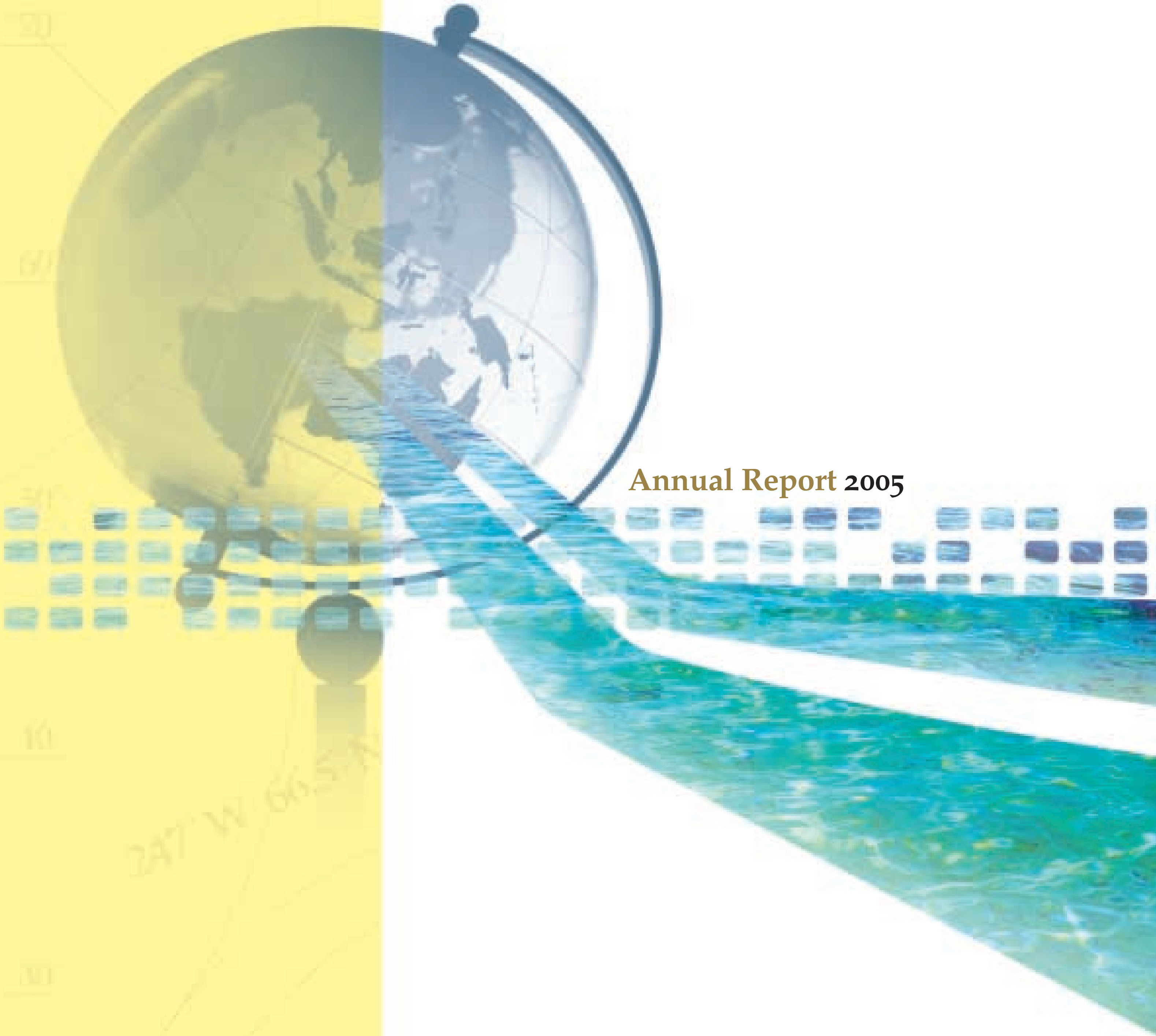
JINHUI
Holdings Company Limited



Annual Report 2005

(Stock Code: 137)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Ng Siu Fai, *Chairman*
Ng Kam Wah Thomas, *Managing Director*
Ng Ki Hung Frankie
Ho Suk Lin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*
Cui Jianhua
William Yau

REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*
Tsui Che Yin Frank
William Yau

QUALIFIED ACCOUNTANT

Ho Suk Lin

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank N.A.
Credit Suisse
Deutsche Schiffsbank Aktiengesellschaft
DVB Bank AG
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR

Standard Registrars Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

CONTACTS

Tel: (852) 2545 0951
Fax: (852) 2541 9794
E-mail: info@jinhuiship.com

WEBSITE

www.jinhuiship.com

SHARE LISTING

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

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,985,235,000, representing a slight increase of 1% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$526,862,000; representing an increase of 132% over net profit of HK$227,514,000 for year 2004. Basic earnings per share for the year was HK$0.992 as compared with basic earnings per share of HK$0.432 (restated) for last year.

