JINHUI
Holdings Company Limited

Stock Code: 137

Annual Report 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

QUALIFIED ACCOUNTANT

Ho Suk Lin

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Tricor Standard 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

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WEBSITE

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SHARE LISTING

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

Chairman's Statement

RESULTS

The Company and its subsidiaries (the "Group") are principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$2,575,790,000, representing an increase of 66% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$367,724,000, representing an increase of 65% over net profit of HK$223,192,000 for year 2006. Basic earnings per share for the year was HK$0.704 as compared to basic earnings per share of HK$0.421 of last year.

The Group has achieved a satisfactory results in year 2007. The increase in charter rates during the year has a positive impact on the Group's businesses but the Group's overall performance was partly offset by the loss on forward foreign exchange contracts and options against Japanese Yen during the year. In addition, the net profit for the year was partly attributable to the gain of HK$158,004,000 on completion of the disposal of a motor vessel.

Year 2007 was another milestone for the Group. During the year, the Group has altogether committed to purchase one Panamax newbuilding, sixteen Supramax newbuildings and one second hand Supramax for delivery during the years from 2007 to 2013 at a total consideration of approximately HK$6,148 million. The Group has also committed to acquire two Very Large Ore Carriers ("VLOCs") during the year, which were subsequently cancelled by the Group on 31 January 2008 in order to reduce any unwanted future business risk as a result of persistent negative sentiment clouding the global financial markets.

As scheduled, one Capesize and six Supramaxes were delivered to the Group in 2007. As an ongoing effort to maintain a young modern fleet and putting its focus on the ownership of a sizeable fleet, the Group disposed one Supramax in 2007 for a consideration of US$53,725,000 (approximately HK$419,055,000) and realized a gain of HK$158,004,000.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market values of dry bulk carriers, the net book values of the Group's owned vessels vis-a-vis the Group's net asset value as at 31 December 2007 were greatly stated below their current market values. Based on the best estimation made by the Group, the total market value of the Group's eighteen owned vessels as at 31 December 2007 was approximately HK$11,550 million as compared to their total net book value of approximately HK$4,320 million; and the total market value of the Group's twenty two newbuildings under construction excluding two VLOCs as mentioned above, one second hand vessel to be delivered and one chartered-in vessel with purchase option was approximately HK$11,464 million as compared to their total contract price of approximately HK$7,189 million.

DIVIDENDS

The board of directors (the "Board" or the "Directors") has resolved to recommend the payment of a final dividend of HK$0.06 (2006: nil) per share in cash for the year ended 31 December 2007 and such dividend, if approved by shareholders at the forthcoming annual general meeting of the Company, will be paid on or about Monday, 26 May 2008 to shareholders whose names appear on the register of members of the Company on Thursday, 15 May 2008.

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

Chairman's Statement

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 May 2008 to Thursday, 15 May 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 9 May 2008. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on Thursday, 15 May 2008, dividend warrants will be despatched on or about Monday, 26 May 2008.

BUSINESS REVIEW

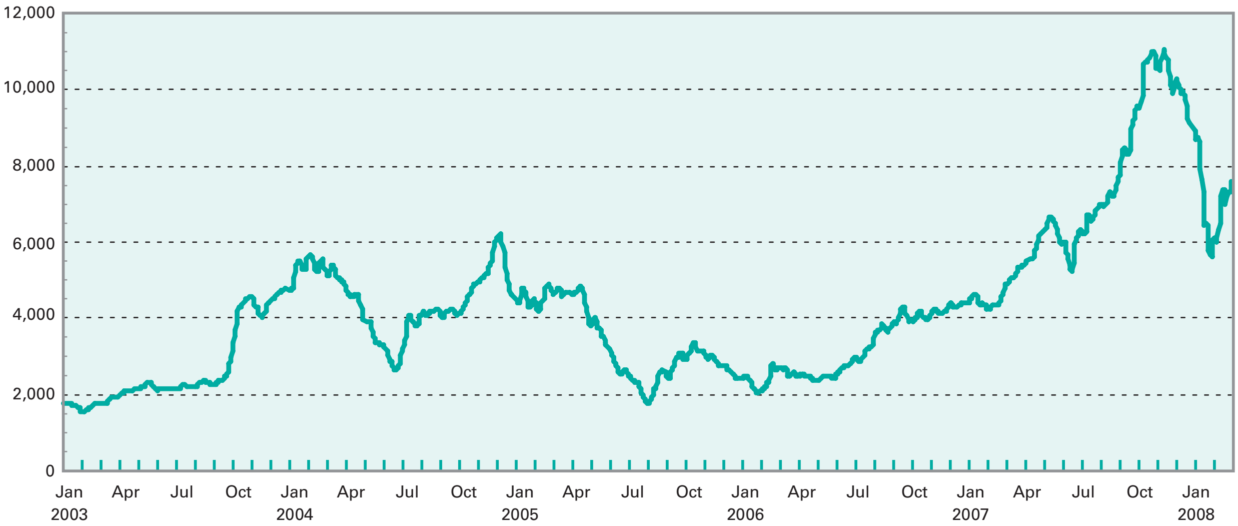
Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), whose shares are listed on the Oslo Stock Exchange. During the year, the Company had further increased its shareholdings in Jinhui Shipping from 52.99% to 54.77% by acquiring additional 1,502,300 shares of Jinhui Shipping for approximately HK$66,162,000 at the open market in the Oslo Stock Exchange. Accordingly, the minority interests in relation to Jinhui Shipping were decreased by HK$32,804,000 from 47.01% to 45.23% and the difference of HK$33,358,000 has been charged directly to retained profits with no impact on the consolidated income statement for the year.

Over the past few years, the industrialization of China and its ever-sustained demand for raw materials which overwhelmed the capacity of the dry cargo fleet, as well as a number of the infrastructure systems which are integral to the shipment of industrial raw materials. The charter rates continue to appreciate throughout the year up to mid November 2007 where an all time high was reached. The mechanics underlying the market rise had much in common with a whole range of other commodities which also saw unprecedented price rises in 2007. The charter rates softened in December 2007 in response to infrastructure bottlenecks at cargo supplying countries, reduction in iron ore shipment before the conclusion of 2008 iron ore price, as well as the persistent negative sentiment clouding the global financial markets due to the subprime mortgage financial crisis. The Baltic Dry Index opened at 4,397 in 2007, rose steadily and reached its new record high at 11,039 in mid November 2007 and closed at 9,143 by end of 2007.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

Baltic Dry Index



Source: Bloomberg

The Group's shipping turnover for the year amounted to HK$2,311,026,000, representing an increase of 90% as compared to year 2006. The Group's shipping business recorded an operating profit of HK$1,184,648,000 for the year, representing an increase of 153% as compared to the operating profit of HK$468,369,000 for year 2006. The increase in turnover and overall net profit of shipping business was mainly due to the overall increase in charter rates during the year while the profit for year 2006 was partly offset by the operating loss of the Capesize vessels chartered-in by the Group since mid 2005 at comparatively high costs at the then prevailing market condition. The average daily time charter equivalent rate of our fleet increased by 52% to US$32,778 for the year. The operating profit for the year was also partly attributable to the gain of HK$158,004,000 on completion of the disposal of a motor vessel while the operating profit for last year was partly attributable to the gain of HK$209,673,000 on completion of the disposal of five motor vessels.

