

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by our auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standard 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). An unmodified review conclusion has been issued by the auditors.

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005 except for the adoption of new/revised Hong Kong Financial Reporting Standards and HKASs (“New Standards”) that are effective for accounting periods beginning on or after 1 January 2006. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards will not have material impact on the Group’s financial statements.

### 2. Segmental information

An analysis of the Group’s turnover and profit (loss) from operations by principal activities is as follows:

	Turnover		Profit (Loss) from operations	
	Six months ended 30 June 2006 (Unaudited) HK\$’000	2005 (Unaudited) HK\$’000	Six months ended 30 June 2006 (Unaudited) HK\$’000	2005 (Unaudited) HK\$’000
Chartering freight and hire	554,223	919,419	294,360	576,605
Trading	163,177	129,380	5,319	6,214
Other operations	–	–	(26,552)	(4,600)
	<b>717,400</b>	1,048,799	<b>273,127</b>	578,219

The Group’s chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, about 81% (2005: 90%) and 11% (2005: 5%) of the Group’s trading business was carried out in Hong Kong and China respectively.

### 3. Gain on disposal of motor vessels

The amount represented the gain on the completion of the disposal of four motor vessels “Jin Da”, “Jin Shun”, “Jin Yang” and “Jin Sheng” during the six months ended 30 June 2006.

#### 4. Cancellation fee income

The amount for period ended 30 June 2005 represented a fee of approximately HK\$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), a wholly-owned subsidiary of Jinhui Shipping (as defined hereinafter), 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.

#### 5. Taxation

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Hong Kong Profits Tax:		
Current period	(922)	(1,068)
Under provision in prior periods	—	(20)
	<hr/>	<hr/>
	(922)	(1,088)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period ended 30 June 2006. 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.

#### 6. Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: HK\$0.19 per share).

#### 7. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK\$122,405,000 (2005: HK\$338,346,000) and the weighted average number of 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK\$122,405,000 (2005: HK\$338,346,000). The weighted average number of ordinary shares used in the calculation is 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of nil (2005: 6,714,549) ordinary share assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

## 8. Trade and other receivables

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
Trade receivables	<b>110,666</b>	118,919
Prepayments, deposits and other receivables	<b>106,060</b>	106,801
	<b>216,726</b>	225,720

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

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
0 – 90 days	<b>82,661</b>	98,447
91 – 180 days	<b>20,032</b>	17,452
181 – 365 days	<b>6,460</b>	1,964
Over 365 days	<b>1,513</b>	1,056
	<b>110,666</b>	118,919

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

## 9. Trade and other payables

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
Trade payables	<b>20,933</b>	23,975
Accrued charges and other payables	<b>122,630</b>	161,056
	<b>143,563</b>	185,031

The aging analysis of trade payables is as follows:

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
0 – 90 days	9,729	14,308
91 – 180 days	1,486	1,256
181 – 365 days	1,317	84
Over 365 days	8,401	8,327
	<b>20,933</b>	<b>23,975</b>

#### 10. Financial assets/financial liabilities at fair value through profit or loss

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
<b>Analysis of financial assets at fair value through profit or loss:</b>		
<i>Held for trading or not qualifying as hedges</i>		
Equity securities	23,407	49,801
Debt securities	64,721	15,400
Equity linked investments	120,495	–
Bank deposits with embedded derivatives	14,905	–
Derivative financial instruments		
Interest rate swaps	9,964	6,008
Forward foreign exchange contracts and options	1,210	1,158
Securities derivatives	–	6
Forward freight agreements (Note *)	10,239	27,415
	<b>244,941</b>	<b>99,788</b>

#### **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	1,053	942
Forward foreign exchange contracts and options	46,437	11,646
Forward freight agreements (Note *)	5,360	17,735
	<b>52,850</b>	<b>30,323</b>

Note \*: As at 30 June 2006, all the forward freight agreements were squared off and the unrealized gains or losses thereon had been fully taken up in the income statements in prior years.

#### 11. Comparative figures

Certain comparative figures have been restated to conform to current period's presentation.