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

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

On 1 January 2005, a number of new Hong Kong Financial Reporting Standards ("HKFRSs") came into effect. The resulting changes in accounting treatment and presentation of various income statement and balance sheet items may render certain comparative figures not strictly comparable. Details of the changes in accounting policies are set out in note 3 to the financial statements.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2004: HK$0.12 restated per share). Thus, the interim dividend of HK$0.19 (2004: nil) per share represents the total dividend distribution for the year ended 31 December 2005.

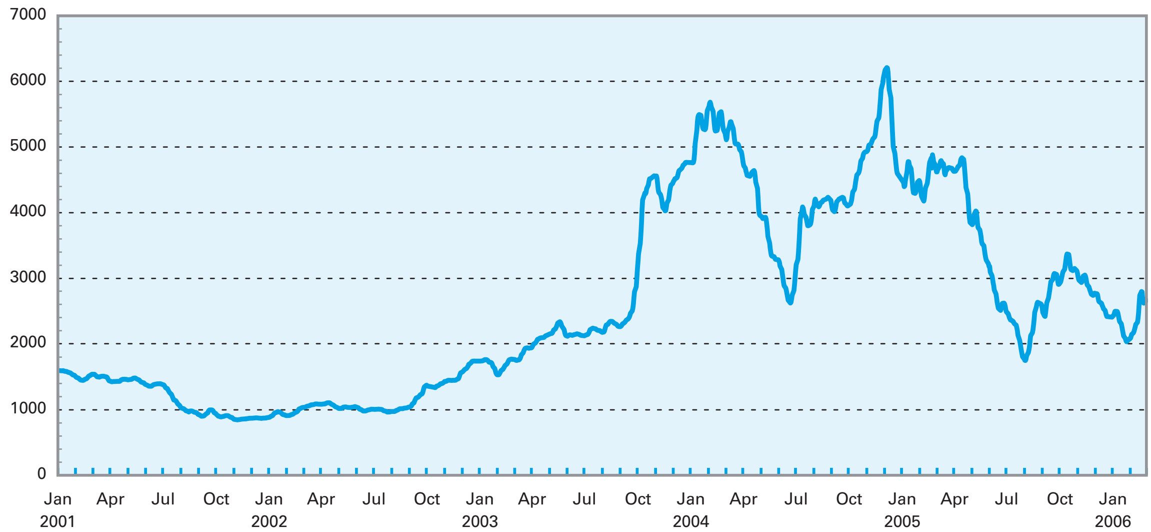
BUSINESS REVIEW

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

BUSINESS REVIEW *(Continued)*

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

Baltic Dry Index



Source: Bloomberg

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

BUSINESS REVIEW *(Continued)*

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

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

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

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

FINANCIAL REVIEW

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

FINANCIAL REVIEW *(Continued)*

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

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

As at 31 December 2005, there were outstanding capital commitments relating to the newbuildings of four (2004: six) dry bulk carriers at total purchase price of approximately HK$766,738,000 (2004: HK$1,283,256,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$665,494,000 (2004: HK$1,076,794,000).

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

RISK MANAGEMENT

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

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

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

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

RISK MANAGEMENT *(Continued)*

Foreign currency risk. The Group's transactions, assets and liabilities for the year ended 31 December 2005 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group has an outstanding capital commitment in relation to the acquisition of a newbuilding in Japanese Yen which amounted to JPY3,015,000,000 as at 31 December 2005. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and, to some extent, for investment purpose.

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

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

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

EMPLOYEES

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

SHARE CAPITAL

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

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

OUTLOOK

As at date of this report, the total capacity of the Group's fleet is around deadweight 1.35 million metric tons comprising thirteen owned vessels and seven chartered-in vessels, and approximately 56% of the Group's revenue days in 2006 for the existing fleet have been covered.

Freight rates for all sizes of the dry bulk carriers further declined in January 2006 but then improved after the Chinese New Year. Since mid of February 2006, there is an increase in freight rates attributable to improvement in business activities. The Baltic Dry Index dropped around 400 points to 2,033 in January 2006 and then picked up to around 2,500 by end of March 2006. In the short term, the Board expects freight rates to improve further due to increase in Chinese demand and expected increase in port congestion. In the medium to long term, the Board remains confident with the business outlook and expects freight rates to remain at relatively strong level, given the limited newbuildings to enter the market in 2007 and 2008, as well as expected increase in demolition of old tonnages in the market which will result in a tight balance between supply and demand.

