Notes to the Financial Statements

Year ended 31 December 2006

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 27.

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 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 HKAS 39 and HKFRS 4 Amendments "Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts". The adoption of this amendment did not have significant effects on the financial statements of the Group and the Company.

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 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Excess of the Group's interest in the net fair value of the 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

Acquisitions of minority interests are accounted for as transactions 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.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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

Drydocking, repairs and survey costs

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

Foreign currencies

Items included in the 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.

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 term.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Property, plant and equipment

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Intangible asset

Intangible asset represents club entrance fee and is amortized on a straight-line basis over 36 years.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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, deferred drydocking expenses 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 costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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

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

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 are 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 and forward freight agreements 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 unlisted investment is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the unlisted investment 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 equivalents

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

Related parties

A party is related to the Group if:

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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$84,610,000 (2005: HK$118,919,000). A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were deteriorated, resulting in an impairment of their ability to make payments, additional provision will be required.

Provision for inventories

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

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 2007 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.

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	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	**591,176**	645,302
Other chartering freight and hire income	**626,825**	1,027,490
Trading	**332,762**	312,443
	1,550,763	1,985,235
Other revenue		
Dividend income from listed securities	**386**	823
Dividend income from unlisted investment	**10,902**	11,783
Interest income	**20,067**	13,983
Revenue	**1,582,118**	2,011,824

4. CANCELLATION FEE INCOME

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

5. STAFF COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Directors' other emoluments:		
Salaries and other benefits	**23,989**	12,606
Employee share-based payments	**20,807**	17,373
Contributions to retirement benefits schemes	**90**	88
Employees other than Directors:		
Salaries and other benefits	**34,413**	31,648
Employee share-based payments	**2,740**	2,739
Contributions to retirement benefits schemes	**1,794**	1,674
	83,833	66,128

At balance sheet date, the Group had 105 full-time employees and 293 crew (2005: 107 full-time employees and 330 crew).

6. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration		
Audit service	**1,308**	908
Other non-audit related services	**1,232**	190
Cost of inventories	**298,083**	279,688
Amortization of intangible asset	**44**	–
Hire payments under time charters	**575,381**	725,755
Operating lease payments in respect of premises	**4,337**	4,579
Net exchange (gain) loss	**(4,718)**	12,699
Net loss on financial assets and financial liabilities at fair value through profit or loss	**12,606**	23,255
Loss on written off of an intangible asset	**–**	105
Gain on disposal/written off of property, plant and equipment, other than motor vessels	**(81)**	(146)
Gain on disposal of an investment property	**(1,609)**	–
Reversal of impairment loss of property, plant and equipment included in other operating income	**(11,568)**	(11,234)
Gain on disposal of a subsidiary	**(173)**	–
Provision for bad and doubtful debts	**2,422**	2,160
Recovery of claim receivable	**–**	(2,323)
Retirement benefits schemes contributions	**1,884**	1,762
Revaluation surplus of investment properties	**(227)**	(1,438)
Gross rental income from operating leases on investment properties	**(575)**	(455)
Direct operating expenses arising from investment properties that generated rental income	**102**	253

7. INTEREST EXPENSES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts:		
Wholly repayable within five years	**19,803**	5,447
Not wholly repayable within five years	**56,249**	34,766
	76,052	40,213

8. TAXATION

	Group	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**2,796**	2,456
Under provision in prior years	**–**	18
	2,796	2,474

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 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.

8. TAXATION *(Continued)*

Reconciliation of tax expense:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**421,092**	843,430
Income tax at the rates applicable to profits in the tax jurisdiction concerned	**4,794**	26,520
Non-deductible expenses	**2,223**	1,019
Tax exempt revenue	**(8,253)**	(36,881)
Unrecognized tax losses	**8,466**	12,605
Unrecognized temporary differences	**(977)**	(798)
Utilization of previously unrecognized tax losses	**(3,586)**	(2)
Under provision in prior years	**–**	18
Others	**129**	(7)
Tax expense for the year	**2,796**	2,474

