421,200,000) will be payable upon delivery of the Vessel.

The purchase price for the Vessel will be payable by cash in United States Dollars which will be funded by the internal resources and bank loans of the Group. The purchase price of the Vessel was determined by reference to current market value of similar type of vessels and on the basis of arm's length negotiations.

Following the completion of the Acquisition, it is expected that the revenue to be generated by the Vessel will make a positive contribution to the earnings of the Group, the Vessel will be treated as an asset and the bank loans for the Acquisition will be treated as liabilities thereby increasing the carrying amounts for the assets and liabilities of the Group respectively. The carrying amount for bank balances and cash will be decreased to the extent the purchase price for the Vessel is funded by internal resources of the Group.

Delivery

The Agreement provides for the delivery of the Vessel after the end of the time charter party arrangement which is expected to take place sometime between mid March 2007 and mid July 2007. If there is any delay in delivery of the Vessel, Jinhui Shipping has the right to rescind the Agreement and the Vendor shall thereupon promptly refund the full amount of the deposit together with interest thereon to Jinhui Shipping.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The outlook of the dry bulk shipping market remains to be healthy and the Group believes the freight rates should continue at very firm levels, and the addition of a vessel will further complement our owned young and modern fleet of vessels to serve with the growing needs of our customers. The Group currently owns thirteen dry bulk vessels. After the Acquisition, the Group will have additional six newly built and one second hand dry bulk vessels for delivery going forward, where one of which will be delivered in 2006, another four in 2007 and two in 2008.

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

GENERAL

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

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company and is subject to shareholders' approval in general meeting in accordance with the Listing Rules. So far as the Directors are aware, as no Shareholder, including Fairline Consultants Limited, the controlling shareholder of the Company holding approximately 55.36 per cent. of the issued share capital of the Company and voting rights in general meeting, is interested in the Acquisition other than through its shareholding interest in the Company, therefore no Shareholder is required to abstain from voting on the Acquisition, and the Acquisition had been approved by a written shareholders' approval.

CERTAIN INFORMATION REQUIRED UNDER THE LISTING RULES

According to Rule 14.67(4)(b)(i) of the Listing Rules, the Company is required to include in this circular, amongst other things, a profit and loss account for the three preceding financial years (or less, if the Vessel has been held by the Vendor for a shorter period) on the identifiable net income stream in relation to the Vessel, which must be reviewed by the Company's auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The Vessel was built in May 2004 and as the results for the Group's immediate preceding financial year ended 31 December 2005 have not been released yet, the relevant preceding financial year for the purposes of Rule 14.67(4)(b)(i) of the Listing Rules and this transaction is the year ended 31 December 2004.

LETTER FROM THE BOARD

The Vendor is based outside of Hong Kong and its 100% owned parent company CMB NV is a public company. The financial information relating to the Vendor in respect of the Vessel has not been disclosed in the financial statements of CMB NV or is the financial information attributable to the Vessel apparent in such financial statements. In addition, it is common industry practice within the shipping industry that sales and purchases of vessels in the nature of the Acquisition are conducted through shipbrokers, and hence, all dealings between the Group and the Vendor have been made through Arrow Asia Shipbrokers Limited, the Company's shipbroker for the Acquisition. Furthermore, the primary concern of a company as a purchaser of a second hand vessel is the physical condition of the vessel rather than the historical revenue characteristics of the vessel, therefore, it is not common practice within the shipping industry for vendors of second hand vessels to provide the historical revenue information of the vessels for sale. Despite repeated requests made by the Group, through Arrow Asia Shipbrokers Limited, to the Vendor for the relevant financial information relating to the Vessel as required under Rule 14.67(4)(b)(i) of the Listing Rules, the Vendor has not agreed to provide such information due to confidentiality reasons. The Company is therefore unable to include such information in this Circular and as an alternative, the following information for the period beginning on 17 May 2004 (being the actual delivery date of the Vessel when it was newly built) and ended on 31 December 2004 (the "**Relevant Period**") is hereby disclosed:

I The theoretical gross revenue which the Vessel may potentially have generated for the Relevant Period

	2004
	<i>US\$'000</i>
Vessel	13,694

The above theoretical gross revenue figure has been calculated based on the prevailing average time charter rates for vessels of a similar type to the Vessel during the Relevant Period as published in publicly available reports issued by R.S. Platou Shipbrokers a.s.

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

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

The above figure has been included for reference purposes only. The figure does not in any way whatsoever indicate or suggest that the Vessel had generated or could necessarily have generated such revenue in the Relevant Period or whilst under the ownership and management of the Vendor. Neither do such revenue figure indicates or suggests the level of revenue which the Vessel will generate in the future whilst under the ownership and management of the

LETTER FROM THE BOARD

Company. The above figure represents a market average figure only and does not in any way attribute to the Vessel whether in respect of the historical revenue for the Vessel or expected revenue for the Vessel.

II The theoretical profit and loss account for the Vessel for the Relevant Period

The theoretical profit and loss account for the Vessel for the Relevant Period has been derived from the theoretical gross revenue (as extracted from the above section “*I The theoretical gross revenue which the Vessel may potentially have generated for the Relevant Period*”) and the theoretical expenses which may have incurred in connection with the Vessel for the Relevant Period and is as follows:

	<i>Notes</i>	<i>US\$'000</i>
Turnover	<i>1</i>	13,694
Operating expenses excluding depreciation	<i>2</i>	(1,368)
Depreciation	<i>3</i>	<u>(1,278)</u>
Profit from operations		11,048
Net interest expenses	<i>4</i>	<u>(856)</u>
Profit before taxation		10,192
Taxation		<u>–</u>
Theoretical net profit after taxation		<u><u>10,192</u></u>

Notes:

The above has been arrived at on the following basis:

1. The theoretical turnover has been calculated based on the average time charter rates for the Relevant Period as set out in the above section under “*I The theoretical gross revenue which the Vessel may potentially have generated for the Relevant Period*”.
2. The theoretical operating expenses have been calculated based on the expenses for vessels of a similar type to the Vessel as estimated by the Group.
3. Theoretical depreciation of the Vessel has been calculated according to the accounting policies adopted by the Group for the year ended 31 December 2004.
4. On the basis that the Acquisition would be funded as to US\$42,000,000 by bank financing and as to the balance of US\$18,000,000 from the Group’s internal resources on 17 May 2004 (as if completion of the Acquisition took place on such date, being the delivery date of the Vessel when it was newly built), accordingly, there would be an increase in the net interest expenses for the Relevant Period being the interest expenses on the bank loan and interest income forfeited on the part of internal resources, both calculated at prevailing market rates on normal commercial terms.
5. Transaction costs which are insignificant have not been accounted for.

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The above information was also disclosed as part of the additional information regarding the Acquisition released by Jinhui Shipping on 6 February 2006 through the Oslo Stock Exchange in accordance with the regulations of the Oslo Stock Exchange and by the Company in the announcement dated 6 February 2006.

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

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

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

(1) FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated financial statements of the Group for each of three years ended 31 December 2004 as extracted from the annual report of the Company for the year ended 31 December 2004.