In addition, the Board expects the Group's trading business and investment in Shanxi Jinyao will continue to contribute steady returns to the Group.

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 30 March 2006

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

SHIPPING BUSINESS

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 50.21% owned subsidiary of the Company as at date of this report.

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

The Group also owns a number of vessels which are either used for carrying cargo or time chartered-out to other shipping operators, whichever is expected to bring a higher economic benefit to the Group. The Group's owned vessels and ordered vessels as at date of this report are listed below:

Owned Vessels

Name	Type	Built	Builder	Size (dwt)
Jin Yang	Panamax	2005	Imabari	76,629
Jin Sheng	Panamax	2005	Tsuneishi	76,343
Jin Hai	Handymax	2005	Oshima	55,557
Jin Ping	Handymax	2002	Oshima	50,777
Jin Fu	Handymax	2001	Oshima	50,777
Jin Li	Handymax	2001	Oshima	50,777
Jin Kang	Handymax	2001	Mitsui	50,212
Jin Zhou	Handymax	2001	Mitsui	50,209
Jin An	Handymax	2000	Oshima	50,786
Jin Hui	Handymax	2000	Oshima	50,777
Jin Da	Handymax	1986	C.S.B.C.	41,346
Jin Shun	Handysize	1984	Imabari	39,728
Jin Bi	Handysize	1983	Mitsubishi H.I.	34,062
				677,980

Based on the valuation made by the independent professional valuer, HSBC Shipping Services Limited, the total market value of the above vessels as at 31 December 2005 was approximately HK$2,458 million as compared to their net book values of approximately HK$2,115 million.

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin He*	Panamax	2006	Oshima	77,000	Apr 2006
Mineral Shanghai	Capesize	2004	Shanghai Waigaoqiao	173,880	Mar to Jul 2007
Jin Yuan*	Handymax	2007	Oshima	55,300	Jun 2007
Jin Yi*	Handymax	2007	Oshima	55,300	Jul 2007
Jin Xing*	Handymax	2007	Oshima	55,300	Oct 2007
Jin Man	Handymax	2008	Oshima	55,300	Mar 2008
Jin Pu	Handymax	2008	Oshima	55,300	Dec 2008
				527,380	

* *As at 31 December 2005, the Group had committed to acquire these four newbuildings. The market values of these newbuildings under constructions as at 31 December 2005 were valued by the independent professional valuer, HSBC Shipping Services Limited, at approximately HK$987 million as compared to the total contract prices of approximately HK$767 million.*

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

Chartered-in Vessels

Name	Type	Built	Size (dwt)
Mineral Shanghai	Capesize	2004	173,880
Gran Trader	Capesize	2001	172,579
Red Lily	Panamax	2004	76,500
Goldbeam Trader	Panamax	2001	74,247
Bruno Salamon	Panamax	1998	73,965
Canton Trader #	Handymax	2003	52,300
Nordglimt	Handymax	2000	50,236
			673,707

The motor vessel "Canton Trader" has been chartered-in by the Group since April 2003 with purchase option exercisable by the Group on or after April 2005 at around US$22 million (approximately HK$170 million) which will be de-escalating by US$1 million per annum until April 2010. Based on the valuation made by the independent professional valuer, HSBC Shipping Services Limited, the market value of this vessel as at 31 December 2005 was approximately HK$236 million.

SHIPPING BUSINESS *(Continued)*

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

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

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

TRADING

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

OTHER LONG TERM INVESTMENT

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

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

Highlights

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

Loading Ports Analysis

	2005	2004
(Expressed as a percentage of turnover for chartering freight and hire)	%	%
North America	20.9	16.8
Australia	20.6	29.2
South America	19.1	17.9
Asia excluding China	17.8	18.9
Europe	8.0	7.7
China	7.0	3.0
Africa	5.8	5.8
Others	0.8	0.7
	100.0	100.0

Discharging Ports Analysis

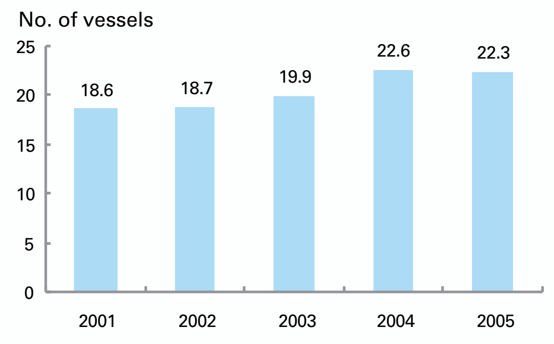
	2005	2004
(Expressed as a percentage of turnover for chartering freight and hire)	%	%
Asia excluding China	37.9	39.3
China	26.8	22.2
Europe	16.5	16.9
North America	11.3	8.6
South America	4.3	3.1
Africa	1.7	6.7
Others	1.0	2.0
Australia	0.5	1.2
	100.0	100.0