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

9. DIRECTORS' EMOLUMENTS

Name	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits schemes HK$'000	Sub-total HK$'000	Employee share-based payments* HK$'000	2006 Total HK$'000	2005 Total HK$'000
Executive Directors								
Ng Siu Fai	1,933	1,157	8,820	14	11,924	11,568	23,492	17,192
Ng Kam Wah Thomas	1,933	960	8,720	15	11,628	8,094	19,722	13,281
Ng Ki Hung Frankie	1,326	1,066	1,820	15	4,227	1,145	5,372	3,421
Ho Suk Lin	780	818	628	46	2,272	–	2,272	2,145
Independent Non-executive Directors								
Cui Jianhua	100	–	–	–	100	–	100	100
Tsui Che Yin Frank	235	–	–	–	235	–	235	115
William Yau	190	–	–	–	190	–	190	95
	6,497	4,001	19,988	90	30,576	20,807	51,383	36,349

Note * : These employee share-based payments are recognized under HKFRS 2 as disclosed in note 28 in relation to the share options granted by the Company to Directors.

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2005: four) Directors whose details of emoluments are set out in note 9 above. Emoluments of the remaining one (2005: 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 2006 HK$'000	Group 2005 HK$'000
Salaries and other benefits	1,797	1,786
Discretionary bonus	231	231
Employee share-based payments	165	165
Contributions to retirement benefits schemes	30	30
	2,223	2,212

11. NET PROFIT FOR THE YEAR

The consolidated net profit attributable to shareholders of the Company for the year included a net profit of HK$8,278,000 (2005: HK$172,708,000) which has been dealt with in the financial statements of the Company.

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

	Company	
	2006	2005
	HK$'000	*HK$'000*
Amount of consolidated net profit attributable to shareholders dealt with in the Company's financial statements	**8,278**	172,708
Dividends from a subsidiary attributable to the net profit for the year	**23,700**	162,911
Other transactions with subsidiaries	**4,002**	3,346
Company's net profit for the year	**35,980**	338,965

12. DIVIDENDS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interim dividend declared during the year		
2005 interim dividend of HK$0.19 per share declared and paid	**–**	101,356

The Board has resolved not to recommend the payment of any final dividend for the year (2005: nil). As there is no interim dividend payable during the year (2005: HK$0.19 per share), there will be no dividend distribution for the whole year of 2006 (2005: HK$0.19 per share).

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$223,192,000 (2005: HK$526,862,000) and the weighted average number of 529,673,508 (2005: 531,337,466) 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$223,192,000 (2005: HK$526,862,000) 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:

	2006 Number of shares	2005 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**529,673,508**	531,337,466
Deemed issue of ordinary shares on granting of share options	**4,208,112**	5,357,026
	533,881,620	536,694,492

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings 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 2005	210,248	1,309,313	208,731	842	32,995	1,762,129
Reclassification	(10,231)	315,745	(315,745)	–	–	(10,231)
Additions	500	960,922	210,942	39	1,436	1,173,839
Disposals/written off	(459)	–	–	(71)	(612)	(1,142)
Revaluation	3,038	–	–	–	–	3,038
At 31 December 2005	203,096	2,585,980	103,928	810	33,819	2,927,633
Reclassification	–	257,944	(257,944)	–	–	–
Additions	300	891,266	411,888	–	4,524	1,307,978
Disposals/written off	–	(853,014)	–	(488)	(1,917)	(855,419)
At 31 December 2006	**203,396**	**2,882,176**	**257,872**	**322**	**36,426**	**3,380,192**
Accumulated depreciation and impairment losses						
At 1 January 2005	116,816	383,532	–	804	26,154	527,306
Charge for the year	3,849	87,603	–	38	2,582	94,072
Reclassification	(1,169)	–	–	–	–	(1,169)
Eliminated on disposals/written off	(96)	–	–	(71)	(404)	(571)
Impairment loss reversed	(11,234)	–	–	–	–	(11,234)
At 31 December 2005	108,166	471,135	–	771	28,332	608,404
Charge for the year	4,321	97,651	–	16	2,846	104,834
Eliminated on disposals/written off	–	(294,390)	–	(488)	(1,557)	(296,435)
Impairment loss reversed	(11,568)	–	–	–	–	(11,568)
At 31 December 2006	**100,919**	**274,396**	**–**	**299**	**29,621**	**405,235**
Net book value						
At 31 December 2006	**102,477**	**2,607,780**	**257,872**	**23**	**6,805**	**2,974,957**
At 31 December 2005	94,930	2,114,845	103,928	39	5,487	2,319,229