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$264,764,000, representing a decrease of 20% as compared to that of last year. The Group's trading business recorded an operating profit of HK$4,708,000, representing a decrease of 71% as compared to that of last year. The overall decrease in both turnover and operating profit was mainly due to severe price competition among China local suppliers in industrial raw material market and slowing down of the sales orders in the second half of the year when the subprime mortgage financial crisis surfaced.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

Other operations. The Group's other operations recorded an operating loss of HK$378,310,000 as compared to an operating loss of HK$7,533,000 for last year. The operating loss for the year was primarily due to the net loss of HK$363,850,000 on financial assets and financial liabilities at fair value through profit or loss. The Group has entered into certain long term forward foreign exchange contracts and options for the purposes of capital expenditure requirements with regards to payment for the newbuildings contracted with Japanese shipyards, and liquidity management. With the unexpected appreciation of Japanese Yen against United States Dollar during the year due to unwinding of Japanese Yen carry trades in the financial markets, the Group suffered from the loss on those long term forward foreign exchange contracts and options. The Group has terminated majority of these long term forward foreign exchange contracts and options during the year. The Group had made every effort in minimizing the loss on the foreign currency exposure during the year with the objective to safeguard the Group's long term profitability going forward.

In addition, given the significant drop in investment income in 2007 and uncertainty over the future return, the Group had provided an impairment loss of HK$26,346,000 in 2007 for the investment in Shanxi Jinyao Coke & Chemicals Ltd. which produces battery type of metallurgical coke in Shanxi Province of China.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, upon financing of various vessel mortgage loans and receiving the net sale proceeds on completion of the disposal of a motor vessel, and offset by cash used to partially finance the delivery of seven additional vessels, installments paid for the newbuildings and the settlement upon unwinding of various long term forward foreign exchange contracts and options, the total of the Group's equity and debt securities, equity linked investments, bank deposits with embedded derivatives, bank balances and cash increased to HK$637,070,000 as at 31 December 2007 (2006: HK$539,196,000). The Group's bank borrowings increased to HK$3,686,192,000 as at 31 December 2007 (2006: HK$1,606,916,000), of which 20%, 10%, 24% and 46% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, equity linked investments, bank deposits with embedded derivatives, cash and cash equivalents) over total equity, was 112% as at 31 December 2007 (2006: 49%). All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash, marketable equity and debt securities, and equity linked investments in hand as well as available long term credit facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2007, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$4,404,517,000 (2006: HK$2,681,507,000), financial assets at fair value through profit or loss with market value of HK$59,733,000 (2006: HK$41,302,000), and deposits of HK$55,938,000 (2006: HK$70,273,000) placed with banks and other institution were pledged together with the assignment of eighteen (2006: twelve) ship owning companies' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty (2006: ten) ship owning companies were charged to banks for vessel mortgage loans.

Chairman's Statement

FINANCIAL REVIEW *(Continued)*

Capital expenditures and commitments. During the year, capital expenditure on additions of the owned vessels and vessels under construction was HK$3,096,916,000 (2006: HK$1,319,690,000) and on other property, plant and equipment was HK$1,039,000 (2006: HK$4,824,000).

As at 31 December 2007, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$8,095,580,000 (2006: HK$3,025,123,000), representing the Group's outstanding capital expenditure commitments to acquire twenty six (2006: eleven) newbuildings and one (2006: three) second hand vessel(s) at a total purchase price of approximately HK$9,459,897,000 (2006: HK$3,353,623,000).

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

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

Save as disclosed above, the Group had no other contingent liabilities as at 31 December 2007.

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 charter 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.

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

Chairman's Statement

RISK MANAGEMENT *(Continued)*

Foreign currency risk. The Group's transactions, assets and liabilities for the year ended 31 December 2007 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. In addition, the Group is exposed to foreign currency risk primarily through maintaining certain Japanese Yen bank deposits and trading of various derivative financial instruments such as forward foreign exchange contracts and options for the purposes of capital expenditure requirements with regards to payment for the newbuildings contracted with Japanese shipyards, and liquidity management. The Group had outstanding capital expenditure commitments in relation to the acquisition of newbuildings in Japanese Yen which amounted to JPY34,986,550,000 as at 31 December 2007.

The Group has from time to time closely monitored the foreign currency exposures, to mitigate foreign exchange risks where appropriate and for liquidity management. The Board has adopted the following guidelines upon considering the terms of the hedge derivatives to match the terms of hedged item so as to maximize the hedge effectiveness.

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

- The Group does not enter into forward foreign exchange contracts and derivative instruments which hold opposite position against the original underlying exposure and with a term of over 24-month period.

- No more than 90% of forecasted foreign exchange exposure is hedged, out of which no less than 50% of the hedging is using forward foreign exchange plain vanilla contracts and purchased options while the rest is using option-combination strategies. The total hedged notional amount including leveraged notional amount, if any, should not exceed the original expected underlying exposure and tenor.

- The Group monitors the mark-to-market values frequently of its underlying assets and liabilities on hedging derivative instruments.

Interest rate risk. The Group's exposure to interest rate risk relates primarily to the Group's long term debt obligations. The Group's bank borrowings were all committed on floating rate basis and mainly denominated in United States Dollars. The Group closely monitors and uses financial instruments including interest rate swaps to reduce the risk associated with fluctuations in interest rates.

As at 31 December 2007, the Group had an interest rate swap which was entered into by the Group during 2004 with notional contract amount of US$50 million for five years up to June 2009 through cap at 4.3% with a knock out at 6.5%.

Chairman's Statement

EMPLOYEES

As at 31 December 2007, the Group had 103 full-time employees and 440 crew (2006: 105 full-time employees and 293 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

SHARE CAPITAL

During the year, the number of issued ordinary shares of the Company was decreased from 525,383,480 shares to 519,961,480 shares following the repurchase and cancellation of 10,824,000 ordinary shares of HK$0.10 each and the allotment and issue of 5,402,000 new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

POST BALANCE SHEET EVENTS

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

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

OUTLOOK

During the past few months, the global economy has been going through a period of uncertainty due to the subprime mortgage financial crisis, with the dry bulk freight market going through a sharp correction due to a combination of (i) infrastructure bottlenecks at cargo supplying countries such as repairing works at Brazil iron ore ports and flooding of coal mines in Australia; (ii) reduction in both short term and long term chartering activities due to uncertainty over the 2008 iron ore contract price; (iii) typical slowdown in chartering activity due to Chinese New Year Holidays; and (iv) limited activity in the sales and purchase market of second hand vessels due to poor sentiment and credit tightening. During this period, the Baltic Dry Index hit a trough at 5,615, but has sinced rebound strongly to around 8,000 by mid March 2008.

While a mild recession of the US economy is generally expected, we continue to believe the growth in global dry bulk seaborne trade to remain at healthy levels, driven by continuous infrastructure investments, industrialization and urbanization in China, India and other emerging economies which translates to a continuous growing demand in particular, the backbone dry cargoes such as iron ore and coal. We would like to reiterate that this Chinese led dry commodities demand has caused increasing ton miles and a fundamental shift in trade patterns, which means the outlook of the dry bulk market will be strong yet not without volatility.