Types of Cargoes Carried by the Group

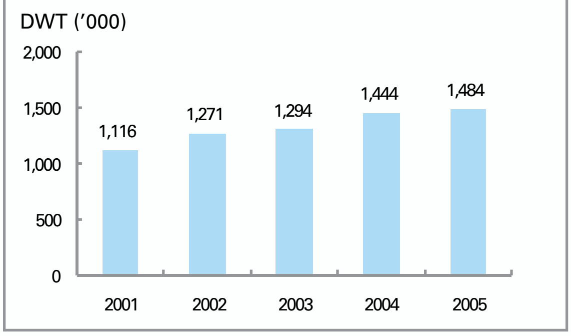
	2005		2004	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Coal	4,942	37.1	4,462	37.0
Minerals	4,931	37.0	4,448	36.9
Agricultural products	1,662	12.5	1,545	12.8
Steel products	957	7.2	762	6.3
Cement	421	3.2	509	4.2
Alumina	371	2.8	87	0.8
Fertilizer	34	0.2	242	2.0
	13,318	100.0	12,055	100.0

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS

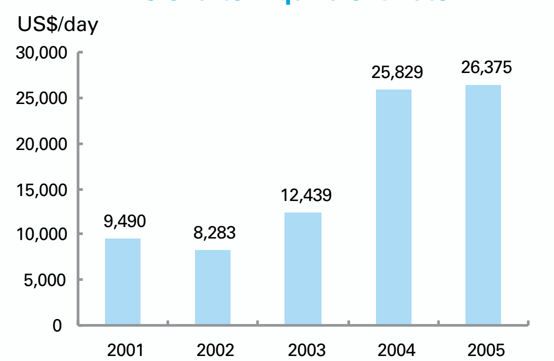
Weighted Average Fleet Size(1)



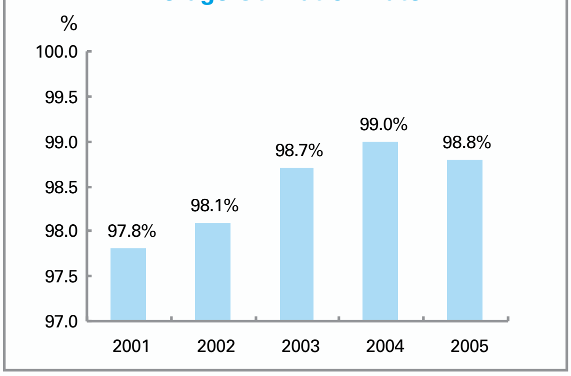
Weighted Average Tonnage Operated(2)



Time Charter Equivalent Rate(3)



Average Utilization Rate(4)



Notes:

(1) Weighted average fleet size is the weighted average number of vessels that constituted the fleet during the year and is calculated as the sum of each vessel's number of available days divided by the number of calendar days in the year.

(2) Weighted average tonnage operated is calculated as the sum of each vessel's deadweight tonnage multiplied by the number of available days divided by the number of calendar days in the year.

(3) Time charter equivalent rate is calculated as the voyage and time charter revenue less voyage expenses divided by the number of available days in the year.

(4) Average utilization rate is calculated as the number of operating days divided by the number of available days in the year.

(5) Certain comparative figures have been reclassified to conform to current year's presentation.