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

Group

	Leasehold land and buildings 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
Analysis of cost or valuation of property, plant and equipment						
At 31 December 2006						
At Cost	150,396	2,882,176	257,872	322	36,426	3,327,192
At professional valuation in 1994	53,000	–	–	–	–	53,000
	203,396	**2,882,176**	**257,872**	**322**	**36,426**	**3,380,192**

Having regard to the moderate recovery 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 2006. The review led to the recognition of reversal of impairment loss of HK$11,568,000 in the income statement of 2006. 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 amounts at cost less accumulated depreciation and impairment losses would have been:

	Group 2006 HK$'000	Group 2005 HK$'000
Leasehold land and buildings	**90,379**	94,930

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

15. INVESTMENT PROPERTIES

Group

	HK$'000
At fair value	
At 1 January 2005	24,500
Reclassification	9,062
Revaluation	1,438
At 31 December 2005	35,000
Additions	22,587
Disposal	(25,500)
Revaluation	227
At 31 December 2006	**32,314**

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

	HK$'000
Cost	
At 1 January 2005	46,348
Release on disposal of partial interests in a subsidiary	(7,308)
Carrying amount at 31 December 2005 and **31 December 2006**	**39,040**

This goodwill arose from deemed acquisition of additional interests in 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.

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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted club debentures, at fair value	**7,410**	7,410	**5,000**	5,000
Changes in fair value	**2,506**	1,681	**1,541**	1,260
	9,916	9,091	**6,541**	6,260
Unlisted investments, at cost				
Co-operative joint ventures	**27,847**	27,847	**–**	–
Other unlisted investments, at cost	**11,723**	11,723	**–**	–
Less: Accumulated impairment losses	**(11,723)**	(11,723)	**–**	–
	–	–	**–**	–
	37,763	36,938	**6,541**	6,260

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

The unlisted investments in co-operative joint ventures are not stated at fair value as the range of reasonable fair value estimates is wide and the probabilities of various estimates cannot be reliably assessed.

18. INTANGIBLE ASSET

	Group	
	2006	2005
	HK$'000	*HK$'000*
Club entrance fee		
Cost		
At 1 January	**–**	250
Additions	**1,599**	–
Written off	**–**	(250)
At 31 December	**1,599**	–
Accumulated amortization		
At 1 January	**–**	145
Charge for the year	**44**	–
Written off	**–**	(145)
At 31 December	**44**	–
Net book value		
At 31 December	**1,555**	–

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Shares of Jinhui Shipping listed on the Oslo Stock Exchange, at cost	**374,995**	296,244
Unlisted shares, at cost	**13**	13
	375,008	296,257

Details of the Company's principal subsidiaries are set out in note 40 to the financial statements.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

During the year, the Company had further increased its shareholdings in Jinhui Shipping from 50.21% to 52.99% by acquiring additional 2,332,500 shares of Jinhui Shipping for approximately HK$78,751,000 at the open market in Oslo Stock Exchange. Accordingly, the minority interests of the Group in relation to Jinhui Shipping was decreased by HK$49,271,000 from 49.79% to 47.01% and the difference of HK$29,480,000 had been charged directly to retained profits with no impact on the consolidated income statement for the year.

The market value of 52.99% (2005: 50.21%) in the share capital of Jinhui Shipping attributable to the Group amounted to approximately HK$1,765,922,000 (2005: HK$815,305,000) at balance sheet date.