Consolidated Income Statement

	Year ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>1,974,661</u>	<u>1,048,515</u>	<u>756,179</u>
Profit (Loss) from operations	412,922	98,745	(89,290)
Interest income	4,165	4,279	6,113
Interest expenses	<u>(22,972)</u>	<u>(20,947)</u>	<u>(22,250)</u>
Profit (Loss) before taxation	394,115	82,077	(105,427)
Taxation	<u>(2,608)</u>	<u>(64)</u>	<u>(667)</u>
Profit (Loss) from ordinary activities after taxation	391,507	82,013	(106,094)
Minority interests	<u>(163,993)</u>	<u>(45,337)</u>	<u>43,755</u>
Net profit (loss) for the year	<u>227,514</u>	<u>36,676</u>	<u>(62,339)</u>
Dividends per share (restated*)	<u>HK\$0.120</u>	<u>—</u>	<u>—</u>
Basic earnings (loss) per share (restated*)	<u>HK\$0.432</u>	<u>HK\$0.07</u>	<u>(HK\$0.118)</u>

* Figures restated as a result of Share Subdivision.

Consolidated Balance Sheet

	At 31 December		
	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	1,259,323	1,430,045	1,387,830
Intangible asset	46,453	119	134
Interest in associates	(25)	(27)	(28)
Other investments	35,257	37,789	40,320
Other non-current assets	34,076	21,549	26,188
Current assets	746,066	346,086	272,794
Current liabilities	(587,360)	(303,838)	(240,180)
Non-current liabilities	(414,872)	(643,891)	(690,665)
Minority interests	(398,695)	(395,135)	(349,218)
	<u>720,223</u>	<u>492,697</u>	<u>447,175</u>
Net assets			
	<u>720,223</u>	<u>492,697</u>	<u>447,175</u>
Issued capital	52,624	52,624	52,624
Reserves	667,599	440,073	394,551
	<u>720,223</u>	<u>492,697</u>	<u>447,175</u>
Shareholders' equity			
	<u>720,223</u>	<u>492,697</u>	<u>447,175</u>

Set out below is the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31 December 2004 together with accompanying notes.

Consolidated Income Statement

Year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	3	1,974,661	1,048,515
Other operating income		99,353	56,251
Gain on disposal of motor vessels		127,201	–
Reversal of impairment loss of motor vessels		–	104,276
Voyage related expenses		(877,600)	(727,327)
Losses on forward freight agreements	4	(490,947)	–
Cost of trading goods sold		(254,377)	(214,974)
Staff costs		(43,300)	(34,797)
Other operating expenses		(41,336)	(40,958)
Other net income (expenses)		4,458	(27,670)
Depreciation and amortization		(85,191)	(64,571)
		<hr/>	<hr/>
Profit from operations	5	412,922	98,745
Interest income		4,165	4,279
Interest expenses	6	(22,972)	(20,947)
		<hr/>	<hr/>
Profit before taxation		394,115	82,077
Taxation	9	(2,608)	(64)
		<hr/>	<hr/>
Profit from ordinary activities after taxation		391,507	82,013
Minority interests		(163,993)	(45,337)
		<hr/>	<hr/>
Net profit for the year	10	<u>227,514</u>	<u>36,676</u>
		<hr/>	<hr/>
Proposed final dividends after balance sheet date	11	<u>63,155</u>	<u>–</u>
		<hr/>	<hr/>
Earnings per share			
– Basic	12(a)	<u>HK\$4.32</u>	<u>HK\$0.70</u>
		<hr/>	<hr/>
– Diluted	12(b)	<u>HK\$4.32</u>	<u>N/A</u>
		<hr/>	<hr/>

Statements of Changes in Equity*Year ended 31 December 2004*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Group		
Shareholders' equity at 1 January	<u>492,697</u>	<u>447,175</u>
Exchange reserve arising on consolidation	–	(1)
Release on disposal of a subsidiary	12	(148)
Reversal of impairment loss of fixed assets	<u>–</u>	<u>8,995</u>
Net gains not recognized in the income statement	<u>12</u>	<u>8,846</u>
Net profit for the year	<u>227,514</u>	<u>36,676</u>
Shareholders' equity at 31 December	<u>720,223</u>	<u>492,697</u>
Company		
Shareholders' equity at 1 January	477,964	493,091
Net loss for the year	<u>(1,785)</u>	<u>(15,127)</u>
Shareholders' equity at 31 December	<u>476,179</u>	<u>477,964</u>

Balance Sheets

At 31 December 2004

		Group		Company	
		2004	2003	2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES					
Non-current assets					
Fixed assets	13	1,259,323	1,430,045	–	–
Goodwill	14	46,348	–	–	–
Intangible asset	15	105	119	–	–
Interests in subsidiaries	16	–	–	478,787	489,009
Interests in associates	17	(25)	(27)	–	–
Other investments	18	35,257	37,789	5,000	5,000
Other non-current assets	19	34,076	21,549	–	–
		<u>1,375,084</u>	<u>1,489,475</u>	<u>483,787</u>	<u>494,009</u>
Current assets					
Inventories	20	27,175	34,161	–	–
Short-term investments	21	19,074	10,445	–	–
Trade receivables	22	77,543	75,435	–	–
Prepayments, deposits and other receivables		136,396	72,938	319	318
Pledged deposits	30(b)	23,522	30,551	–	–
Bank balances and cash		462,356	122,556	73	67
		<u>746,066</u>	<u>346,086</u>	<u>392</u>	<u>385</u>
Current liabilities					
Trade payables	23	70,733	56,098	–	–
Accrued charges and other payables		255,530	141,581	1,095	468
Provision for losses	4	202,913	–	–	–
Taxation		2,435	510	–	–
Secured bank loans	24	45,914	63,309	–	–
Secured bank overdrafts	24	9,835	42,340	6,905	15,962
		<u>587,360</u>	<u>303,838</u>	<u>8,000</u>	<u>16,430</u>
Net current assets (liabilities)		<u>158,706</u>	<u>42,248</u>	<u>(7,608)</u>	<u>(16,045)</u>
Total assets less current liabilities		<u>1,533,790</u>	<u>1,531,723</u>	<u>476,179</u>	<u>477,964</u>

		Group		Company	
		2004	2003	2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Secured bank loans	24	414,872	643,891	–	–
Minority interests					
		398,695	395,135	–	–
Net assets					
		<u>720,223</u>	<u>492,697</u>	<u>476,179</u>	<u>477,964</u>
CAPITAL AND RESERVES					
Issued capital	25	52,624	52,624	52,624	52,624
Reserves	27	<u>667,599</u>	<u>440,073</u>	<u>423,555</u>	<u>425,340</u>
Shareholders' equity					
		<u>720,223</u>	<u>492,697</u>	<u>476,179</u>	<u>477,964</u>

Consolidated Cash Flow Statement*Year ended 31 December 2004*

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Cash generated from operations	28(a)	571,729	81,343
Claim received		5,280	3,168
Interest paid		(20,835)	(21,032)
Hong Kong Profits Tax paid		(683)	(19)
Net cash from operating activities		<u>555,491</u>	<u>63,460</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(199,265)	(29,998)
Proceeds from disposal of fixed assets		434,096	42,452
Net cash inflow (outflow) on disposal of a subsidiary	28(b)	8,854	(291)
Interest received		4,062	4,728
Net amount of loan received		7,796	5,200
Dividend and investment income received		19,025	8,435
Net repayment to associates		(2)	(1)
Net cash from investing activities		<u>274,566</u>	<u>30,525</u>
FINANCING ACTIVITIES			
Repayment of bank loans		(246,414)	(62,555)
Decrease (Increase) in pledged deposits		7,029	(81)
Repurchase of own shares by a subsidiary		(218,367)	–
Net cash used in financing activities		<u>(457,752)</u>	<u>(62,636)</u>
Net increase in cash and cash equivalents		372,305	31,349
Cash and cash equivalents at 1 January		<u>80,216</u>	<u>48,867</u>
Cash and cash equivalents at 31 December	28(c)	<u><u>452,521</u></u>	<u><u>80,216</u></u>

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAPs”) 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”). A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment property, leasehold land and buildings, motor vessels and improvement and the marking to market of certain investments in securities and forward freight agreements, as explained in the accounting policies set out below.