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2005	2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated Income Statements					
Turnover	**1,985,235**	1,974,661	1,048,515	756,179	864,485
Profit (Loss) from operations	**869,660**	412,922	98,745	(89,290)	576
Share of results of associates	**–**	–	–	–	(133)
Interest income	**13,983**	4,165	4,279	6,113	18,147
Interest expenses	**(40,213)**	(22,972)	(20,947)	(22,250)	(24,454)
Profit (Loss) before taxation	**843,430**	394,115	82,077	(105,427)	(5,864)
Taxation	**(2,474)**	(2,608)	(64)	(667)	(325)
Net profit (loss) for the year	**840,956**	391,507	82,013	(106,094)	(6,189)
Attributable to:					
Shareholders of the Company	**526,862**	227,514	36,676	(62,339)	(18,456)
Minority interests	**314,094**	163,993	45,337	(43,755)	12,267
	840,956	391,507	82,013	(106,094)	(6,189)
Dividend per share	**HK$0.190**	HK$0.120	–	–	–
Basic earnings (loss) per share	**HK$0.992**	HK$0.432	HK$0.070	(HK$0.118)	(HK$0.035)
Consolidated Balance Sheets					
Non-current assets	**2,459,034**	1,375,084	1,489,475	1,454,444	1,170,676
Current assets	**757,381**	1,251,242	346,086	272,794	425,192
Current liabilities	**(373,230)**	(1,092,536)	(303,838)	(240,180)	(266,545)
Non-current liabilities	**(1,005,205)**	(414,872)	(643,891)	(690,665)	(426,844)
Net assets	**1,837,980**	1,118,918	887,832	796,393	902,479
Issued capital	**53,394**	52,624	52,624	52,624	52,624
Reserves	**1,058,258**	667,599	440,073	394,551	456,886
Equity attributable to shareholders of the Company	**1,111,652**	720,223	492,697	447,175	509,510
Minority interests	**726,328**	398,695	395,135	349,218	392,969
Total equity	**1,837,980**	1,118,918	887,832	796,393	902,479

Notes:

1. The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. Certain figures for 2001 to 2004 have been adjusted to the extent that the new accounting policies that are adopted retrospectively as disclosed in the changes in accounting policies in note 3 to the financial statements.

2. As a result of the Share Subdivision effective on 23 May 2005, dividend per share and basic earnings (loss) per share for 2001 to 2004 have been adjusted accordingly. Details of the Share Subdivision are set out in note 29 to the financial statements.

CORPORATE GOVERNANCE PRINCIPLES

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

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

COMPLIANCE OF THE CODE PROVISIONS

Throughout 2005, the Company has complied with the Code with deviations from code provisions A.2.1, A.4.1, A.4.2 and B.1.1 to B.1.5 of the Code in respect of the roles of chairman and chief executive officer, the service term and rotation of directors and the establishment of a remuneration committee.

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

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

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

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

According to the Company's Articles of Association, a Managing Director and a Director holding any other executive office shall not be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the Code. The Board has reviewed the relevant Articles of Association and, in line with code provision A.4.2, it will propose amendments to the Articles of Association at the forthcoming annual general meeting to provide that all Directors other than the Chairman and Managing Director shall be subject to retirement by rotation. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and there should be planned and orderly succession for these offices. Any Director holding the office as Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting.

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

The Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to the retirement provisions after the approval of the proposed amendments to the Articles of Association of the Company as described above. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

Code provisions B.1.1 to B.1.5 Under code provisions B.1.1 to B.1.5 of the Code, the Company should establish a remuneration committee with, inter alia, specific written terms of reference and a majority of the members should be independent non-executive directors.

The Company has established a remuneration committee on 25 August 2005 in accordance with code provisions B.1.1 to B.1.5 as set out in the Code.

BOARD COMPOSITION

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

The Board comprises a total of seven Directors, with four Executive Directors, Mr. Ng Siu Fai (Chairman), Mr. Ng Kam Wah Thomas (Managing Director), Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin; and three Independent Non-executive Directors, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau. Details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are disclosed on pages 20 to 21.

BOARD COMPOSITION *(Continued)*

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

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

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

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

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2005, the Board held 45 meetings. The attendance record of each member of the Board is set out below:

Executive Directors		**Attendance**
Ng Siu Fai, *Chairman*		43
Ng Kam Wah Thomas, *Managing Director*		45
Ng Ki Hung Frankie		25
Ho Suk Lin		45
Independent Non-executive Directors		
Cui Jianhua		4
Tsui Che Yin Frank		4
William Yau		4
Non-executive Director		
Ho Kin Lung	(Resigned on 25 October 2005)	–

REMUNERATION COMMITTEE

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

One meeting was held in 2005 to adopt the terms of reference of the Remuneration Committee and all the committee members were present at the meeting. The Remuneration Committee also held a meeting on 30 March 2006 to consider and approve the directors' fees and other emoluments of the senior management including the Directors. Details of the emoluments of the Directors are set out in note 10 to the financial statements.

AUDIT COMMITTEE

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

In 2005, the Audit Committee held two meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matter including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

INTERNAL CONTROL

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

Directors are satisfied with the effectiveness of the Group's internal control system, including financial, operational and compliance controls and risk management functions.