20. OTHER NON-CURRENT ASSETS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred drydocking expenses, at cost	**15,488**	12,924
Less: Amount written off	**(5,809)**	(6,271)
	9,679	6,653
Loan receivable	**22,875**	24,887
Less: Amount included in other receivables in current assets	**(11,180)**	(2,713)
Loan receivable due over one year	**11,695**	22,174
	21,374	28,827

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

21. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Ship stores	**183**	226
Trading goods	**13,408**	16,423
	13,591	16,649

Inventories at balance sheet date were carried at cost.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**84,610**	118,919	**–**	–
Prepayments, deposits and other receivables	**165,550**	106,801	**499**	21,364
	250,160	225,720	**499**	21,364

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 90 days	**58,362**	98,447
91 – 180 days	**22,873**	17,452
181 – 365 days	**1,568**	1,964
Over 365 days	**1,807**	1,056
	84,610	118,919

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

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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	**44,491**	44,331	**22,582**	21,605
Listed outside Hong Kong	**–**	5,470	**–**	5,470
	44,491	49,801	**22,582**	27,075
Debt securities				
Listed outside Hong Kong	**15,093**	15,400	**15,093**	15,400
Unlisted	**17,393**	–	**–**	–
	32,486	15,400	**15,093**	15,400
Derivative financial instruments				
Equity linked investments	**50,826**	–	**15,365**	–
Bank deposits with embedded derivatives	**43,343**	–	**–**	–
Interest rate swaps	**7,346**	6,008	**–**	–
Forward foreign exchange contracts and options	**4,202**	1,158	**804**	–
Securities derivatives	**–**	6	**–**	–
Forward freight agreements	**–**	27,415	**–**	–
	105,717	34,587	**16,169**	–
	182,694	99,788	**53,844**	42,475
Analysis of financial liabilities at fair value through profit or loss:				
Held for trading or not qualifying as hedges				
Derivative financial instruments				
Interest rate swaps	**–**	942	**–**	–
Forward foreign exchange contracts and options	**30,962**	11,646	**1,123**	153
Securities derivatives	**2,417**	–	**2,417**	–
Forward freight agreements	**–**	17,735	**–**	–
	33,379	30,323	**3,540**	153

24. DUE FROM SUBSIDIARIES

The amount due from subsidiaries is unsecured, interest-free and has no fixed repayment term. The carrying amount of the amount due represents approximately its fair value.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**33,118**	23,975	**–**	–
Accrued charges and other payables	**156,189**	161,056	**11,953**	7,037
	189,307	185,031	**11,953**	7,037

The aging analysis of trade payables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 90 days	**22,192**	14,308
91 – 180 days	**167**	1,256
181 – 365 days	**1,124**	84
Over 365 days	**9,635**	8,327
	33,118	23,975

26. SECURED BANK LOANS

	Group	
	2006	2005
	HK$'000	*HK$'000*
The maturity of secured bank loans is as follows:		
Within one year	**175,951**	154,598
After one year but within two years	**153,335**	90,175
After two years but within five years	**426,936**	286,855
After five years	**850,694**	628,175
	1,606,916	1,159,803
Less: Amount included in current liabilities	**(175,951)**	(154,598)
Amount included in non-current liabilities	**1,430,965**	1,005,205

At balance sheet date, secured bank loans included vessel mortgage loans of approximately HK$1,587,810,000 that were denominated in United States Dollars and were committed on floating rate basis at 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

	2006		2005	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Authorized				
At 1 January	1,000,000,000	100,000	100,000,000	100,000
Share Subdivision *(Note 1)*	–	–	900,000,000	–
At 31 December	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid				
At 1 January	533,940,480	53,394	52,624,248	52,624
Shares issued upon exercise of share options before Share Subdivision effective	–	–	546,800	547
	533,940,480	53,394	53,171,048	53,171
Share Subdivision effective on 23 May 2005 *(Note 1)*	–	–	478,539,432	–
	533,940,480	53,394	531,710,480	53,171
Shares issued upon exercise of share options after Share Subdivision effective	594,000	59	2,230,000	223
Shares repurchased and cancelled *(Note 2)*	(9,151,000)	(915)	–	–
At 31 December	**525,383,480**	**52,538**	533,940,480	53,394

Notes:

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

27. SHARE CAPITAL *(Continued)*

Notes:

2. During the year, the Company had repurchased 9,151,000 shares of the Company at the open market in the Hong Kong Stock Exchange. Details of the repurchase are as follows:

Month of 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*
June 2006	2,471,000	1.64	1.59	3,985
July 2006	6,680,000	1.72	1.58	10,981
	9,151,000			14,966

The repurchased shares were subsequently cancelled in 2006 and accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. An amount of approximately HK$915,000 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 41.