Basis of consolidation

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

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

Goodwill

Goodwill or negative goodwill arising on consolidation represents the excess or deficit of the consideration paid over the fair value of the Group’s share of net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions which occurred prior to 1 January 2001 is eliminated against consolidated reserves and subject to assessments of impairment of goodwill in accordance with SSAP 31. Negative goodwill is credited to a capital reserve.

Goodwill arising from acquisitions after 1 January 2001 is recognized as an intangible asset and is amortized on a straight-line basis over its estimated useful life not exceeding 20 years.

On disposal of a subsidiary, the attributable amount of unamortized goodwill or unreleased negative goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

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

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

Dividend and investment income are recognized when the shareholders’ rights to receive payment have been established.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Drydocking, repairs and survey costs

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

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheet of overseas subsidiaries is translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at an average rate for the year. All exchange differences arising on consolidation are dealt with in reserves.

Operating leases

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

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

Taxation

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

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

Employee benefits

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

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

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

When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognized at the date of grant. When the share options are exercised, equity is increased by the amount of the proceeds received.

Fixed assets

Investment property is interest in land and buildings in respect of which construction work and development has been completed and which is intended to be held on a long-term basis for investment potential. Investment property is stated at open market value on the basis of annual professional valuation. Changes in the value of investment property are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is included in the income statement. Upon the disposal of investment property, the relevant portion of the investment property revaluation reserve realized in respect of previous valuations will be included in the income statement.

Leasehold land and buildings 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.

Property under development and vessels under construction are stated at cost less provision for impairment loss.

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

Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the HKICPA from the requirement to make regular revaluation of certain leasehold land and buildings and motor vessels and improvement which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of the entire class of leasehold land and buildings and motor vessels and improvement is carried out.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives.

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

Depreciation of fixed assets

No depreciation is provided in respect of investment property with an unexpired lease term of over 20 years as well as property under development and vessels under construction until they are completed.

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 straight-line method of 25 years from the date on which they become fully operational.

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

Leasehold land	over the unexpired term of lease
Buildings	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

Intangible asset

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

Subsidiaries

A subsidiary, in accordance with the Companies Ordinance, is an enterprise, in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. An investment in a subsidiary is consolidated into the consolidated financial statements. In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. Impairment loss in respect of investments in subsidiaries is determined on an individual basis.

Associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid or less any discount on acquisition in so far as the premium or discount has not already been written off or amortized.

When the Group transacts with its associates, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealized losses provide evidence of an impairment of the asset transferred.

Other investments

Co-operative joint ventures

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

Unlisted club debentures

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

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit (the smallest identifiable group of assets that generates cash inflows from continuing use independently) to which the asset belongs.

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, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories comprise ship stores, which include bunker fuel 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.

Short-term investments

Short-term investments in securities are stated at their fair values in the balance sheet. The unrealized holding gains or losses for short-term investments in securities are included in the income statement.

The profit or loss on disposal of short-term investments in securities is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

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 are 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.

Forward freight agreements (“FFAs”)

FFAs relating to ship chartering business are marked-to-market at balance sheet date and any gain or loss arising is recognized in the income statement.

Cash equivalents

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Segment reporting

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

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

2. RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for year ended 31 December 2004. However, the Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of these new HKFRSs would not 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 HKFRSs and other significant changes may be identified as a result.

3. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are analyzed as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	509,778	268,320
Other chartering freight and hire income	1,178,219	540,725
Trading	286,664	239,470
	1,974,661	1,048,515
Other revenue		
Dividend and investment income from co-operative joint ventures	18,783	7,786
Interest income	4,165	4,279
	1,997,609	1,060,580
	1,997,609	1,060,580

4. LOSSES ON FORWARD FREIGHT AGREEMENTS

The amount represents the realized losses incurred from, and the provisions made for the unrealized losses from FFAs. FFA is a forward agreement to purchase or sell the transportation of cargoes at a predetermined price. In the opinion of the directors, the losses from the FFAs had been caused by the unexpected and sudden decline in the freight rates of the dry bulk shipping market which began in March 2004 and continued further in June 2004. In order to mitigate the risk to expose the Group from further potential losses, the Group had squared off majority of the FFAs during mid of the year. A provision for losses for all squared off FFAs was made accordingly. At balance sheet date, the provision for the net unrealized losses amounted to HK\$202,913,000.

5. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	854	663
Cost of inventories	266,499	266,464
Amortization of other investments	2,532	2,531
Amortization of goodwill	11,587	–
Amortization of intangible asset	14	15
Hire payments under time charters	655,748	358,668
Operating lease charges in respect of land and buildings	4,454	4,674
Exchange loss, including unrealized provision, for foreign currency exposures	1,543	43,090
Loss on disposal/written off of fixed assets, other than motor vessels	239	422
Reversal of impairment loss of fixed assets, other than motor vessels	(18,907)	–
Loss (Gain) on disposal of a subsidiary	309	(422)
Net gain on disposal of short-term investments, including unrealized holding gain of HK\$1,451,000 (2003: loss of HK\$76,000)	(3,581)	(6,943)
Provision for bad and doubtful debts	864	1,680
Recovery of claim receivable	(1,760)	(6,688)
Retirement benefits scheme contributions net of forfeited contributions of HK\$116,000 (2003: HK\$37,000)	1,539	1,658
Revaluation surplus of an investment property	(4,500)	(4,200)
Gross rental income of HK\$696,000 (2003: HK\$716,000) net of outgoings from operating lease on an investment property	(580)	(606)
	<u> </u>	<u> </u>

6. INTEREST EXPENSES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank loans and overdrafts:		
Wholly repayable within five years	10,736	6,078
Not wholly repayable within five years	12,236	14,869
	<u> </u>	<u> </u>
	<u>22,972</u>	<u>20,947</u>

7. DIRECTORS' EMOLUMENTS

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees	5,972	5,972
Salaries and allowances	3,900	4,063
Discretionary bonus	7,564	3,120
Retirement benefits scheme contributions	81	89
	<u>17,517</u>	<u>13,244</u>

The directors' emoluments included fee of HK\$60,000 (2003: HK\$60,000) paid to the independent non-executive directors during the year.

In addition to the above emoluments, certain share options had been granted to the directors of the Company during the year ended 31 December 2004. Details of the share options granted to directors are disclosed in note 26.

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
HK\$0 – HK\$1,000,000	5	4
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	2
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	–
	<u>9</u>	<u>8</u>

8. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2003: four) directors whose details of emoluments are set out in note 7 above. Emoluments of the remaining one (2003: one) individual were as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and allowances	1,797	1,795
Discretionary bonus	289	100
Retirement benefits scheme contributions	30	30
	<u>2,116</u>	<u>1,925</u>

The emoluments of the one (2003: one) individual with the highest emoluments were within the following bands:

	Number of individual	
	2004	2003
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>–</u>

9. TAXATION

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current year	2,509	491
Under (Over) provision in prior years	<u>99</u>	<u>(427)</u>
	<u>2,608</u>	<u>64</u>

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the year. In the opinion of the directors, a substantial portion of the Group's income neither arose in nor derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is also not subject to taxation in any other jurisdictions in which the Group operates.