AUDITORS' REMUNERATION

During the year, the remuneration paid and payable to the auditors of the Company, Messrs. Moores Rowland Mazars, for the provision of the Group's audit services and non-audit related services were HK$908,000 and HK$190,000 respectively.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 30.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 49. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive experience and knowledge in the shipping industry as well as business management and China trade.

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

Mr. Ng Kam Wah Thomas, *Managing Director*

Aged 43. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's overall activities with particular emphasis in chartering. Mr. Ng has a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 52. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments in China. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, *Executive Director*

Aged 42. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

Aged 51. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

BOARD OF DIRECTORS *(Continued)*

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

Aged 48. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 17 March 2006. Mr. Tsui has extensive experience in direct investment and investment banking with key management responsibilities for investments and operations in China. He is currently an executive director of Melco International Development Limited (Hong Kong listed). Mr. Tsui holds a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

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

Aged 38. An Independent Non-executive Director of the Company since 2 December 2004 and a non-executive director of Jinhui Shipping since 17 March 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited. Mr. Yau graduated with a Bachelor Degree of Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 30. Joined the Group in April 2004 as Vice President, responsible for the corporate finance matters of the Group. Mr. Ching has over 9 years of working experience in finance and banking field in the U.K. and Asia. Prior to joining the Group, he worked in the investment banking division for a US bank. Mr. Ching has a Masters of Engineering and a Masters of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

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

Aged 52. Joined the Group in October 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Ltd. as well as running his own shipbroking company.

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

Aged 53. Joined the Group in August 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

SENIOR MANAGEMENT *(Continued)*

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

Aged 55. Joined the Group in March 1995 as Head of US office, responsible for the chartering business of the Group. Mr. Lofberg has extensive experience and knowledge in ship chartering. He holds a Bachelor Degree in Marine Transportation from United States Merchant Marine Academy.

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

Aged 46. Joined the Group in 1994 as a director of Yee Lee, which is engaged in the trading business in chemical and industrial raw materials. Mr. Lau has extensive working experience in finance and management. He graduated in Accountancy from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants.

The Directors submit herewith their annual report and the audited financial statements of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

Segmental information of the Group for the year ended 31 December 2005 is set out in note 36 to the financial statements.

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 31.

The Board has resolved not to recommend the payment of any final dividend for the year (2004: HK$0.12 restated per share). Thus, the interim dividend of HK$0.19 (2004: nil) per share represents the total dividend distribution for the year ended 31 December 2005.

FINANCIAL SUMMARY

A summary of the consolidated income statements and balance sheets of the Group for the last five financial years is set out on page 14.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 30 respectively to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 34 to 35.

SUBSIDIARIES

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

SECURED BANK LOANS AND OVERDRAFTS

Details of the secured bank loans and overdrafts of the Group and the Company at balance sheet date are set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for approximately 10% and 32% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 16% and 51% respectively of the total purchases of the Group for the year.

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

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$560,000 (2004: HK$184,000).

DIRECTORS

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

Executive Directors:	Mr. Ng Siu Fai	
	Mr. Ng Kam Wah Thomas	
	Mr. Ng Ki Hung Frankie	
	Ms. Ho Suk Lin	
Non-executive Director:	Mr. Ho Kin Lung	(Resigned on 25 October 2005)
Independent Non-executive Directors:	Mr. Cui Jianhua	
	Mr. Tsui Che Yin Frank	
	Mr. William Yau	

In accordance with the Company's Articles of Association, Mr. Tsui Che Yin Frank will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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

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

The biographical details of the Directors are set out in the board of directors and senior management on pages 20 to 22.

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

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

The directors of the Company who held office as at 31 December 2005 had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

(i) Interests in shares of the Company

Name	Type of interests	Number of shares in the Company	Percentage of total issued shares of the Company
Ng Siu Fai	Family interests	10,770,000	2.02%
	Other interests	*Note*	*Note*
Ng Kam Wah Thomas	Other interests	*Note*	*Note*
Ng Ki Hung Frankie	Other interests	*Note*	*Note*

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

(ii) Interests in underlying shares of the Company

A share option scheme was adopted by the shareholders of the Company on 18 November 2004 whereby the directors of the Company were 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. The option is unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.10 each of the Company.