Chairman's Statement

OUTLOOK *(Continued)*

On the supply side, it is worth noting that a potential by-product of the current credit crunch caused by the subprime mortgage financial crisis will be a reduction in the number of newbuildings delivered going forward, in particular to those scheduled to be delivered beyond 2008. We expect a prolonged credit crunch will impact, in particular the orders made with newly, but less well established shipyards which could experience difficulties in obtaining funding and refund guarantees. At the same time buyers who order from such shipyards could experience difficulties in obtaining funding due to tightening up of lending policy by most financial institutions, as well as worry over the performance of such shipyards.

In the longer term, the Group continues to believe that with our existing fleet and newbuilding deliveries going forward which comprise mainly of grabs fitted Supramaxes which were all acquired at relatively low pricing levels, with majority of the newbuilding deliveries financing requirements already arranged during early/mid 2007, coupled with our strategy of aggressive debt repayment schedule within the first two years from the date of delivery, the Group will continue to enjoy healthy profit growth even in a volatile freight environment. Going forward, the Group will focus on maintaining growth without sacrificing stability in order to continuously improve shareholders' value.

The Group's trading business is expected to contribute steady returns to the Group in future.

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 18 March 2008

Business Profile

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

SHIPPING BUSINESS

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 54.77% owned subsidiary of the Company as at date of this report.

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

The Group operates a modern fleet of dry bulk carriers 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 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 legislations and regulations in its shipping operations to avoid the emission of noxious liquids into the environment. Accordingly, all the Group's vessels are equipped with the appropriate preventive, monitoring and control devices to meet legal and regulatory requirements.

Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2007, the Group owned eighteen vessels. Based on the best estimation made by the Group as at 31 December 2007, the Group's owned vessels had a total market value of US$1,481 million (approximately HK$11,550 million), representing 167% higher than their total net book value of approximately HK$4,320 million.

Name	Type	Built	Builder	Size (dwt)	Market value as at 31/12/2007 *US$'m*
Jin Tai	Capesize	2004	Shanghai Waigaoqiao	173,880	160.00
Jin He	Panamax	2006	Oshima	77,250	93.00
Jin Xing	Supramax	2007	Oshima	55,496	86.00
Jin Yi	Supramax	2007	Oshima	55,496	86.00
Jin Yuan	Supramax	2007	Oshima	55,496	86.00
Jin Ying	Supramax	2007	Iwagi Zosen	53,562	85.50
Jin Sheng	Supramax	2006	IHI	52,050	82.50
Jin Hai	Supramax	2005	Oshima	55,557	81.00
Jin Yao	Supramax	2004	IHI	52,050	78.25
Jin Cheng	Supramax	2003	Oshima	52,961	76.00
Jin Quan	Supramax	2002	Oshima	51,104	73.25
Jin Ping	Supramax	2002	Oshima	50,777	73.25
Jin Fu	Supramax	2001	Oshima	50,777	71.00
Jin Li	Supramax	2001	Oshima	50,777	71.00
Jin Zhou	Supramax	2001	Mitsui	50,209	71.00
Jin An	Supramax	2000	Oshima	50,786	69.00
Jin Hui	Supramax	2000	Oshima	50,777	69.00
Jin Rong	Supramax	2000	Mitsui	50,236	69.00
				1,089,241	1,480.75

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels

Taking into account all existing commitments to acquire and dispose of vessels as announced by the Company previously, as at 31 December 2007, the Group committed to acquire twenty two newbuildings under construction and one second hand vessel to be delivered, and intended to acquire one chartered-in vessel with purchase option. Based on the best estimation made by the Group as at 31 December 2007, these ordered newbuildings, second hand vessel to be delivered and chartered-in vessel with purchase option had a total market value of US$1,470 million (approximately HK$11,464 million), representing 60% higher than their total contract price of approximately HK$7,189 million.

Name	Type	Built	Builder	Size (dwt)	Expected delivery	Market value as at 31/12/2007 *US$'m*
Jin Feng	Supramax	2008	Iwagi Zosen	53,514	22 Feb 2008	87.75
Jin Man	Supramax	2008	Oshima	55,496	27 Feb 2008	88.25
Jin Pu	Supramax	2008	Oshima	55,300	Mar 2008	88.25
Arran Trader (to be named Jin Bi)	Handymax	2000	Oshima	48,220	Jul to Sep 2008	62.00
Jin Sui	Supramax	2008	Shanghai Shipyard	57,000	Oct 2008	72.00
Jin Tong	Supramax	2008	Shanghai Shipyard	57,000	Dec 2008	71.00
Jin Wan	Supramax	2009	Shanghai Shipyard	57,000	Mar 2009	67.00
Jin Shun	Supramax	2009	Oshima	54,200	Mar 2009	68.00
Jin Rui	Panamax	2009	Imabari	76,500	Apr to May 2009	76.00
Jin Gang	Supramax	2009	Shanghai Shipyard	57,000	Jun 2009	63.00
Jin Ji	Supramax	2009	Shanghai Shipyard	57,000	Sep 2009	60.00
Jin Mao	Supramax	2009	Oshima	54,200	Nov 2009	60.00
Jin Jun	Supramax	2009	Shanghai Shipyard	57,000	Dec 2009	58.00
Jin Ao	Supramax	2010	Shanghai Shipyard	57,000	Mar 2010	53.00
Canton Trader (to be named Jin Kang)[(1)]	Supramax	2003	Tsuneishi	52,300	May to Jul 2010	35.00
Jin Yue	Supramax	2010	Shanghai Shipyard	57,000	Jun 2010	50.50
Jin Heng	Supramax	2010	Nantong Kawasaki	55,000	Jun 2010	54.00
Jin Yang	Supramax	2010	Tsuneishi	57,948	Jul 2010	54.00
Jin Ming	Supramax	2010	Oshima	60,500	Dec 2010	54.00
Jin Han	Supramax	2011	Oshima	60,500	Mar 2011	52.00
Jin Hong	Supramax	2011	Oshima	60,500	Sep 2011	51.00
Jin Ze	Supramax	2012	Tsuneishi	57,948	Mar 2012	48.50
Jin Xiang	Supramax	2012	Oshima	60,500	Sep 2012	49.00
Jin Qing	Supramax	2013	Tsuneishi	58,100	Feb 2013	47.50
				1,376,726		1,469.75

Business Profile

SHIPPING BUSINESS *(Continued)*

Ordered Vessels *(Continued)*

Notes:

(1) 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. A wholly-owned subsidiary of Jinhui Shipping will be nominated to acquire this vessel which will be named as "Jin Kang" upon delivery.