Reconciliation of tax expense:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>394,115</u>	<u>82,077</u>
Income tax at the rates applicable to profits in the tax jurisdiction concerned	4,515	(4,803)
Non-deductible expenses	3,396	921
Tax exempt revenue	(6,469)	(2,079)
Unrecognized tax losses	5,277	7,238
Unrecognized temporary differences	(3,435)	(501)
Utilization of previously unrecognized tax losses	(1,119)	(311)
Under (Over) provision in prior years	450	(427)
Others	<u>(7)</u>	<u>26</u>
Tax expense for the year	<u>2,608</u>	<u>64</u>

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

10. NET PROFIT FOR THE YEAR

The net profit for the year included a loss of HK\$1,785,000 (2003: HK\$15,127,000) which has been dealt with in the financial statements of the Company.

11. PROPOSED FINAL DIVIDENDS AFTER BALANCE SHEET DATE

The final dividends in respect of 2004 of HK\$1.20 (2003: nil) per share amounting to HK\$63,155,000 is proposed by the Board after the balance sheet date. The proposed final dividend for 2004 will be accounted for as an appropriation of retained profits in the year ending 31 December 2005 if it is approved at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE**(a) Basic earnings per share**

Basic earnings per share for the year is calculated on the net profit attributable to shareholders for the year of HK\$227,514,000 (2003: HK\$36,676,000) and the weighted average number of 52,624,248 (2003: 52,624,248) 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 for the year of HK\$227,514,000 and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme. Diluted earnings per share for 2003 is not presented as there is no potential ordinary share in issue during 2003.

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

	2004	2003
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares used in calculating basic earnings per share	52,624,248	52,624,248
Deemed issue of ordinary shares on granting of share options	202	-
	<u>52,624,450</u>	<u>52,624,248</u>

13. FIXED ASSETS

Group

	Investment property HK\$'000	Leasehold land and buildings HK\$'000	Property under development HK\$'000	Motor vessels and improvement HK\$'000	Vessels under construction HK\$'000	Plant and machinery HK\$'000	Leasehold improvement, utility vessels, furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation								
At 1 January 2004	20,000	210,248	69,885	1,650,581	24,644	842	31,423	2,007,623
Additions	-	-	8,568	-	184,087	-	6,610	199,265
On disposal of a subsidiary	-	-	(78,453)	-	-	-	-	(78,453)
Disposals/Write off	-	-	-	(341,268)	-	-	(5,038)	(346,306)
Revaluation	4,500	-	-	-	-	-	-	4,500
At 31 December 2004	24,500	210,248	-	1,309,313	208,731	842	32,995	1,786,629
Accumulated depreciation and impairment losses								
At 1 January 2004	-	141,905	54,356	352,861	-	773	27,683	577,578
Charge for the year	-	1,618	-	66,592	-	31	2,817	71,058
Eliminated on disposal of a subsidiary	-	-	(62,156)	-	-	-	-	(62,156)
Eliminated on disposals/ written off	-	-	-	(35,921)	-	-	(4,346)	(40,267)
Impairment loss (reversed)/made	-	(26,707)	7,800	-	-	-	-	(18,907)
At 31 December 2004	-	116,816	-	383,532	-	804	26,154	527,306
Net book value								
At 31 December 2004	24,500	93,432	-	925,781	208,731	38	6,841	1,259,323
At 1 January 2004	20,000	68,343	15,529	1,297,720	24,644	69	3,740	1,430,045
Analysis of cost or valuation of fixed assets								
At 31 December 2004								
At cost	-	157,248	-	964,631	208,731	842	32,995	1,364,447
At professional valuation in:								
1994	-	53,000	-	344,682	-	-	-	397,682
2004	24,500	-	-	-	-	-	-	24,500
	24,500	210,248	-	1,309,313	208,731	842	32,995	1,786,629

Investment property of the Group was revalued at balance sheet date by Chartersince Surveyors Limited, independent professional surveyors, on an open market value basis.

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Leasehold land and buildings	<u>93,432</u>	<u>68,343</u>
Motor vessels and improvement	<u>912,808</u>	<u>1,262,137</u>

All motor vessels and improvement and investment property are held for use under operating leases.

Net book values of the Group's properties are analyzed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Medium term lease:		
Property under development in Hong Kong	–	15,529
Long term leases:		
Leasehold land and buildings in Hong Kong	93,432	68,343
Investment property in Hong Kong	<u>24,500</u>	<u>20,000</u>
	<u>117,932</u>	<u>103,872</u>

14. GOODWILL

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost		
Arising from deemed acquisition of additional interests in a subsidiary and at 31 December	57,935	–
Accumulated amortization		
Charge for the year and at 31 December	<u>(11,587)</u>	–
Net book value		
At 31 December	<u>46,348</u>	<u>–</u>

The goodwill, which was arisen from the repurchase of shares by a subsidiary, Jinhui Shipping, whose shares are listed on the Oslo Stock Exchange, is amortized on a straight-line basis over a period of five years.

15. INTANGIBLE ASSET

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transfer fee for club entrance		
Cost		
At 1 January and at 31 December	250	250
Accumulated amortization		
At 1 January	131	116
Charge for the year	14	15
At 31 December	145	131
Net book value		
At 31 December	105	119

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	351,702	351,702
Unlisted shares, at cost	13	13
	351,715	351,715
Due from subsidiaries, net of provision	130,863	141,092
Due to subsidiaries	(3,791)	(3,798)
	478,787	489,009

Details of the Company's principal subsidiaries are set out in note 38 to the financial statements.

The market value of Jinhui Shipping attributable to the Group amounted to approximately HK\$1,067,210,000 (2003: HK\$423,148,000) at balance sheet date.

17. INTERESTS IN ASSOCIATES

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	23	23
Due to associates	(48)	(50)
	<u>(25)</u>	<u>(27)</u>

18. OTHER INVESTMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Co-operative joint ventures, at cost	78,648	78,648	-	-
Less: Accumulated amortization	(26,785)	(24,253)	-	-
Accumulated impairment losses	(24,016)	(24,016)	-	-
	<u>27,847</u>	<u>30,379</u>	<u>-</u>	<u>-</u>
Unlisted club debentures, at cost	7,410	7,410	5,000	5,000
Unlisted investments, at cost	11,700	11,700	-	-
Less: Provision for impairment loss	(11,700)	(11,700)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>35,257</u>	<u>37,789</u>	<u>5,000</u>	<u>5,000</u>

19. OTHER NON-CURRENT ASSETS

	Group	
	2004 HK\$'000	2003 HK\$'000
Deferred drydocking expenses, at cost	8,351	11,417
Less: Amount written off	(3,964)	(6,868)
	<u>4,387</u>	<u>4,549</u>
Loan receivable	37,342	20,800
Less: Amount included in current assets	(7,653)	(3,800)
	<u>29,689</u>	<u>17,000</u>
Loan receivable due over one year	29,689	17,000
	<u>34,076</u>	<u>21,549</u>

20. INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ship stores	1,834	4,187
Trading goods	25,341	29,974
	<u>27,175</u>	<u>34,161</u>

Inventories at balance sheet date were carried at cost.