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

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

At 31 December 2005, the directors of the Company had the following interests in options to subscribe for shares of the Company under the share option scheme of the Company:

Name	Number of options outstanding at the beginning and end of the year	Date of grant	Closing price per share at date of grant of options	Exercise price per share	Period during which options exercisable
			HK$	*HK$*	
Ng Siu Fai	31,570,000	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*
Ng Kam Wah Thomas	21,050,000	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*
Ng Ki Hung Frankie	3,000,000	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009
Ho Suk Lin	5,000,000	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009
Cui Jianhua	1,000,000	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009
Tsui Che Yin Frank	1,000,000	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009
William Yau	500,000	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009

Notes:

1. During the year, no share option had been exercised and lapsed.

2. The options to subscribe for 31,570,000 and 21,050,000 shares of the Company granted to Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas respectively will become exercisable upon the Group having recorded and an audited consolidated net profit of not less than HK$400 million for the financial year of 2005 and may be exercised during the period commencing on (i) 1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005, whichever is the later, and ending on (ii) 22 December 2014, being the end of the 10-year period from 23 December 2004.

3. The closing price per share of the Company as at 31 December 2005 was HK$1.33.

4. As a result of the Share Subdivision effective on 23 May 2005, all numbers of options, exercise price, market value and par value per share shown hereinabove have been adjusted accordingly.

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

Save as disclosed above, as at 31 December 2005, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, in accordance with the register kept under Section 336 of the SFO, the following persons (other than the directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Name of shareholders	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	295,607,280	–	55.36%
Wong Yee Man Gloria	306,377,280 *(Note 1)*	–	57.38%
	–	31,570,000 *(Note 2)*	5.91%

Notes:

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

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

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed herein, as at 31 December 2005, the Company has not been notified of any person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 30 March 2006

Moores Rowland Mazars

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

To the members
Jinhui Holdings Company Limited
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 31 to 96 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors
The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 March 2006

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

A member firm of Mazars
M MAZARS

Consolidated Income Statement

Year ended 31 December 2005

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

Balance Sheets

At 31 December 2005

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

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

Approved and authorized for issue by the Board of Directors on 30 March 2006

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2005

Group

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

Company

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

Consolidated Cash Flow Statement

Year ended 31 December 2005

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

1. CORPORATE INFORMATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Basis of preparation

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

Basis of consolidation

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

Subsidiaries

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

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

Associates

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

Drydocking, repairs and survey costs

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

Foreign currencies

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Operating leases

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

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

Taxation

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

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

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

Employee benefits

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

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

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

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

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

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Property, plant and equipment

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

Impairment of assets

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprise ship stores and trading goods.

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

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

Intangible assets

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

Financial instruments

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

Provisions

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash equivalents

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

Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarize: (1) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year; and (2) significant judgements made in the process of applying the Group's accounting policies.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Accounting for leasehold land and buildings

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

Provision for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of the trade receivables and on management's judgement. At balance sheet date, the trade receivables, net of provision, amounted to HK$118,919,000 (2004: HK$77,543,000). A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were deteriorated, resulting in an impairment of their ability to make payments, additional provision will be required.

Provision for inventories

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in accounting policies

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

3. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 2 Share-based Payment

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

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

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

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

HKFRS 3 Business Combinations

Until 31 December 2004

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

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 3 Business Combinations *(Continued)*

From 1 January 2005

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

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

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

HKAS 1 Presentation of Financial Statements

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

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

HKAS 17 Leases

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 24 Related Party Disclosures

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

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

Until 31 December 2004

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

Short-term investments

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

Unlisted club debentures

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

Other investments

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement *(Continued)*

Until 31 December 2004 *(Continued)*

Forward freight agreements ("FFAs")

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

From 1 January 2005

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

Listed equity and debts securities held for trading purposes

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

Available-for-sale financial assets

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

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

FFAs

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement *(Continued)*

From 1 January 2005 *(Continued)*

Derivative financial instruments

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

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

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

HKAS 40 Investment Property

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

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

Effect of adopting HKFRSs on consolidated income statement

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

Effect of adopting HKFRSs on consolidated balance sheet

	2005			
	HKFRS 2	**HKFRS 3**	**HKAS 32 & HKAS 39**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Increase (Decrease) in assets				
Increase in goodwill	–	9,760	–	9,760
Increase in available-for-sale financial assets	–	–	36,938	36,938
Decrease in other investments	–	–	(32,725)	(32,725)
Decrease in prepayments, deposits and other receivables	–	–	(9,680)	(9,680)
Decrease in short-term investments	–	–	(65,201)	(65,201)
Increase in financial assets at fair value through profit or loss	–	–	99,788	99,788
	–	9,760	29,120	38,880

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Effect of adopting HKFRSs on consolidated balance sheet ***(Continued)***

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

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

4. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are analyzed as follows:

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

5. CANCELLATION FEE INCOME

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

6. LOSSES ON FORWARD FREIGHT AGREEMENTS

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

7. STAFF COSTS

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

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

8. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

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

9. INTEREST EXPENSES

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

10. DIRECTORS' EMOLUMENTS

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

Notes:

