

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

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

Basis of consolidation

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

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

Goodwill

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

Drydocking, repairs and survey costs

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

Foreign currencies

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

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

Operating leases

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

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Employee benefits

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

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

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

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

Fixed assets

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Fixed assets *(Continued)*

Leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses, except for a leasehold land and building which is stated at valuation made in 1994 by a professional valuer on an open market existing use basis less accumulated depreciation and impairment losses.

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

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

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

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

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

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

Depreciation of fixed assets

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

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Depreciation of fixed assets (Continued)

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

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

Intangible asset

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

Subsidiaries

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

Associates

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other investments

Co-operative joint ventures

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

Unlisted club debentures

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

Impairment of assets

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

Calculation of recoverable amount

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Reversals of impairment losses

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

Inventories

Inventories comprise ship stores, which include bunker fuel stores, and trading goods.

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

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

Short-term investments

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

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

Provisions

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

Notes to the Financial Statements

Year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Forward freight agreements ("FFAs")

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

Cash equivalents

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

Related parties

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

Segment reporting

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

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

2. RECENTLY ISSUED ACCOUNTING STANDARDS

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

The Group has not early adopted these new HKFRSs in the financial statements for year ended 31 December 2004. However, the Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of these new HKFRSs would not have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of these new HKFRSs and other significant changes may be identified as a result.

Notes to the Financial Statements

Year ended 31 December 2004

3. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are analyzed as follows:

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

4. LOSSES ON FORWARD FREIGHT AGREEMENTS

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

Notes to the Financial Statements

Year ended 31 December 2004

5. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

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

Notes to the Financial Statements

Year ended 31 December 2004

6. INTEREST EXPENSES

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

7. DIRECTORS' EMOLUMENTS

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

7. DIRECTORS' EMOLUMENTS *(Continued)*

Emoluments of the directors were within the following bands:

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

8. EMPLOYEES' EMOLUMENTS

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

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

Notes to the Financial Statements

Year ended 31 December 2004

8. EMPLOYEES' EMOLUMENTS (Continued)

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

	Number of individual	
	2004	2003
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–

9. TAXATION

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

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

Notes to the Financial Statements

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9. TAXATION (Continued)

Reconciliation of tax expense:

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

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

10. NET PROFIT FOR THE YEAR

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

11. PROPOSED FINAL DIVIDENDS AFTER BALANCE SHEET DATE

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

Notes to the Financial Statements

Year ended 31 December 2004

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year is calculated on the net profit attributable to shareholders for the year of HK\$227,514,000 (2003: HK\$36,676,000) and the weighted average number of 52,624,248 (2003: 52,624,248) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

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

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

Notes to the Financial Statements

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13. FIXED ASSETS

Group

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

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13. FIXED ASSETS (Continued)

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

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

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

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

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

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

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14. GOODWILL

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

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

15. INTANGIBLE ASSET

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

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16. INTERESTS IN SUBSIDIARIES

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

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

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

17. INTERESTS IN ASSOCIATES

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

Notes to the Financial Statements

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18. OTHER INVESTMENTS

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

19. OTHER NON-CURRENT ASSETS

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

Notes to the Financial Statements

Year ended 31 December 2004

20. INVENTORIES

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

Inventories at balance sheet date were carried at cost.

21. SHORT-TERM INVESTMENTS

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

Notes to the Financial Statements

Year ended 31 December 2004

22. TRADE RECEIVABLES

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

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

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

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

23. TRADE PAYABLES

The aging analysis of trade payables is as follows:

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

Notes to the Financial Statements

Year ended 31 December 2004

24. SECURED BANK LOANS AND OVERDRAFTS

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

Notes to the Financial Statements

Year ended 31 December 2004

25. ISSUED CAPITAL

Company

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

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

26. SHARE OPTIONS

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

Notes to the Financial Statements

Year ended 31 December 2004

26. SHARE OPTIONS (Continued)

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

26. SHARE OPTIONS (Continued)

Notes:

- (a) The share options granted to Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas, directors of the Company had been approved by shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options will become exercisable upon the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year 2005. These share options may be exercised during the period commencing on 1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005, whichever is the later, and ending on 22 December 2014 being the end of the 10-year period from 23 December 2004, or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.
- (b) These share options were granted to employees of the Group, other than directors of the Company, under vesting schedule, which began on 7 January 2005 with monthly exercisable limit of about 10% of the share options granted.
- (c) The share options granted are not recognized in the financial statements until they are exercised. The weighted average value per option granted in 2004, estimated at the date of grant using the Black-Scholes pricing model was HK\$6.6. The calculation of the weighted average value per option granted during the year does not take into account options granted and forfeited during the year. The weighted average assumptions used are as follows:

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

27. RESERVES

Group

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

The application of the share premium account and the capital redemption reserve is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance. The capital reserve has been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on acquisition of subsidiaries and associates prior to 1 January 2001, revaluation of fixed assets and foreign currency translation.