21. SHORT-TERM INVESTMENTS

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debts securities, at fair value:		
Listed outside Hong Kong	—	363
Equity securities, at fair value:		
Listed in Hong Kong	9,065	7,694
Listed outside Hong Kong	10,009	2,388
	<u>19,074</u>	<u>10,082</u>
	<u>19,074</u>	<u>10,445</u>

22. TRADE RECEIVABLES

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

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

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

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	57,767	60,431
91 – 180 days	15,487	11,953
181 – 365 days	3,688	1,520
Over 365 days	601	1,531
	<u>77,543</u>	<u>75,435</u>

23. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	62,210	47,579
91 – 180 days	556	1,126
181 – 365 days	412	279
Over 365 days	7,555	7,114
	<u>70,733</u>	<u>56,098</u>

24. SECURED BANK LOANS AND OVERDRAFTS

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of secured bank loans and overdrafts is as follows:				
Within one year	55,749	105,649	6,905	15,962
After one year but within two years	45,989	63,215	–	–
After two years but within five years	133,863	187,953	–	–
After five years	235,020	392,723	–	–
	<u>470,621</u>	<u>749,540</u>	<u>6,905</u>	<u>15,962</u>
Less: Amount included in current liabilities				
Secured bank loans	(45,914)	(63,309)	–	–
Secured bank overdrafts	(9,835)	(42,340)	(6,905)	(15,962)
	<u>414,872</u>	<u>643,891</u>	<u>–</u>	<u>–</u>
Amount included in non-current liabilities				
	<u>414,872</u>	<u>643,891</u>	<u>–</u>	<u>–</u>

25. ISSUED CAPITAL

Company	2004		2003	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<i>Authorized:</i>				
At 1 January	100,000,000	100,000	1,000,000,000	100,000
Consolidation of shares	–	–	(900,000,000)	–
At 31 December	<u>100,000,000</u>	<u>100,000</u>	<u>100,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>				
At 1 January	52,624,248	52,624	526,242,488	52,624
Consolidation of shares	–	–	(473,618,232)	–
Shares repurchased and cancelled	–	–	(8)	–
At 31 December	<u>52,624,248</u>	<u>52,624</u>	<u>52,624,248</u>	<u>52,624</u>

Subsequent to the balance sheet date, the Company had allotted and issued 4,800 new ordinary shares of the Company upon exercise of share options granted under the share option scheme adopted by the Company. Details of the share option scheme are disclosed in note 26.

26. SHARE OPTIONS

A share option scheme was adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 November 2004 (the "Share Option Scheme") whereby the directors of the Company are authorized to grant options 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. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 18 November 2004. The purpose of the Share Option Scheme is to provide incentive and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group.

The subscription price per share of a share option shall be no less than the highest of (i) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer; (ii) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; and (iii) the nominal value of the share of the Company on the date of offer.

The details and movements of share options granted under the Share Option Scheme during the year are as follows:

Category	Share options granted during the year and outstanding as at 31 December 2004	Date of grant	Exercise period	Closing price at date of grant of share options	Exercise price
Directors <i>Note (a)</i>	5,262,000	23 December 2004	1 March 2006 to 22 December 2014	HK\$15.30	HK\$16.00
Directors	1,050,000	23 December 2004	23 December 2004 to 22 December 2009	HK\$15.30	HK\$16.00
	<u>6,312,000</u>				
Employees	537,400	23 December 2004	23 December 2004 to 22 December 2009	HK\$15.30	HK\$16.00
Employees <i>Note (b)</i>	829,800	23 December 2004	23 December 2004 to 22 December 2009	HK\$15.30	HK\$16.00
	<u>1,367,200</u>				
	<u><u>7,679,200</u></u>				

Notes:

- (a) The share options granted to Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas, directors of the Company had been approved by 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 will become exercisable upon the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year 2005. These share options may be exercised during the period commencing on 1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005, whichever is the later, and ending on 22 December 2014 being the end of the 10-year period from 23 December 2004, or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.
- (b) These share options were granted to employees of the Group, other than directors of the Company, under vesting schedule, which began on 7 January 2005 with monthly exercisable limit of about 10% of the share options granted.
- (c) The share options granted are not recognized in the financial statements until they are exercised. The weighted average value per option granted in 2004, estimated at the date of grant using the Black-Scholes pricing model was HK\$6.6. The calculation of the weighted average value per option granted during the year does not take into account options granted and forfeited during the year. The weighted average assumptions used are as follows:

Risk-free interest rate per annum	2.25%
Expected life	2 years
Volatility	76.73%

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

(d) During the year, no share option had been exercised and lapsed.

27. RESERVES

Group

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other asset revaluation reserve HK\$'000	(Accumulated losses) Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	288,733	139,656	2,023	–	(35,861)	394,551
Exchange reserve arising on consolidation	–	(1)	–	–	–	(1)
Release on disposal of a subsidiary	–	(148)	–	–	–	(148)
Reversal of impairment loss of fixed assets	–	4,417	–	4,578	–	8,995
Net profit for the year	–	–	–	–	36,676	36,676
At 31 December 2003	288,733	143,924	2,023	4,578	815	440,073
Release on disposal of a subsidiary	–	12	–	–	–	12
Net profit for the year	–	–	–	–	227,514	227,514
At 31 December 2004	288,733	143,936	2,023	4,578	228,329	667,599

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. The capital reserve has been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on acquisition of subsidiaries and associates prior to 1 January 2001, revaluation of fixed assets and foreign currency translation.

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	288,733	2,023	149,711	440,467
Net loss for the year	–	–	(15,127)	(15,127)
At 31 December 2003	288,733	2,023	134,584	425,340
Net loss for the year	–	–	(1,785)	(1,785)
At 31 December 2004	288,733	2,023	132,799	423,555

Retained profits 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\$100,579,000 (2003: HK\$102,364,000).

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	394,115	82,077
Depreciation and amortization	85,191	64,571
Interest income	(4,165)	(4,279)
Interest expenses	22,972	20,947
Dividend income from short-term investments	(244)	(649)
Dividend and investment income	(18,783)	(7,786)
(Gain) Loss on disposal/written off of fixed assets	(126,962)	422
Reversal of impairment loss of fixed assets	(18,907)	(104,276)
Loss (Gain) on disposal of a subsidiary	309	(422)
Provision for bad and doubtful debts	864	1,680
Recovery of claim receivable	(1,760)	(6,688)
Provision for unrealized losses on FFAs	202,913	–
Revaluation surplus of an investment property	(4,500)	(4,200)
Net drydocking expense deferred	(933)	(361)
Effects of exchange rates movement	–	16,549
Changes in working capital:		
Inventories	6,986	(3,062)
Short-term investments	(8,628)	20,931
Trade receivables	(28,314)	(9,764)
Prepayments, deposits and other receivables	(62,680)	(44,703)
Trade payables	14,635	(1,006)
Accrued charges and other payables	119,620	61,362
	<hr/>	<hr/>
Cash generated from operations	571,729	81,343
	<hr/> <hr/>	<hr/> <hr/>

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

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets (liabilities) disposed of:		
Fixed assets	16,297	355
Inventories	–	8
Trade receivables	–	67
Prepayments, deposits and other receivables	–	1,085
Bank balances and cash	–	291
Accrued charges and other payables	(7,146)	(2,662)
	9,151	(856)
Minority interests	–	582
Capital reserve released	12	(148)
(Loss) Gain on disposal of a subsidiary	(309)	422
	8,854	–
Total consideration, satisfied by cash	8,854	–
Net cash inflow (outflow) on disposal of a subsidiary:		
Cash consideration	8,854	–
Bank balances and cash disposed	–	(291)
	8,854	(291)
	8,854	(291)

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

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank balances and cash	462,356	122,556
Secured bank overdrafts	(9,835)	(42,340)
	452,521	80,216
	452,521	80,216

29. DEFERRED TAXATION

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

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deductible temporary differences	13,928	24,506
Tax losses	438,883	420,445
	452,811	444,951
At 31 December	452,811	444,951

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation.