28. 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 values 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

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

The Black-Scholes option pricing model was developed for use 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.

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

	Number of options granted	Value of options at grant date *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

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

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

Notes:

1. The Group had recognized these share options in income statements with corresponding increase in equity.

	2006 *HK$'000*	2005 *HK$'000*
Employee share-based payments recognized under HKFRS 2		
In respect of options granted to Directors	**20,807**	17,373
In respect of options granted to employees other than Directors	**2,740**	2,739
	23,547	20,112

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.

(b) Movements in the number of share options and weighted average share price of the Company at dates of exercise of options in 2006:

	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	10,500,000	4,150,000	1,824,000
Granted during the year	–	9,552,000	–	–
Exercised during the year	–	–	(574,000)	(20,000)
Outstanding at end of the year	**52,620,000**	**20,052,000**	**3,576,000**	**1,804,000**
Exercisable at end of the year	**52,620,000**	**20,052,000**	***Note 3***	**1,804,000**
Weighted average share price of the Company at dates of exercise of options in 2006	N/A	N/A	HK$2.07	HK$2.00

28. 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 2006: *(Continued)*

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 2006.

(c) Share options outstanding as at 31 December 2006 had the following remaining contractual lives and exercise prices:

	Number of outstanding share options as at 31 December 2006	Remaining contractual life	Exercise price *HK$*
Options granted on 23 December 2004			
Performance based options to Directors	52,620,000	8 years	1.60
Non-performance based options to Directors	10,500,000	3 years	1.60
Options with vesting schedules to employees other than Directors	3,576,000	3 years	1.60
Options without vesting schedule to employees other than Directors	1,804,000	3 years	1.60
Options granted on 29 June 2006			
Non-performance based options to Directors	9,552,000	10 years	1.57
	78,052,000		

29. 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 40 and 41.

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$295,435,000 (2005: HK$274,475,000).

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**421,092**	843,430
Depreciation and amortization	**104,878**	94,072
Interest income	**(20,067)**	(13,983)
Interest expenses	**76,052**	40,213
Dividend income from listed securities	**(386)**	(823)
Dividend income from unlisted investment	**(10,902)**	(11,783)
Employee share-based payments	**23,547**	20,112
Loss on written off of an intangible asset	**–**	105
Gain on disposal/written off of property, plant and equipment	**(209,754)**	(146)
Gain on disposal of an investment property	**(1,609)**	–
Reversal of impairment loss of property, plant and equipment	**(11,568)**	(11,234)
Gain on disposal of a subsidiary	**(173)**	–
Gain on disposal of partial interests in a subsidiary	**–**	(102,855)
Provision for bad and doubtful debts	**2,422**	2,160
Provision for impairment loss of available-for-sale financial assets	**–**	23
Recovery of claim receivable	**–**	(2,323)
Revaluation surplus of investment properties	**(227)**	(1,438)
Net drydocking expense deferred	**(10,116)**	(2,266)
Effects of exchange rates movement	**236**	–
Changes in working capital:		
Inventories	**3,058**	10,526
Trade and other receivables	**61,715**	(10,643)
Financial assets and financial liabilities at fair value through profit or loss	**(73,147)**	(253,304)
Trade and other payables	**(24,586)**	(102,322)
Cash generated from operations	**330,465**	497,521

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

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Bank balances and cash	**51**	–
Provision for taxation	**(50)**	–
	1	–
Gain on disposal of a subsidiary	**173**	–
Total consideration	**174**	–
Total consideration satisfied by:		
Net sale proceeds satisfied in cash	**39**	–
Other receivables	**135**	–
	174	–

(ii) Net cash outflow on disposal of a subsidiary

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net sale proceeds satisfied in cash	**39**	–
Bank balances and cash disposed	**(51)**	–
	(12)	–

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

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Goodwill released	–	7,308
Loss of dividend receivable which paid to minority interests	–	12,324
Increase in minority interests	–	125,862
Gain on disposal of partial interests in a subsidiary *(Note)*	–	102,855
Total consideration, satisfied by cash	–	248,349
Net cash inflow on disposal of partial interests in a subsidiary:		
Gross sale proceeds	–	252,773
Commission to placing agent	–	(4,424)
	–	248,349

Note: The amount represented a gain on disposal of 7,900,000 shares or 9.4% interests in the then share capital of Jinhui Shipping in year 2005.