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

Subsequent to the year ended 31 December 2007 and up to the date of this report, the Group further committed to acquire a newbuilding at a purchase price of JPY5,550 million as follows:

Name	Type	Built	Builder	Size (dwt)	Expected delivery
Jin Chao	Panamax	2011	Sasebo	75,000	Apr 2011

Chartered-in Vessels

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

Name	Type	Built	Size (dwt)	Charter in date	Expiry	Expiry if exercise of chartering option
Gran Trader	Capesize	2001	172,579	Feb 2005	May 2008	–
Channel Alliance	Capesize	1996	171,978	Nov 2007	Dec 2009	–
Anangel Dynasty	Capesize	1999	171,101	Mar 2008	May 2008	–
Billion Trader II	Panamax	2007	82,014	Apr 2007	Jul 2008	–
Golden Sakura	Panamax	2007	76,662	Aug 2007	Sep 2009	–
Golden Kiji	Panamax	2007	76,662	Nov 2007	Jan 2010	–
Red Lily	Panamax	2004	76,500	Sep 2004	Sep 2009	Sep 2011
Goldbeam Trader	Panamax	2001	74,247	Mar 2007	May 2009	–
Bruno Salamon	Panamax	1998	73,965	Dec 2005	Mar 2008	–
Thermidor	Supramax	2007	53,594	Mar 2008	May 2010	–
Canton Trader	Supramax	2003	52,300	Apr 2003	Apr 2007	Apr 2010
Arran Trader	Handymax	2000	48,220	Aug 2006	Sep 2008	–
			1,129,822			

Business Profile

SHIPPING BUSINESS *(Continued)*

Chartered-in Vessels *(Continued)*

In addition, the Group will charter in five Capesizes and one Panamax in the coming years.

Name	Type	Built	Size (dwt)	Expected charter in date	Expiry
Scope	Capesize	2006	174,008	Jun 2008	Oct 2014
Daehan #1	Capesize	2008	170,500	Sep 2008	Dec 2013
Daehan #2	Capesize	2009	170,500	Jan 2009	Apr 2014
Daehan #3	Capesize	2008	170,500	Mar 2009	Jun 2014
Summer	Capesize	2009	179,700	Sep 2009	Nov 2014
CMB Sakura	Panamax	2006	75,765	May 2008	Nov 2009
			940,973		

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 issued capital of Yee Lee.

Highlights

While the Group's expertise for its ship chartering business remains 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

(Expressed as a percentage of turnover for chartering freight and hire)	2007 %	2006 %
South America	22.0	20.4
Australia	21.4	17.3
Asia excluding China	19.4	20.8
North America	18.8	19.2
China	7.5	12.3
Africa	7.1	6.3
Europe	3.2	3.7
Others	0.6	–
	100.0	100.0

Discharging Ports Analysis

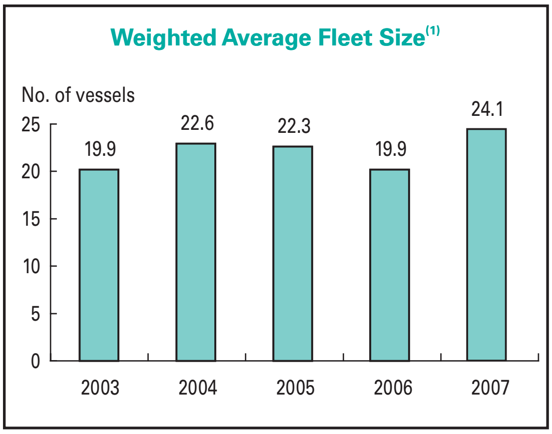
(Expressed as a percentage of turnover for chartering freight and hire)	2007 %	2006 %
China	33.4	23.0
Asia excluding China	21.0	34.1
Europe	20.5	15.6
North America	7.7	15.4
Africa	5.8	6.1
Others	4.1	1.5
South America	3.9	3.5
Australia	3.6	0.8
	100.0	100.0

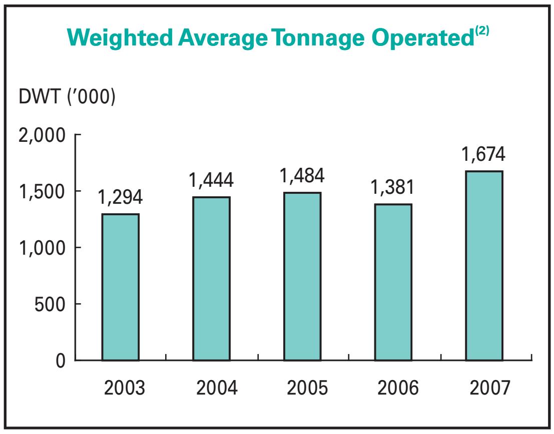
Types of Cargoes Carried by the Group's Fleet

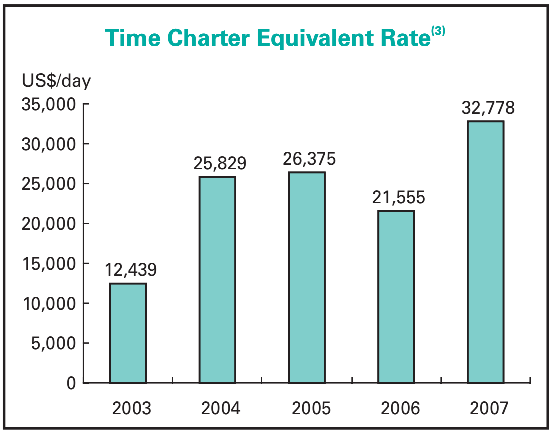
	2007		2006	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	7,001	47.4	5,014	44.1
Coal	3,416	23.2	2,525	22.3
Agricultural products	2,497	16.9	2,009	17.7
Cement	1,212	8.2	822	7.2
Steel products	512	3.5	753	6.6
Fertilizer	66	0.5	115	1.0
Alumina	49	0.3	88	0.8
Others	–	–	28	0.3
	14,753	100.0	11,354	100.0

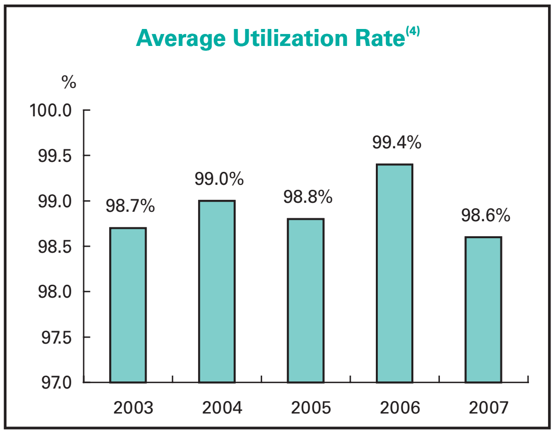
Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS









Notes:

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

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

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

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

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Consolidated Income Statements					
Turnover	**2,575,790**	1,550,763	1,985,235	1,974,661	1,048,515
Profit from operations	**811,046**	477,077	869,660	412,922	98,745
Interest income	**28,761**	20,067	13,983	4,165	4,279
Interest expenses	**(165,961)**	(76,052)	(40,213)	(22,972)	(20,947)
Profit before taxation	**673,846**	421,092	843,430	394,115	82,077
Taxation	**(2,154)**	(2,796)	(2,474)	(2,608)	(64)
Net profit for the year	**671,692**	418,296	840,956	391,507	82,013
Attributable to:					
Shareholders of the Company	**367,724**	223,192	526,862	227,514	36,676
Minority interests	**303,968**	195,104	314,094	163,993	45,337
	671,692	418,296	840,956	391,507	82,013
Dividend per share	**HK$0.060**	–	HK$0.190	HK$0.120	–
Basic earnings per share	**HK$0.704**	HK$0.421	HK$0.992	HK$0.432	HK$0.070
Consolidated Balance Sheets					
Non-current assets	**5,832,632**	3,107,003	2,459,034	1,375,084	1,489,475
Current assets	**927,548**	884,768	757,381	1,251,242	346,086
Current liabilities	**(1,063,127)**	(401,069)	(373,230)	(1,092,536)	(303,838)
Non-current liabilities	**(2,965,787)**	(1,430,965)	(1,005,205)	(414,872)	(643,891)
Net assets	**2,731,266**	2,159,737	1,837,980	1,118,918	887,832
Equity attributable to shareholders of the Company					
Share capital	**51,996**	52,538	53,394	52,624	52,624
Reserves	**1,549,486**	1,248,579	1,058,258	667,599	440,073
	1,601,482	1,301,117	1,111,652	720,223	492,697
Minority interests	**1,129,784**	858,620	726,328	398,695	395,135
Total equity	**2,731,266**	2,159,737	1,837,980	1,118,918	887,832

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

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

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

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code throughout the year, with deviations from code provisions A.2.1, A.4.2 and A.4.1 of the Code in respect of the roles of chairman and chief executive officer, the rotation of directors and the service term for non-executive directors.