30. PLEDGE OF ASSETS

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

- (a) Legal charge on the Group's investment property, leasehold land and buildings and motor vessels with an aggregate net book value of HK\$859,153,000 (2003: HK\$1,192,488,000);
- (b) Deposits totalling HK\$23,522,000 (2003: HK\$30,551,000) of the Group placed with a bank;
- (c) Short-term investments in securities with fair values totalling HK\$10,009,000 (2003: HK\$1,767,000) of the Group placed with a bank;
- (d) Legal charges on shares of five (2003: seven) ship owning subsidiaries of the Company; and
- (e) Assignment agreements entered into with banks assigning five (2003: seven) ship owning subsidiaries' chartering income in favour of banks.

31. COMMITMENTS**(a) Capital expenditure commitments**

At balance sheet date, the Group had capital expenditure commitments relating to the newbuildings of six (2003: two) dry bulk carriers at total purchase prices of approximately HK\$1,283,256,000 (2003: HK\$321,516,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$1,076,794,000 (2003: HK\$296,872,000).

(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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year:		
Land and buildings	639	1,038
Time charter hire	576,497	566,832
	<u>577,136</u>	<u>567,870</u>
After one year but within five years:		
Land and buildings	507	1,146
Time charter hire	514,750	394,724
	<u>515,257</u>	<u>395,870</u>
	<u><u>1,092,393</u></u>	<u><u>963,740</u></u>

(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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year:		
Land and buildings	632	734
Time charter hire from owned vessels	134,960	53,360
Time charter hire from chartered-in vessels	295,437	206,672
	<u>431,029</u>	<u>260,766</u>
After one year but within five years:		
Land and buildings	–	572
Time charter hire from chartered-in vessels	104,411	–
	<u>104,411</u>	<u>572</u>
	<u><u>535,440</u></u>	<u><u>261,338</u></u>

32. SEGMENTAL INFORMATION

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

	Chartering freight and hire	Trading	Investments in China	Other operations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,687,997	286,664	–	–	1,974,661
Other operating income	53,619	2,709	18,783	24,242	99,353
Gain on disposal of motor vessels	127,201	–	–	–	127,201
	<u>1,868,817</u>	<u>289,373</u>	<u>18,783</u>	<u>24,242</u>	<u>2,201,215</u>
Losses on forward freight agreements	(490,947)	–	–	–	(490,947)
Operating expenses	(935,270)	(277,072)	(4,197)	(74)	(1,216,613)
Other net income	–	–	–	4,458	4,458
Depreciation and amortization	(66,635)	(546)	(2,535)	(15,475)	(85,191)
Profit from operations	<u>375,965</u>	<u>11,755</u>	<u>12,051</u>	<u>13,151</u>	<u>412,922</u>
Interest income					4,165
Interest expenses					<u>(22,972)</u>
Profit before taxation					394,115
Taxation					<u>(2,608)</u>
Profit from ordinary activities after taxation					391,507
Minority interests					<u>(163,993)</u>
Net profit for the year					<u><u>227,514</u></u>

(a) (ii) Consolidated income statement by business segments – 2003

	Chartering freight and hire <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Investments in China <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	809,045	239,470	–	–	1,048,515
Other operating income	40,235	3,083	7,854	5,079	56,251
Reversal of impairment loss of motor vessels	104,276	–	–	–	104,276
	953,556	242,553	7,854	5,079	1,209,042
Operating expenses	(775,879)	(237,511)	(4,419)	(247)	(1,018,056)
Other net (expenses) income	–	(422)	421	(27,669)	(27,670)
Depreciation and amortization	(58,496)	(588)	(2,536)	(2,951)	(64,571)
Profit (Loss) from operations	119,181	4,032	1,320	(25,788)	98,745
Interest income					4,279
Interest expenses					(20,947)
Profit before taxation					82,077
Taxation					(64)
Profit from ordinary activities after taxation					82,013
Minority interests					(45,337)
Net profit for the year					<u>36,676</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 90% (2003: 90%) of the Group's trading business was carried out in Hong Kong and the balance was mainly carried out in China. The Group's other operations, including property investments, foreign currency transactions and short-term investments, were mainly carried out in Hong Kong in both years.

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

	Chartering freight and hire <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Investments in China <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Allocated assets</i>					
Fixed assets	1,134,566	848	7	123,902	1,259,323
Intangible asset	–	–	–	105	105
Interests in associates	–	(25)	–	–	(25)
Other investments	–	–	27,847	7,410	35,257
Other non-current assets	4,387	29,689	–	–	34,076
Current assets	133,702	102,082	–	24,404	260,188
Total segment assets	1,272,655	132,594	27,854	155,821	1,588,924
<i>Unallocated assets</i>					
Goodwill					46,348
Pledged deposits					23,522
Bank balances and cash					462,356
Total assets					<u>2,121,150</u>
<i>Allocated liabilities</i>					
Total segment liabilities	880,826	66,430	222	44,919	992,397
<i>Unallocated liabilities</i>					
Secured bank overdrafts					9,835
Total liabilities					<u>1,002,232</u>
Capital expenditures incurred during the year	<u>184,098</u>	<u>74</u>	<u>–</u>	<u>15,093</u>	<u>199,265</u>

(b) (ii) Consolidated balance sheet by business segments – 2003

	Chartering freight and hire HK\$'000	Trading HK\$'000	Investments in China HK\$'000	Other operations HK\$'000	Total HK\$'000
<i>Allocated assets</i>					
Fixed assets	1,322,455	1,319	11	106,260	1,430,045
Intangible asset	–	–	–	119	119
Interests in associates	–	(27)	–	–	(27)
Other investments	–	–	30,379	7,410	37,789
Other non-current assets	4,549	17,000	–	–	21,549
Current assets	74,811	101,750	41	16,377	192,979
Total segment assets	1,401,815	120,042	30,431	130,166	1,682,454
<i>Unallocated assets</i>					
Pledged deposits					30,551
Bank balances and cash					122,556
Total assets					<u>1,835,561</u>
<i>Allocated liabilities</i>					
Total segment liabilities	811,901	48,616	214	44,658	905,389
<i>Unallocated liabilities</i>					
Secured bank overdrafts					42,340
Total liabilities					<u>947,729</u>
Capital expenditures incurred during the year	28,176	1,044	9	769	29,998

- (iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 13% (2003: 17%) of the segment assets under the other three business segments are located in China and the remaining are mainly located in Hong Kong.

33. CONTINGENT LIABILITIES

At balance sheet date, the Company has contingent liabilities not provided for in the financial statements in respect of guarantees to secure banking facilities granted to subsidiaries amounting to HK\$121,570,000 (2003: HK\$114,070,000).

Banking facilities granted by the banks to certain subsidiaries were guaranteed by the Company. At balance sheet date, the amount of such facilities utilized was HK\$64,255,000 (2003: HK\$45,721,000).