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

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

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

11. EMPLOYEES' EMOLUMENTS

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

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

12. TAXATION

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

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

12. TAXATION *(Continued)*

Reconciliation of tax expense:

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

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

13. NET PROFIT FOR THE YEAR

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

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

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

14. DIVIDENDS

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

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

15. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

Group

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

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

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

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

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

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

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

17. INVESTMENT PROPERTIES

Group

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

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

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

18. GOODWILL

Group

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

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Notes:

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

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

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

20. INTANGIBLE ASSET

Group

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

21. INVESTMENTS IN SUBSIDIARIES

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

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

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

22. OTHER NON-CURRENT ASSETS

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

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

23. INVENTORIES

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

Inventories at balance sheet date were carried at cost.

24. DUE FROM/TO SUBSIDIARIES

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

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

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

26. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

27. TRADE AND OTHER PAYABLES

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

The aging analysis of trade payables is as follows:

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

28. SECURED BANK LOANS AND OVERDRAFTS

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

29. ISSUED CAPITAL

Company

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

Note:

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

30. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

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

30. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Notes:

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

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

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

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

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

	Performance based options granted to Directors	Non-performance based options granted to Directors	Options with vesting schedules granted to employees other than Directors	Options without vesting schedules granted to employees other than Directors
Number of options				
At 1 January 2005	52,620,000	10,500,000	8,298,000	5,374,000
Exercised during the year	–	–	(4,148,000)	(3,550,000)
At 31 December 2005	**52,620,000**	**10,500,000**	**4,150,000**	**1,824,000**
Exercisable at 31 December 2005	***(Note 3)***	**10,500,000**	***(Note 4)***	**1,824,000**
Weighted average share price of the Company at dates of exercise of options in 2005	N/A	N/A	HK$2.53	HK$2.72

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

30. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Notes:

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

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

31. RESERVES

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

Group

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

Company

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

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

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

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Goodwill released	**7,308**	–
Loss of dividend receivable which paid to minority interests	**12,324**	–
Increase in minority interests	**125,862**	–
Gain on disposal of partial interests in a subsidiary *(Note)*	**102,855**	–
Total consideration, satisfied by cash	**248,349**	–

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Net cash inflow on disposal of partial interests in a subsidiary:		
Gross sale proceeds	**252,773**	–
Commission to placing agent	**(4,424)**	–
	248,349	–

Note:

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

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

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

33. DEFERRED TAXATION

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

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

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

34. PLEDGE OF ASSETS

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

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

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

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

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

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

35. COMMITMENTS

(a) Capital expenditure commitments

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

(b) Commitments under operating leases (as lessee)

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

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

35. COMMITMENTS *(Continued)*

(c) Commitments under operating leases (as lessor)

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

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

36. SEGMENTAL INFORMATION

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

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

36. SEGMENTAL INFORMATION *(Continued)*

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

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

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

36. SEGMENTAL INFORMATION *(Continued)*

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

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

36. SEGMENTAL INFORMATION *(Continued)*

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

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

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

37. RELATED PARTY TRANSACTIONS

Group

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

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

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

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

37. RELATED PARTY TRANSACTIONS *(Continued)*

Company

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

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

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

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

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

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

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

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

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

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

Foreign currency risk

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

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

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

Credit risk

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

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

Liquidity risk

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

39. CONTINGENT LIABILITIES

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

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

40. RETIREMENT BENEFITS SCHEMES

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

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

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

41. POST BALANCE SHEET EVENTS

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

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

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

42. COMPARATIVE FIGURES

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

43. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	50.21%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	50.21%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US$1 each	50.21%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	50.21%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	50.21%	Investment holding	Worldwide
Jinhui Transportation Inc.	1,000 shares of US$1 each	50.21%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	Investment holding	Worldwide
* Yee Lee Technology Company Limited	4,000,000 shares of HK$1 each	75%	Investment holding	Hong Kong

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Hong Kong				
Carpa Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
* Digital Sino Limited	2 shares of HK$1 each	75%	General trading	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	50.21%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK$1 each	50.21%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	2 shares of HK$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Linkford International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK$1 each	50.21%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK$100 each	75%	Trading of chemical and industrial raw materials	Hong Kong

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in the Republic of Liberia				
Galsworthy Limited	1 registered share of US$1 each	50.21%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Jinbi Shipping Ltd.	1 registered share of US$1 each	50.21%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	50.21%	Ship chartering	Worldwide
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common shares of US$1 each	50.21%	Ship owning	Worldwide

43. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

* *Companies not audited by Moores Rowland Mazars.*