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

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

Corporate Governance Report

COMPLIANCE OF THE CODE PROVISIONS *(Continued)*

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

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting.

Code provision 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. According to the Articles of Association of the Company, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to retirement provisions. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

BOARD COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's businesses 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 26 and 27.

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.

Corporate Governance Report

BOARD COMPOSITION *(Continued)*

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2007, the Board held 44 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai, *Chairman*	44
Ng Kam Wah Thomas, *Managing Director*	44
Ng Ki Hung Frankie	41
Ho Suk Lin	44
Independent Non-executive Directors	
Cui Jianhua	7
Tsui Che Yin Frank	7
William Yau	7

Corporate Governance Report

BOARD COMMITTEES

The Board is assisted by two Board Committees, that is, Audit Committee and Remuneration Committee. Their existence does not reduce the responsibility of the Board as a whole. Board Committee meetings are convened to prepare matters for consideration by the Board.

As a general principle, the Board Committees have an advisory role to the Board. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make decisions.

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 2007 and all the committee members were present at the meeting. The Remuneration Committee also held a meeting on 18 March 2008 to consider and approve the directors' fees and other emoluments of the senior management including the Directors. Details of the emoluments of the Directors are set out in note 9 to the financial statements.

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Audit committee

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

The Audit Committee held two meetings in 2007 and all the 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 matters including the review of the Group's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31 December 2007 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews the work plan for audit and considers the internal control review report to the Audit Committee on the effectiveness of internal controls in the Group's business operation.

Risk management

The Board has the responsibility of development and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Board is responsible for arranging appropriate insurance coverage and organizing the Group's wide risk reporting. Details of the Group's risk management policies are set out in pages 7 and 8, and note 36 to the financial statements.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Internal controls

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication and maintaining accountability for assets and liabilities. The key control procedures include (i) establishing a structure with defined authorities and proper segregation of duties; (ii) monitoring the strategic plan and performance; (iii) designing an effective accounting and information system; (iv) controlling price sensitive information; and (v) ensuring swift actions and timely communication with our stakeholders. The systems have been independently reviewed by Grant Thornton during the year and will be reviewed on an ongoing basis so that the practical and effective systems are implemented.

The Board, through the assistance of Audit Committee, has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2007, covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and appropriate actions have been taken.

The Board considers that the Company has complied with the requirements under the Listing Rules regarding the internal controls, and will continue to review, revise and strengthen its internal controls from time to time so that practical and effective systems are implemented.

AUDITORS' REMUNERATION

During the year under review, the Company's auditors, Moores Rowland Mazars announced that with effect from 1 June 2007 it would change its name to Moores Rowland and would subsequently combine its business with Grant Thornton. In anticipation of the reorganization, at the annual general meeting of the Company held on 28 May 2007, the shareholders of the Company authorized the Board to appoint Grant Thornton as auditors of the Company upon completion of the reorganization. The Board and the Audit Committee of the Company have therefore decided to appoint Grant Thornton as auditors of the Company. Grant Thornton has been appointed by the Board as auditors of the Company with effect from 28 December 2007 and will hold office until the conclusion of the next annual general meeting of the Company. The performance of the auditors of the Company, Grant Thornton, has been reviewed and it is proposed to re-appoint the auditors of the Company in the forthcoming annual general meeting.

In 2007, the remuneration paid and payable to the auditors of the Company for the provision of the Group's audit service, and other services including reviews of the Group's internal control systems were HK$1,587,000 and HK$599,000 respectively.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the accounts and the responsibilities of the auditors to the shareholders are set out on pages 37 and 38.

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 of the Company.

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

The Annual General Meeting of the Company will be held on Thursday, 15 May 2008 and the Notice of Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited (HKEx) at www.hkexnews.hk and the Company at www.jinhuiship.com, and despatched to sharesholders of the Company on or before Tuesday, 1 April 2008.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 51. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

Mr. Ng Kam Wah Thomas, *Managing Director*

Aged 45. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 54. 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 44. 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 both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

Board of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

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

Aged 53. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

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

Aged 50. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in corporate management, direct investment and investment banking. 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 40. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited. Mr. Yau graduated with a Bachelor Degree of Computer System Engineering from the Carleton University in Canada.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 33. Joined the Group in 2004 as Vice President, responsible for the corporate finance matters of the Group. Mr. Ching has over 10 years of working experience in finance and banking field in the U.K. and Asia. Prior to joining the Group, he worked in the investment banking division for a US bank. Mr. Ching has a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

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

Aged 54. Joined the Group in 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Ltd. as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 55. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

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

Aged 57. Joined the Group in 1995 as Head of US office, responsible for the chartering business of the Group. Mr. Lofberg has extensive knowledge and working experience in ship chartering. He holds a Bachelor Degree in Marine Transportation from United States Merchant Marine Academy.

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

Aged 48. Joined the Group in 1994 as a director of Yee Lee, which is engaged in the trading business in chemical and industrial raw materials. Mr. Lau has extensive working experience in finance and management. He graduated in Accountancy from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Directors submit herewith their annual report and the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

Segment information of the Group for the year ended 31 December 2007 is set out in note 34 to the financial statements.

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 39.

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

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

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 18.

PROPERTY, PLANT AND EQUIPMENT

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

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 29 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 42 and 43.

SUBSIDIARIES

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

SECURED BANK LOANS

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

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for approximately 14% and 49% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 43% and 68% 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 issued 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$583,000 (2006: HK$51,000).

Directors' Report

DIRECTORS

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

Executive Directors:	Mr. Ng Siu Fai Mr. Ng Kam Wah Thomas Mr. Ng Ki Hung Frankie Ms. Ho Suk Lin
Independent Non-executive Directors:	Mr. Cui Jianhua Mr. Tsui Che Yin Frank Mr. William Yau

In accordance with the Company's Articles of Association, Mr. Cui Jianhua and Mr. William Yau will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

The biographical details of the Directors are set out in the "Board of Directors and Senior Management" section of this Annual Report on pages 26 and 27.