34. RETIREMENT BENEFITS SCHEMES

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

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

The Group's contributions to the retirement benefits schemes charged to the income statement during the year was HK\$1,539,000 (2003: HK\$1,658,000) net of the forfeited contributions of HK\$116,000 (2003: HK\$37,000) which arose upon employees leaving the defined contribution retirement scheme.

35. DIRECTORS' INTERESTS IN CONTRACTS

Vintage Investments Limited ("Vintage") entered into a consultancy agreement dated 28 September 1999 with Jinhui Shipping pursuant to which Vintage agreed to provide the consultancy services to Jinhui Shipping for a quarterly fee of £2,500 (approximately HK\$35,000) and for amount of up to 1% on the total value of any project in which Vintage has given advice on. The agreement is terminable by either party by giving 30 days prior notice.

Mr. So Wing Hung Peter, a director of the Company who resigned on 13 August 2004, is a shareholder and a director of Vintage. Consultancy fee in the amount of £5,000 (approximately HK\$70,000) (2003: HK\$128,000) has been paid during the year under the agreement. The agreement was terminated in June 2004.

Other than as disclosed above, 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 statutory compensation.

36. POST BALANCE SHEET EVENTS

On 22 February 2005, the Group entered into two memoranda to acquire two motor vessels of deadweight 50,212 metric tons each for a total consideration of HK\$530,400,000 which will be delivered to the Group on or before 2 May 2005 and 30 June 2005 respectively.

37. ULTIMATE HOLDING COMPANY

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

38. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	59.61%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US\$0.05 each	59.61%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US\$1 each	59.61%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US\$1 each	59.61%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US\$1 each	59.61%	Investment holding	Worldwide
Jinhui Transportation Inc.	1,000 shares of US\$1 each	59.61%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US\$1 each	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK\$1 each	75%	Investment holding	Hong Kong
Incorporated in Hong Kong				
Carpa Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
* Digital Sino Limited	2 shares of HK\$1 each	75%	General trading	Hong Kong
Exalten Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK\$1 each	59.61%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK\$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK\$1 each	59.61%	Ship management services, shipping agent and investment	Hong Kong

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
# Jinhui Investments (China) Limited	2 shares of HK\$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Linkford International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK\$1 each	59.61%	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	59.61%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Jinbi Shipping Ltd.	1 registered share of US\$1 each	59.61%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Jinhui Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinyang Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Rimpacific Navigation Inc.	2 common shares of US\$1 each	59.61%	Investment	Worldwide
Incorporated in the State of Delaware, United States of America				
Jinhui Shipping (USA) Inc.	500 shares of US\$1 each	59.61%	Shipping agent	United States of America

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

* *Companies not audited by Moores Rowland Mazars.*

(2) INDEBTEDNESS

As at the close of business on 31 December 2005, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings amounting to approximately HK\$1,160 million. The bank borrowings comprised secured term loans of approximately HK\$1,112 million and secured trust receipt and import loans of approximately HK\$48 million.

As at 31 December 2005, the Group's banking facilities were secured by certain of the Group's fixed assets and investment properties with an aggregate carrying value of approximately HK\$2,066 million and bank deposits of the Group amounting to approximately HK\$20 million. Shares of ten ship owning companies being members of the Group, were pledged together with the assignment of chartering income of ten ship owning companies to secure credit facilities utilized by the Group. As at 31 December 2005, the Group had contingent liabilities in respect of bank guarantees of approximately HK\$78 million granted to a third party in its ordinary course of business.

As at 31 December 2005, save as aforesaid and apart from intra-group liabilities, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

(3) CURRENT TRADING AND PROSPECTS

The Group has continued to carry on the businesses of investment holding, ship chartering, ship owning, ship operating and trading during the current financial year, and the Directors expect that the Group's steady growth will be maintained.

(4) WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources, the existing available banking facilities and the Acquisition, the Group has sufficient working capital for its present requirements for the next twelve-month period ending on 15 February 2007.

(5) MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

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

The following is the text of a report received from Moores Rowland Mazars, the reporting accountants, in respect of the unaudited pro forma consolidated statements of assets and liabilities of the Group.

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

15 February 2006

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

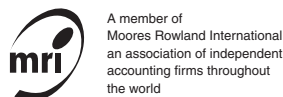
Dear Sirs,

We report on the unaudited pro forma net assets statement of the Group (as defined herein) set out on pages 3 and 4 in Appendix II to the circular to be dated 16 February 2006 issued by Jinhui Holdings Company Limited (the “Company”, and together with its subsidiaries are referred to as the “Group”), solely for illustrative purposes, to provide information about how the proposed acquisition of a vessel might have affected the historical financial information in respect of the Group.

The historical financial information is derived from the audited historical financial information of the Group appearing elsewhere herein. The basis of preparation of the pro forma financial information is set out in the accompanying introduction and notes to the unaudited pro forma net assets statement of the Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with Rule 4.29(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.



A member firm of Mazars



Moores Rowland Mazars

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the pro forma financial information.

The unaudited pro forma net assets statement has been prepared based on the directors’ judgement and assumptions as set out on pages 3 and 4 in Appendix II for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group as at 30 June 2005 or at any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma net assets statement has been properly compiled by the directors of the Company on the basis stated therein;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong

2. UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

	The Group as at 30 June 2005 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	<i>Note (ii)</i>	Pro forma balance <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	2,164,199	468,000	(a)	2,632,199
Investment property	24,500			24,500
Goodwill	46,348			46,348
Available-for-sale financial assets	33,991			33,991
Intangible asset	98			98
Interests in associates	(24)			(24)
Other non-current assets	30,256			30,256
	<u>2,299,368</u>			<u>2,767,368</u>
Current assets				
Inventories	23,182			23,182
Trade and other receivables	200,130			200,130
Financial assets at fair value through profit or loss	138,455			138,455
Pledged deposits	22,646			22,646
Bank balances and cash	244,411	(140,400)	(b)	104,011
	<u>628,824</u>			<u>488,424</u>
Current liabilities				
Trade and other payables	171,968			171,968
Financial liabilities at fair value through profit or loss	186,193			186,193
Taxation	1,960			1,960
Secured bank loans	137,257	26,208	(c)	163,465
	<u>497,378</u>			<u>523,586</u>
Non-current liabilities				
Secured bank loans	848,982	301,392	(c)	1,150,374
Net assets	<u><u>1,581,832</u></u>			<u><u>1,581,832</u></u>

*Notes:***(i) Purpose of the statement and basis of preparation**

The unaudited pro forma net assets statement of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of providing Shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition of the Vessel might have affected the financial position of the Group as at 30 June 2005.

The unaudited pro forma net assets statement of the Group is based on the unaudited consolidated balance sheet of the Group as at 30 June 2005, which has been extracted from the interim report of the Company for the period ended 30 June 2005, incorporating the pro forma adjustments described in notes (ii) below.

The unaudited pro forma net assets statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the statement does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2005. Neither does the statement purport to predict the future financial position of the Group.

The unaudited pro forma net assets statement has been prepared in a manner consistent with both the format and accounting policies adopted by the Company in its unaudited consolidated financial statements for the period ended 30 June 2005.