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Bank balances and cash	**368,050**	395,614

31. DEFERRED TAXATION

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deductible temporary differences	**4,713**	6,704
Tax losses	**525,569**	516,737
At 31 December	**530,282**	523,441

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$2,671,828,000 (2005: HK$2,079,281,000);

(b) Deposits totalling HK$70,273,000 (2005: HK$19,610,000) of the Group placed with banks and other institution;

(c) Financial assets at fair value through profit or loss with market value of HK$41,302,000 (2005: nil); and

(d) Assignment of twelve (2005: ten) ship owning companies' chartering income in favour of banks.

In addition, shares of ten (2005: ten) ship owning companies were charged to banks for vessel mortgage loans.

33. COMMITMENTS

(a) Capital expenditure commitments

At balance sheet date, the Group had outstanding capital expenditure commitments relating to the acquisition of eleven (2005: four) newbuildings and three (2005: nil) second hand vessels at a total purchase price of approximately HK$3,353,623,000 (2005: HK$766,738,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$3,025,123,000 (2005: HK$665,494,000).

(b) Commitments under operating leases (as lessee)

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year:		
Premises	**522**	779
Time charter hire	**372,878**	487,891
	373,400	488,670
After one year but within five years:		
Premises	**540**	333
Time charter hire	**136,843**	337,279
	137,383	337,612
	510,783	826,282

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	
	2006	2005
	HK$'000	*HK$'000*
Within one year:		
Premises	**500**	336
Time charter hire from owned vessels	**623,830**	183,984
Time charter hire from chartered-in vessels	**299,639**	186,452
Others	**185**	–
	924,154	370,772
After one year but within five years:		
Premises	**–**	56
Time charter hire from owned vessels	**423,501**	–
Time charter hire from chartered-in vessels	**295,562**	–
Others	**51**	–
	719,114	56
	1,643,268	370,828

34. SEGMENT INFORMATION

(a) (i) 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	27,111	4,207	30,211	61,529
	1,454,785	336,969	30,211	1,821,965
Operating expenses	(888,740)	(320,391)	(30,879)	(1,240,010)
Depreciation and amortization	(97,676)	(337)	(6,865)	(104,878)
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

34. SEGMENT INFORMATION *(Continued)*

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

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

(iii) The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 83% (2005: 83%) and 11% (2005: 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, equity and debt securities, equity linked investments and foreign currency transactions which were mainly carried out in Hong Kong in both years; and in 2005, there was a gain of HK$102,855,000 on disposal of partial interests in a subsidiary of the Company, Jinhui Shipping, in Norway.

34. SEGMENT INFORMATION *(Continued)*

(b) (i) 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	2,865,711	898	108,348	2,974,957
Investment properties	–	–	32,314	32,314
Available-for-sale financial assets	–	–	37,763	37,763
Intangible asset	–	–	1,555	1,555
Other non-current assets	9,679	11,695	–	21,374
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	1,303,178	776	26,611	1,330,565

34. SEGMENT INFORMATION *(Continued)*

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

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

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 10% (2005: 15%) 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:

	2006 *HK$'000*	2005 *HK$'000*
Directors' fees	6,497	6,282
Salaries and other benefits	29,903	17,872
Employee share-based payments	21,138	17,703
Contributions to retirement benefits schemes	414	362
	57,952	42,219

Company

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

(a) Receipt of dividends of HK$23,700,000 (2005: HK$162,911,000) from a subsidiary;

(b) Payment of an administrative fee of HK$2,476,000 (2005: HK$2,264,000) to an indirect subsidiary;

(c) Receipt of interest income of HK$7,918,000 (2005: HK$7,050,000) from its subsidiaries;

(d) Payment of rental charges of HK$1,440,000 (2005: HK$1,440,000) to its subsidiaries;

35. RELATED PARTY TRANSACTIONS *(Continued)*

Company

(e) On 29 June 2006, 9,552,000 share options of the Company were granted to the Directors who are also directors of Jinhui Shipping at nil consideration. Save as disclosed herein, during the year, no share option of the Company was granted to any other officer or employee of the Group; and