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

Directors' Report

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

The directors of the Company who held office as at 31 December 2007 had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

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

Name	Type of interests	Number of shares in the Company	Percentage of total issued shares of the Company	Number of shares in Jinhui Shipping	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	Personal interests	17,138,000	3.29%	1,098,500	1.31%
	Family interests	16,717,000	3.22%	–	–
	Other interests	*Note*	*Note*	*Note*	*Note*
Ng Kam Wah Thomas	Personal interests	5,909,000	1.13%	–	–
	Other interests	*Note*	*Note*	*Note*	*Note*
Ng Ki Hung Frankie	Other interests	*Note*	*Note*	*Note*	*Note*
Ho Suk Lin	Personal interests	1,774,000	0.34%	–	–
William Yau	Personal interests	241,000	0.04%	–	–

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 339,311,280 shares of the Company (representing approximately 65.26% of the total issued shares of the Company) and 480,000 shares of Jinhui Shipping (representing approximately 0.57% of the total issued shares of Jinhui Shipping) at balance sheet date. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

(ii) Interests in underlying shares of the Company

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

Directors' Report

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

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

As at 31 December 2007, the directors of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme:

					Number of options		
Name	Date of grant	Closing price per share at date of grant of options *HK$*	Exercise price per share *HK$*	Period during which options exercisable	As at 1 January 2007	Exercised during the year	As at 31 December 2007
Ng Siu Fai	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	31,570,000	–	**31,570,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Kam Wah Thomas	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 *Note 2*	21,050,000	–	**21,050,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ng Ki Hung Frankie	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	**3,000,000**
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	3,184,000	–	**3,184,000**
Ho Suk Lin	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	5,000,000	(2,000,000)	**3,000,000**
Cui Jianhua	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	**1,000,000**
Tsui Che Yin Frank	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	**1,000,000**
William Yau	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	500,000	(300,000)	**200,000**
					72,672,000	(2,300,000)	**70,372,000**

Directors' Report

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

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

Notes:

1. During the year, no share option was granted, cancelled and lapsed in relation to directors of the Company.

2. The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options became exercisable upon the Group having recorded an audited consolidated net profit of not less than HK$400 million for the financial year 2005 which had been achieved. These share options may be exercised during the period commencing on 31 March 2006 (the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005) to 22 December 2014 or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.

3. The closing price per share of the Company as at 31 December 2007 was HK$5.71.

4. All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

Save as disclosed above, as at 31 December 2007, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, 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	339,311,280	–	65.26%
Wong Yee Man Gloria	373,166,280 *(Note 1)*	–	71.77%
	–	34,754,000 *(Note 2)*	6.68%

Notes:

1. The interest in shares includes 16,717,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 356,449,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 31 December 2007, the Company has not been notified of any person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

During the year, the Company had repurchased and cancelled 10,824,000 ordinary shares of the Company at the open market in the Hong Kong Stock Exchange at an aggregate price of HK$43,999,000 before expenses. The nominal value of the cancelled shares of approximately HK$1,082,000 was credited to capital redemption reserve and the aggregate price was paid out from retained profits. Details of the repurchase are set out in note 27 to the financial statements.

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

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

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

During the year, Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*, resigned as auditors of the Company and Grant Thornton was appointed by the Directors to fill the vacancy. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Grant Thornton as auditors of the Company.

On behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 18 March 2008

Independent Auditors' Report

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

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") set out on pages 39 to 104, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

Certified Public Accountants
Member of Grant Thornton International Ltd

Independent Auditors' Report

GrantThornton
均富

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 18 March 2008

Certified Public Accountants
Member of Grant Thornton International Ltd

Consolidated Income Statement

Year ended 31 December 2007

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

Balance Sheets

At 31 December 2007

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

Balance Sheets

At 31 December 2007

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

Approved and authorized for issue by the Board of Directors on 18 March 2008

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Statements of Changes in Equity

Year ended 31 December 2007

Group

	Attributable to shareholders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Other asset revaluation reserve *HK$'000*	Reserve for available-for-sale financial assets *HK$'000*	Employee share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2006	53,394	300,209	2,023	7,616	1,681	12,671	734,058	1,111,652	726,328	1,837,980
Release on disposal of motor vessels	–	–	–	(4,578)	–	–	–	(4,578)	–	(4,578)
Gain on revaluation of available-for-sale financial assets	–	–	–	–	825	–	–	825	–	825
Net income (expenses) recognized directly in equity	–	–	–	(4,578)	825	–	–	(3,753)	–	(3,753)
Net profit for the year	–	–	–	–	–	–	223,192	223,192	195,104	418,296
Total recognized income (expenses)	–	–	–	(4,578)	825	–	223,192	219,439	195,104	414,543
Dividend to minority interests	–	–	–	–	–	–	–	–	(23,500)	(23,500)
Shares issued upon exercise of share options	59	891	–	–	–	–	–	950	–	950
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	–	(12)	–	(12)
Employee share option benefits	–	–	–	–	–	13,588	–	13,588	9,959	23,547
Repurchase of own shares	(915)	–	915	–	–	–	(15,020)	(15,020)	–	(15,020)
Acquisition of minority interests in a subsidiary	–	–	–	–	–	–	(29,480)	(29,480)	(49,271)	(78,751)
	(856)	879	915	–	–	13,588	(44,500)	(29,974)	(62,812)	(92,786)
At 31 December 2006 and 1 January 2007	52,538	301,088	2,938	3,038	2,506	26,259	912,750	1,301,117	858,620	2,159,737
Gain on revaluation of available-for-sale financial assets	–	–	–	–	1,558	–	–	1,558	–	1,558
Net income recognized directly in equity	–	–	–	–	1,558	–	–	1,558	–	1,558
Net profit for the year	–	–	–	–	–	–	367,724	367,724	303,968	671,692
Total recognized income	–	–	–	–	1,558	–	367,724	369,282	303,968	673,250
Shares issued upon exercise of share options	540	8,103	–	–	–	–	–	8,643	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	–	(45)	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	–	(44,157)	(44,157)	–	(44,157)
Acquisition of minority interests in a subsidiary	–	–	–	–	–	–	(33,358)	(33,358)	(32,804)	(66,162)
	(542)	8,058	1,082	–	–	–	(77,515)	(68,917)	(32,804)	(101,721)
At 31 December 2007	**51,996**	**309,146**	**4,020**	**3,038**	**4,064**	**26,259**	**1,202,959**	**1,601,482**	**1,129,784**	**2,731,266**

Statements of Changes in Equity

Year ended 31 December 2007

Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2006	53,394	300,209	2,023	1,260	3,017	306,695	666,598
Gain on revaluation of available-for-sale financial assets	–	–	–	281	–	–	281
Net income recognized directly in equity	–	–	–	281	–	–	281
Net profit for the year	–	–	–	–	–	35,980	35,980
Total recognized income	–	–	–	281	–	35,980	36,261
Shares issued upon exercise of share options	59	891	–	–	–	–	950
Expenses for shares issued upon exercise of share options	–	(12)	–	–	–	–	(12)
Employee share option benefits	–	–	–	–	3,532	–	3,532
Repurchase of own shares	(915)	–	915	–	–	(15,020)	(15,020)
	(856)	879	915	–	3,532	(15,020)	(10,550)
At 31 December 2006 and 1 January 2007	52,538	301,088	2,938	1,541	6,549	327,655	692,309
Gain on revaluation of available-for-sale financial assets	–	–	–	964	–	–	964
Net income recognized directly in equity	–	–	–	964	–	–	964
Net loss for the year	–	–	–	–	–	(1,871)	(1,871)
Total recognized income (expenses)	–	–	–	964	–	(1,871)	(907)
Shares issued upon exercise of share options	540	8,103	–	–	–	–	8,643
Expenses for shares issued upon exercise of share options	–	(45)	–	–	–	–	(45)
Repurchase of own shares	(1,082)	–	1,082	–	–	(44,157)	(44,157)
	(542)	8,058	1,082	–	–	(44,157)	(35,559)
At 31 December 2007	**51,996**	**309,146**	**4,020**	**2,505**	**6,549**	**281,627**	**655,843**

Consolidated Cash Flow Statement

Year ended 31 December 2007

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

Notes to the Financial Statements

Year ended 31 December 2007

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong. The address of the Company's registered office and its principal place of businesses are disclosed in the directors' report on page 29.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the current year are consistent with those of the last year except that the Group has adopted the HKFRS 7, Financial Instruments: Disclosures and the amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures.