(ii) Notes to the pro forma adjustments

- (a) The increase in fixed assets represents the consideration for the Vessel of US\$60,000,000 (approximately HK\$468,000,000).
- (b) Total amount of approximately HK\$140,400,000 will be paid from the internal resources of the Group, thus reducing the bank balances and cash of the Group.
- (c) The Group shall raise sufficient long term bank financing of approximately HK\$327,600,000 to partially finance the Acquisition; of which approximately HK\$26,208,000 will be repayable within one year.

The following is the text of valuation report prepared for the purpose of incorporation in this circular received from Arrow Shipbrokers Limited, an independent valuer, in connection with their valuation of the Vessel as at 23 January 2006.



ARROW

ASIA SHIPBROKERS LIMITED

箭亞船舶經紀有限公司

Suite 1619, Jardine House, 1 Connaught Place, Central, Hong Kong

Chartering Tel: (852) 2520 0168 SNP Tel: (852) 2520 0701 Facsimile: (852) 2865 9711

E-mail: chartering@arrowasialtd.com.hk, snp@arrowasialtd.com.hk

14 February 2006

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

VALUATION CERTIFICATE

M.V. "MINERAL SHANGHAI"

Brief Description:

Type of Vessel	:	Bulk Carrier
Flag	:	Antwerp
Built	:	17 May 2004 at Shanghai Waigaoqiao Shipbuilding Co., Ltd., China
Class	:	ABS
Deadweight	:	173,880 DWT on 18.12M
Length of Overall	:	289.00 M
Beam	:	45.00 M
Depth	:	24.50 M
Grain Capacity	:	193,135 cu.m.
No. of Holds/Hatches	:	9 Holds/Hatches
Main Engine	:	B+W (6S70MC) 19,484 BHP

We consider the value to be in the region of **US\$60,000,000 (United States Dollars Sixty Million)** only as at 23 January 2006, on a charter free basis delivery May 2007, on the basis of a willing Buyer and a willing Seller, based upon standard sale terms as per NSF 1993.

...../2

Arrow Asia Shipbrokers Ltd

Valuation of M.V. “Mineral Shanghai” / Jinhui – P. 2

The above appraisal is only given subject to the following conditions:

The appraisal relates solely to the date above referred to and we emphasize that it is a statement of our opinion only and is without guarantee, and is not a representation of fact, nor of the correctness of the particulars of information available to us upon which our opinion is based.

All particulars above are from information given to us and such other information as we have been able to obtain from relevant works of reference in our possession, but we can accept no responsibility for their accuracy. We have not made a physical inspection of the vessel nor have we inspected the vessel's classification records.

The appraisal is solely for the information of the person instructing us but if he intends to act upon this appraisal he should first satisfy himself by inspection of the vessel or otherwise as to the correctness of the particulars given.

Yours faithfully,

for and on behalf of

ARROW ASIA SHIPBROKERS LIMITED

Adam Goodman

(as a Valuer)

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF INTERESTS

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

Name	Type of interests	No. of Shares	Percentage of total issued Shares
Ng Siu Fai	Personal interests (Option) <i>Note 2</i>	31,570,000	5.91%
	Family interests	10,770,000	2.02%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Kam Wah Thomas	Personal interests (Option) <i>Note 2</i>	21,050,000	3.94%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Ki Hung Frankie	Personal interests (Option) <i>Note 3</i>	3,000,000	0.56%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ho Suk Lin	Personal interests (Option) <i>Note 3</i>	5,000,000	0.94%
Cui Jianhua	Personal interests (Option) <i>Note 3</i>	1,000,000	0.19%
Tsui Che Yin Frank	Personal interests (Option) <i>Note 3</i>	1,000,000	0.19%
William Yau	Personal interests (Option) <i>Note 3</i>	500,000	0.09%

Note 1: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the legal and beneficial owner of 295,607,280 Shares (representing 55.36 per cent. of the total issued Shares). The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

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

Date of grant:	23 December 2004 (approved at the extraordinary general meeting of the Company on 27 January 2005)
Exercisable period:	1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005 (whichever is the later) and ending on 22 December 2014
Consideration paid for options:	HK\$1.00
Subscription price:	HK\$1.60 per Share
Other conditions:	the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year of 2005.

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

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

Note 4: As a result of the Share Subdivision, all subscription prices of the options, number of options and number of Shares shown hereinabove have been adjusted accordingly.

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

- (b) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- (c) As at the Latest Practicable Date, none of the Directors or their respective associates has any interests in any company or business which competes or may compete with the businesses of the Group.

- (d) As at the Latest Practicable Date, none of the Directors has or has had direct or indirect material interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.
- (e) Save as disclosed herein, there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholders	No. of Shares	No. of Shares (Option)	Percentage of total issued Shares
Fairline	295,607,280	–	55.36%
Wong Yee Man Gloria	306,377,280*	–	57.38%
	–	31,570,000**	5.91%

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

* *The interest in Shares includes 10,770,000 Shares in which Ms Wong Yee Man Gloria is interested as a beneficial owner and 295,607,280 Shares in which she is deemed to be interested through the interest of her spouse, Mr Ng Siu Fai (as disclosed hereinabove).*

** *Ms Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 31,570,000 Shares held by her spouse, Mr Ng Siu Fai (as disclosed hereinabove).*

LITIGATION

As at the Latest Practicable Date, Goldbeam Shipping Inc. (“Goldbeam”) an approximately 50.21 per cent. owned subsidiary of the Company, is claiming around US\$769,000 and costs against a charterer of a vessel for detention of the vessel at discharge port. An arbitrator has been appointed and the arbitration proceedings in London, England are underway.

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

MATERIAL CONTRACTS

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

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

EXPERTS

This circular includes statements made by experts, namely, Arrow Asia Shipbrokers Limited and Moores Rowland Mazars, a firm of Chartered Accountants and Certified Public Accountants. Arrow Asia Shipbrokers Limited offers ship valuation service which they have been providing for more than 5 years, for major shipowning groups, banks and financial institutions all over the world. Arrow Asia Shipbrokers Limited also offers detailed historical research, analysis on freight, newbuilding and second hand prices as well as providing data and information services to clients.

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

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company in Hong Kong at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong up to and including 3 March 2006:

- (a) Memorandum and Articles of Association of the Company;
- (b) the 2003 and 2004 annual reports of the Company for the two financial years ended 31 December 2003 and 2004 respectively;
- (c) the material contract as disclosed in this circular;
- (d) the circular issued by the Company dated 31 March 2005, in relation to a major transaction regarding the acquisition of two vessels;
- (e) the circular issued by the Company dated 22 April 2005, in relation to a discloseable transaction regarding the acquisition of a vessel;
- (f) the circular issued by the Company dated 22 April 2005, in relation to the proposal and arrangements for subdivision of shares (including the proposed amendments to the articles of association) and change of board lot size and adjustment of the subscription price of the share options and notice of extraordinary general meeting;
- (g) the circular issued by the Company dated 16 September 2005, in relation to a discloseable transaction regarding the placing of 9.4 per cent. existing shares of a subsidiary, Jinhui Shipping and Transportation Limited;
- (h) the circular issued by the Company dated 24 November 2005 in relation to a discloseable transaction regarding the acquisition of a vessel;
- (i) the circular issued by the Company dated 27 January 2006 in relation to a major transaction regarding the acquisition of two vessels;
- (j) the written approval dated 23 January 2006 given by Fairline in relation to the Acquisition; and
- (k) all reports, letters or documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this circular.

GENERAL

- (a) The secretary and the qualified accountant of the Company is Ms Ho Suk Lin, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong.
- (c) The principal share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.