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

	2006	2005
	HK$'000	*HK$'000*
Directors' fees	**310**	310
Salaries and other benefits	**14,489**	9,487
Employee share-based payments	**3,171**	2,655
Contributions to retirement benefits schemes	**90**	88
	18,060	12,540

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

The Group also entered into interest rate swaps so as to mitigate the interest rate exposures. At 31 December 2006, the Group had interest rate swaps with a notional contract amount of US$80 million. The fair value of the interest rate swaps entered into by the Group at 31 December 2006 was recognized in balance sheet and, accordingly, HK$7,346,000 (2005: HK$6,008,000) was recognized as financial assets and nil (2005: HK$942,000) was recognized as financial liabilities. The Group had managed the interest rate exposures by entering into interest rate swaps during June 2004 and January 2004 respectively as follows:

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

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

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

Foreign currency risk

The Group's transactions, assets and liabilities for the year ended 31 December 2006 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

In addition, the Group is exposed to foreign currency risk primarily through trading of derivative financial instruments such as forward foreign exchange contracts and options. As at 31 December 2006, the Group had forward foreign exchange contracts and options whose fair values were recognized in the balance sheet and, accordingly, HK$4,202,000 (2005: HK$1,158,000) was recognized as financial assets at fair value through profit or loss and HK$30,962,000 (2005: HK$11,646,000) was recognized as financial liabilities at fair value through profit or loss.

The Group has from time to time closely monitored the foreign currency exposures, to mitigate foreign exchange risks where appropriate and for liquidity management.

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	
	2006	2005
	US$'m	*US$'m*
Long position with maturity:		
Within 3 months	**150**	31
After 3 months but within 6 months	**44**	11
After 6 months	**69**	2
	263	44
Short position with maturity:		
Within 3 months	**58**	15
After 3 months but within 6 months	**7**	11
After 6 months	**4**	–
	69	26

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

Credit risk

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

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

Liquidity risk

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

37. CONTINGENT LIABILITIES

At balance sheet date, the Group had contingent liabilities in respect of a guarantee of approximately HK$78,000,000 (2005: HK$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., under an agreement dated 15 September 2006 regarding the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. 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.

At balance sheet date, the Company has contingent liabilities not provided for in the financial statements in respect of guarantees to secure credit facilities granted to subsidiaries amounting to HK$105,320,000 (2005: HK$108,320,000), and the amount of such facilities utilized was HK$19,106,000 (2005: HK$52,161,000).

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$1,884,000 (2005: HK$1,762,000).

39. POST BALANCE SHEET EVENTS

On 9 January 2007, the Group entered into two construction and sale contracts to acquire two motor vessels of deadweight 54,100 metric tons each for a total consideration of JPY6,880,000,000 which will be delivered to the Group on or before 31 March 2011 and 30 September 2011 respectively.

During January 2007, the Company further increased its shareholdings in Jinhui Shipping from 52.99% to 54.34% by acquiring additional 1,140,500 shares of Jinhui Shipping at the open market in Oslo Stock Exchange for approximately HK$43,232,000.

On 2 March 2007, the Group entered into a memorandum of agreement to acquire a 2003-built vessel of deadweight 52,961 metric tons for a consideration of US$40,500,000 which was delivered to the Group on 26 March 2007 and renamed as "Jin Cheng".

40. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	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	52.99%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	84,045,341 ordinary shares of US$0.05 each	52.99%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US$1 each	52.99%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	52.99%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	52.99%	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

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital	Attributable equity interest at 31/12/2006	Principal activities	Place of operation
Incorporated in Hong Kong				
Carpa Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK$1 each	52.99%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK$1 each	100%	Property investment	Hong Kong
First King International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
First Lion International Limited	2 shares of HK$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK$1 each	52.99%	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 and investment trading	Hong Kong

40. PRINCIPAL SUBSIDIARIES *(Continued)*

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

40. PRINCIPAL SUBSIDIARIES *(Continued)*

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

40. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

* *Companies are not audited by Messrs. Moores Rowland Mazars.*