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of preparation

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

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

Basis of consolidation

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

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

Subsidiaries

A subsidiary is an entity over which the Group, directly or indirectly, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

Minority interests

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

Goodwill

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Acquisition of minority interests in a subsidiary

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

Revenue recognition

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

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

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

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

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

Foreign currencies

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

Operating leases

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

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

Taxation

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

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

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

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

Share-based payment transactions

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are recognized as expenses when incurred, except to the extent that they are capitalized as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

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

Property, plant and equipment

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment ***(Continued)***

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

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

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

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

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

Investment properties

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

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets

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

Impairment of assets

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

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

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

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

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

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

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.

Financial instruments

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments ***(Continued)***

Loans and receivables

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

Available-for-sale financial assets

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

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments ***(Continued)***

Financial liabilities

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

Financial guarantee contracts

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

Provisions

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

Cash and cash equivalents

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

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A party is related to the Group if:

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

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

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

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

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

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

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

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

Segment reporting

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

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

Notes to the Financial Statements

Year ended 31 December 2007

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 the building elements in proportion to their relative fair values at the inception of the lease. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and is stated collectively at cost less accumulated depreciation over the shorter of unexpired term of lease or useful life of the building. The Group considers each leasehold land and buildings separately in making its judgement. The economic life of the buildings is regarded as the economic life of the entire leased asset.

Provision for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of the trade receivables and on management's judgement. At balance sheet date, the trade receivables, net of provision, amounted to HK$79,328,000 (2006: HK$84,610,000). A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were deteriorated, resulting in an impairment of their ability to make payments, additional provision will be required.

Notes to the Financial Statements

Year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements ***(Continued)***

Provision for inventories

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

Future changes in accounting policies

At the date of authorization of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective. The Group has already commenced an assessment of these HKFRS which are effective for accounting periods beginning on or after 1 January 2008 but is not yet in a position to state whether these HKFRS would have a significant impact on its results of operations and financial position. The Group will be continuing with the assessment of the impact of these new HKFRS and other significant changes may be identified as a result.

Notes to the Financial Statements

Year ended 31 December 2007

3. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are analyzed as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	**1,130,176**	591,176
Other chartering freight and hire income	**1,180,850**	626,825
Trading	**264,764**	332,762
	2,575,790	1,550,763
Other revenue		
Dividend income from listed securities	**580**	386
Dividend income from unlisted investment	**–**	10,902
Interest income	**28,761**	20,067
Revenue	**2,605,131**	1,582,118

Notes to the Financial Statements

Year ended 31 December 2007

4. STAFF COSTS

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

6. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

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

Notes to the Financial Statements

Year ended 31 December 2007

7. INTEREST EXPENSES

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

8. TAXATION

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

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

8. TAXATION *(Continued)*

Reconciliation of tax expense:

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

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

Notes to the Financial Statements

Year ended 31 December 2007

9. DIRECTORS' EMOLUMENTS

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

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2006: four) directors whose details of emoluments are set out in note 9. Emoluments of the remaining one (2006: one) highest paid individual fall within the band from HK$2,000,001 to HK$2,500,000 and his aggregate emoluments were as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**2,059**	1,797
Discretionary bonus	**278**	231
Employee share-based payments	**–**	165
Contributions to retirement benefits schemes	**30**	30
	2,367	2,223

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK$367,724,000 (2006: HK$223,192,000) and the weighted average number of 522,618,116 (2006: 529,673,508) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year is calculated on the net profit attributable to shareholders of the Company for the year of HK$367,724,000 (2006: HK$223,192,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

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

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

Notes to the Financial Statements

Year ended 31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT

Group

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

Notes to the Financial Statements

Year ended 31 December 2007

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

Group

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

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

Having regard to the remarkable rise of property market in Hong Kong, the Group carried out a review of the recoverable amount of its leasehold land and buildings situated in Hong Kong as at 31 December 2007. The review led to the recognition of reversal of impairment loss of HK$23,847,000 in the consolidated income statement of 2007. The recoverable amount of the relevant assets has been determined on the basis of fair value determined by reference to an active market.

If leasehold land and buildings had not been revalued at balance sheet date, the carrying amount at cost less accumulated depreciation and impairment losses would have been HK$101,613,000 (2006: HK$90,379,000).

Notes to the Financial Statements

Year ended 31 December 2007

15. INVESTMENT PROPERTIES

Group

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

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

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

16. GOODWILL

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

16. GOODWILL *(Continued)*

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

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

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Notes to the Financial Statements

Year ended 31 December 2007

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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

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

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

18. INTANGIBLE ASSETS

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

Notes to the Financial Statements

Year ended 31 December 2007

19. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

20. OTHER NON-CURRENT ASSET

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

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

Notes to the Financial Statements

Year ended 31 December 2007

21. INVENTORIES

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

Inventories at balance sheet date were carried at cost.

22. TRADE AND OTHER RECEIVABLES

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

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

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Analysis of financial assets at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Equity securities				
Listed in Hong Kong	33,587	44,491	25,414	22,582
Listed outside Hong Kong	3,628	–	3,628	–
	37,215	44,491	29,042	22,582
Debt securities				
Listed outside Hong Kong	15,932	15,093	15,932	15,093
Unlisted	11,167	17,393	–	–
	27,099	32,486	15,932	15,093
Derivative financial instruments				
Interest rate swaps	2,845	7,346	–	–
Forward foreign exchange contracts and options	3,483	4,202	–	804
Securities derivatives	170	–	–	–
Equity linked investments	–	50,826	–	15,365
Bank deposits with embedded derivatives	–	43,343	–	–
	6,498	105,717	–	16,169
	70,812	182,694	44,974	53,844
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Forward foreign exchange contracts and options	7,896	30,962	–	1,123
Securities derivatives	27,548	2,417	16,056	2,417
	35,444	33,379	16,056	3,540

Notes to the Financial Statements

Year ended 31 December 2007

24. DUE FROM SUBSIDIARIES

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

25. TRADE AND OTHER PAYABLES

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

The aging analysis of trade payables are as follows:

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

Notes to the Financial Statements

Year ended 31 December 2007

26. SECURED BANK LOANS

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

At balance sheet date, secured bank loans included vessel mortgage loans of approximately HK$3,660,496,000 (2006: HK$1,587,810,000) that were denominated in United States Dollars and were committed on floating rate basis at 5.49% to 5.95% (2006: 5.99% to 6.32%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 32.