Notes to the Financial Statements

Year ended 31 December 2004

27. RESERVES (Continued)

Company

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

Retained profits includes HK\$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK\$100,579,000 (2003: HK\$102,364,000).

Notes to the Financial Statements

Year ended 31 December 2004

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

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

Notes to the Financial Statements

Year ended 31 December 2004

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

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

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

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

29. DEFERRED TAXATION

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

30. PLEDGE OF ASSETS

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

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

31. COMMITMENTS

(a) Capital expenditure commitments

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

Notes to the Financial Statements

Year ended 31 December 2004

31. COMMITMENTS (Continued)

(b) Commitments under operating leases (as lessee)

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

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

Notes to the Financial Statements

Year ended 31 December 2004

31. 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	
	2004	2003
	HK\$'000	HK\$'000
Within one year:		
Land and buildings	632	734
Time charter hire from owned vessels	134,960	53,360
Time charter hire from chartered-in vessels	295,437	206,672
	431,029	260,766
After one year but within five years:		
Land and buildings	–	572
Time charter hire from chartered-in vessels	104,411	–
	104,411	572
	535,440	261,338

Notes to the Financial Statements

Year ended 31 December 2004

32. SEGMENTAL INFORMATION

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

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

Notes to the Financial Statements

Year ended 31 December 2004

32. SEGMENTAL INFORMATION (Continued)

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

	Chartering freight and hire HK\$'000	Trading HK\$'000	Investments in China HK\$'000	Other operations HK\$'000	Total HK\$'000
Turnover	809,045	239,470	–	–	1,048,515
Other operating income	40,235	3,083	7,854	5,079	56,251
Reversal of impairment loss of motor vessels	104,276	–	–	–	104,276
	953,556	242,553	7,854	5,079	1,209,042
Operating expenses	(775,879)	(237,511)	(4,419)	(247)	(1,018,056)
Other net (expenses) income	–	(422)	421	(27,669)	(27,670)
Depreciation and amortization	(58,496)	(588)	(2,536)	(2,951)	(64,571)
Profit (Loss) from operations	119,181	4,032	1,320	(25,788)	98,745
Interest income					4,279
Interest expenses					(20,947)
Profit before taxation					82,077
Taxation					(64)
Profit from ordinary activities after taxation					82,013
Minority interests					(45,337)
Net profit for the year					36,676

- (iii) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 90% (2003: 90%) of the Group's trading business was carried out in Hong Kong and the balance was mainly carried out in China. The Group's other operations, including property investments, foreign currency transactions and short-term investments, were mainly carried out in Hong Kong in both years.

Notes to the Financial Statements

Year ended 31 December 2004

32. SEGMENTAL INFORMATION (Continued)

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

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

Notes to the Financial Statements

Year ended 31 December 2004

32. SEGMENTAL INFORMATION (Continued)

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

33. CONTINGENT LIABILITIES

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

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

34. RETIREMENT BENEFITS SCHEMES

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

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

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

Notes to the Financial Statements

Year ended 31 December 2004

35. DIRECTORS' INTERESTS IN CONTRACTS

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

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

Other than as disclosed above, none of the directors has a service contract with any member of the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

36. POST BALANCE SHEET EVENTS

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

37. ULTIMATE HOLDING COMPANY

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

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Year ended 31 December 2004

38. PRINCIPAL SUBSIDIARIES

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

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38. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Hong Kong (Continued)				
Exalten Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK\$1 each	59.61%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK\$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK\$1 each	59.61%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	2 shares of HK\$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Linkford International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK\$1 each	59.61%	Property investment	Hong Kong
* Yee Lee Industrial Chemical, Limited	50,000 shares of HK\$100 each	75%	Trading of chemical and industrial raw materials	Hong Kong

Notes to the Financial Statements

Year ended 31 December 2004

38. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in the Republic of Liberia				
Galsworthy Limited	1 registered share of US\$1 each	59.61%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Jinbi Shipping Ltd	1 registered share of US\$1 each	59.61%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Wonder Enterprises Ltd	500 registered shares of US\$1 each	59.61%	Ship chartering	Worldwide
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinhai Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US\$1 each	59.61%	Ship owning	Worldwide

Notes to the Financial Statements

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38. PRINCIPAL SUBSIDIARIES (Continued)

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

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

* Companies not audited by Moores Rowland Mazars.