27. SHARE CAPITAL

Company

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

Notes to the Financial Statements

Year ended 31 December 2007

27. SHARE CAPITAL *(Continued)*

Note:

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

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

The repurchased shares were subsequently cancelled in 2007, and accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. An amount of approximately HK$1,082,000 equivalent to the nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate price was paid out from retained profits as disclosed in the statement of changes in equity of the Company on page 43.

28. RESERVES

Details of movements in reserves of the Group and the Company for current and last years are disclosed in the statements of changes in equity on pages 42 and 43.

Capital management

The Group's capital management objectives are:

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

(ii) to provide adequate returns for shareholders;

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

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

28. RESERVES *(Continued)*

Capital management ***(Continued)***

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

28. RESERVES *(Continued)*

Group

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

Company

The retained profits of the Company includes HK$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK$249,407,000 (2006: HK$295,435,000).

29. EMPLOYEE SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

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

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

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

Notes:

1. The Group recognized these share options under HKFRS 2 amounting to HK$23,547,000 in the consolidated income statement of 2006 with corresponding increase in equity. In 2007, there was no employee share-based payment recognized as no share option was granted.

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

Notes to the Financial Statements

Year ended 31 December 2007

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

(b) Movements in the number of share options and weighted average share price of the Company at dates of exercise of options in 2007:

	Performance based options granted to Directors	Non-performance based options granted to Directors	Options with vesting schedules granted to employees other than Directors	Options without vesting schedule granted to employees other than Directors
Number of options				
Outstanding at beginning of the year	52,620,000	20,052,000	3,576,000	1,804,000
Exercised during the year	–	(2,300,000)	(2,038,000)	(1,064,000)
Lapsed during the year	–	–	(62,000)	–
Outstanding at end of the year	**52,620,000**	**17,752,000**	**1,476,000**	**740,000**
Exercisable at end of the year	**52,620,000**	**17,752,000**	***Note 3***	**740,000**
Weighted average share price of the Company at dates of exercise of options in 2007	N/A	HK$2.91	HK$4.17	HK$3.67

Notes:

3. These share options are under vesting schedules, which began in January 2005 with monthly exercisable limit of about 10% of the share options granted. Subject to the vesting schedules, these share options are not exercisable as at 31 December 2007.

Notes to the Financial Statements

Year ended 31 December 2007

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

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

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

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

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

31. DEFERRED TAXATION

Group

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

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

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

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Year ended 31 December 2007

31. DEFERRED TAXATION *(Continued)*

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

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

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

32. PLEDGE OF ASSETS

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

(a) Legal charges on the Group's property, plant and equipment and investment property with an aggregate net book value of HK$4,404,517,000 (2006: HK$2,681,507,000);

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

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

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

In addition, shares of twenty (2006: ten) ship owning companies were charged to banks for vessel mortgage loans.

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Year ended 31 December 2007

33. COMMITMENTS

(a) Capital expenditure commitments

At balance sheet date, the Group had outstanding capital expenditure commitments relating to the acquisition of twenty six (2006: eleven) newbuildings and one (2006: three) second hand vessel(s) at a total purchase price of approximately HK$9,459,897,000 (2006: HK$3,353,623,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$8,095,580,000 (2006: HK$3,025,123,000).

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

(b) Commitments under operating leases (as lessee)

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

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

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Year ended 31 December 2007

33. COMMITMENTS *(Continued)*

(c) Commitments under operating leases (as lessor)

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

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

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34. SEGMENT INFORMATION

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

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

Notes to the Financial Statements

Year ended 31 December 2007

34. SEGMENT INFORMATION *(Continued)*

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

	Chartering freight and hire *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Turnover	1,218,001	332,762	–	1,550,763
Gain on disposal of motor vessels	209,673	–	–	209,673
Other operating income	27,268	4,157	30,308	61,733
	1,454,942	336,919	30,308	1,822,169
Operating expenses	(882,477)	(320,341)	(30,976)	(1,233,794)
Depreciation and amortization	(104,096)	(337)	(6,865)	(111,298)
Profit (Loss) from operations	468,369	16,241	(7,533)	477,077
Interest income				20,067
Interest expenses				(76,052)
Profit before taxation				421,092
Taxation				(2,796)
Net profit for the year				418,296
Attributable to:				
Shareholders of the Company				223,192
Minority interests				195,104
				418,296

(iii) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 73% (2006: 83%) and 25% (2006: 11%) of the Group's trading business was carried out in Hong Kong and China respectively. The Group's other operations comprised investment holding, property investments, investments in equity and debt securities, and derivative financial instruments which were mainly carried out in Hong Kong in both years.

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Year ended 31 December 2007

34. SEGMENT INFORMATION *(Continued)*

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

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

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Year ended 31 December 2007

34. SEGMENT INFORMATION *(Continued)*

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

	Chartering freight and hire HK$'000	Trading HK$'000	Other operations HK$'000	Total HK$'000
Allocated assets				
Property, plant and equipment	2,875,390	898	108,348	2,984,636
Investment properties	–	–	32,314	32,314
Available-for-sale financial assets	–	–	37,763	37,763
Intangible asset	–	–	1,555	1,555
Other non-current asset	–	11,695	–	11,695
Current assets	138,637	105,899	201,909	446,445
Total segment assets	3,014,027	118,492	381,889	3,514,408
Unallocated assets				
Goodwill				39,040
Pledged deposits				70,273
Bank balances and cash				368,050
Total assets				3,991,771
Allocated liabilities				
Total segment liabilities	1,698,499	42,988	90,547	1,832,034
Total liabilities				1,832,034
Capital expenditures incurred during the year	1,319,714	776	26,611	1,347,101

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 10% (2006: 10%) of the segment assets under the other two business segments are located in China and the remaining are mainly located in Hong Kong.

35. RELATED PARTY TRANSACTIONS

Group

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

Compensation of key management personnel of the Group for the year are as follows:

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

Company

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

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

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

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

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

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

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2007

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

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2007 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

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

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

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

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Year ended 31 December 2007

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

Foreign currency risk ***(Continued)***

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

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

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

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

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

Equity price risk

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

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

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

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

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

Equity price risk *(Continued)*

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

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

Credit risk

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

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

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

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

Trading of investment securities and derivative financial instruments are mainly entered with counterparties with sound credit rating and the management does not expect any investment counterparty to fail to meet its obligations. In this regard, the Group does not expect to incur material credit losses on managing financial instruments.

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

Notes to the Financial Statements

Year ended 31 December 2007

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

Liquidity risk

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

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

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

37. CONTINGENT LIABILITIES

Financial guarantee contracts

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

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

38. RETIREMENT BENEFITS SCHEMES

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

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

The Group's contributions to the retirement benefits schemes charged to the consolidated income statement during the year was HK$2,298,000 (2006: HK$1,884,000).

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39. POST BALANCE SHEET EVENTS

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

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

40. COMPARATIVE FIGURES

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

41. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	54.77%	52.99%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	54.77%	52.99%	Investment holding	Worldwide

41. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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41. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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Year ended 31 December 2007

41. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Notes to the Financial Statements

Year ended 31 December 2007

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2007	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinrong Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinying Marine Inc.	2 common shares of US$1 each	54.77%	–	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	54.77%	52.99%	Ship owning	Worldwide
Incorporated in the State of Delaware, United States of America					
Jinhui Shipping (USA) Inc.	500 shares of US$1 each	54.77%	52.99%	Shipping agent	United States of America

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

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