

Annual
Report
2004



JINHUI HOLDINGS COMPANY LIMITED

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ho Kin Lung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cui Jian Hua
Tsui Che Yin Frank
William Yau

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Moores Rowland Mazars

SHARE LISTING

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS

Standard Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

REGISTERED OFFICE

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

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WEBSITE

www.jinhuiship.com

The Year's Highlights

	2004	2003	Percentage of change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	1,974,661	1,048,515	+88%
Net profit for the year	227,514	36,676	+520%
Cash dividends attributable to the year	63,155	–	N/A
Net cash (debts)	10,809	(616,539)	N/A
Shareholders' equity	720,223	492,697	+46%
Basic earnings per share	HK\$4.32	HK\$0.70	+517%
Cash dividends per share	HK\$1.20	–	N/A
Gearing ratio	N/A	125%	N/A

Chairman's Statement

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK\$1,974,661,000, representing an increase of 88% as compared to that of last year. Although partly offset by the losses on forward freight agreements ("FFAs"), the overall net profit of the Group for the year 2004 soared to a record high of HK\$227,514,000, representing an increase of 520% over net profit of HK\$36,676,000 for year 2003. Basic earnings per share for the year was HK\$4.32 as compared with basic earnings per share of HK\$0.70 for last year.

The shipping market of year 2004 was characterized by a tight demand and supply balance and a high level of volatility. The dry bulk market in 2004 was mainly driven by strong growth in mineral trades as a result of booming activity in China. The freight rates were at very firm level as compared to historical rates though there was a drastic drop during mid of the year.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market value of dry bulk carriers, the book values of the Group's owned vessels vis-a-vis the Group's net asset value as at 31 December 2004 were greatly stated below their current market values. Based on the valuation made by an independent professional valuer, the market values of the Group's eight owned vessels as at 31 December 2004 were approximately HK\$1,571.7 million as compared to their net book values of approximately HK\$925.8 million. In addition, the market values of the Group's six newbuildings under construction as at 31 December 2004 were valued by the independent professional valuer at approximately HK\$1,786.2 million as compared to the total contract prices of approximately HK\$1,283.3 million.

DIVIDENDS

The board of directors (the "Board") has resolved to recommend the payment of a final dividend of HK\$1.20 (2003: nil) per share for the year ended 31 December 2004 to shareholders whose names appear on the register of members of the Company on 12 April 2005.

There was no interim dividend declared in the year (2003: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 April 2005 to 12 April 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 4 April 2005. Dividend warrants will be despatched on 10 May 2005.

Chairman's Statement

BUSINESS REVIEW

Chartering freight and hire. The dry bulk market throughout year 2004 has been characterized by overall strength and extreme volatility. The Baltic Dry Index, an index reflects the performance of charter hire for bulk carriers, opened at 4,765 at the beginning of the year, rose to record 5,681 on 4 February 2004, slumped to the year's low of 2,622 on 22 June 2004, set a new all time high of 6,208 on 6 December 2004 and closed at 4,598 at end of the year.

Baltic Dry Index



The Group's shipping turnover was HK\$1,687,997,000 for the year, representing an increase of 109% as compared to that of last year. Though partly offset by the losses on FFAs during the year, the Group's shipping business recorded an operating profit of HK\$375,965,000 for the year, representing an increase of 215% as compared to an operating profit of HK\$119,181,000 last year.

The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 59.61% owned subsidiary of the Company as at date of this report whose shares are listed on the Oslo Stock Exchange. In view of the upturn of the shipping market during early 2004, Jinhui Shipping has entered into certain FFAs in order to mitigate its risks associated primarily with upward trend of freight rates. However, caused by the unexpected and sudden decline in the freight rates of the dry bulk shipping market which began in March 2004 and continued further in June 2004, the Group suffered from the realized losses incurred from, and the provisions made for the unrealized losses from, the FFAs entered into by the Group since January 2004. The majority of the FFAs entered into by the Group have been squared off during mid of 2004 and hence the Group's losses under such squared off FFAs have been crystallized. All the FFAs entered into by the Group were transacted through professional brokers in England. As a consequence, the losses attributable to the FFAs amounting to HK\$490,947,000 had been recognized as expenses for the year.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

The Group continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet size as appropriate. During the years 2003 and 2004, the Group had committed to acquire six newbuildings of dry bulk carriers for a total consideration of approximately HK\$1,283,256,000; one of which was delivered to the Group on 18 February 2005 as scheduled, two will be delivered later in 2005, one in 2006 and another two in 2007. In addition, the Group further committed on 22 February 2005 to acquire two 2001 built dry bulk carriers for a total consideration of approximately HK\$530,400,000; which are expected to be delivered to the Group on or before 2 May 2005 and 30 June 2005 respectively. During the year, the Group had disposed of two motor vessels with a net gain of HK\$127,201,000.

Subsequent to the year ended 31 December 2004, an amount of approximately HK\$156 million was received by the Group on 14 February 2005 pursuant to an agreement made by the Group on 31 August 2004 whereby one of the Jinhui Shipping's wholly-owned subsidiaries, as charterer, agreed to early terminate a charter party in respect of a chartered-in Capesize vessel. This income will be accounted for in the Group's results for year 2005.

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

Loading Ports Analysis

	2004	2003
<i>(Expressed as a percentage of turnover)</i>	%	%
Australia	29.17	24.50
Asia excluding China	18.94	24.53
South America	17.91	21.09
North America	16.81	14.64
Europe	7.66	3.26
Africa	5.76	3.45
China	3.05	7.49
Others	0.70	1.04
	100.00	100.00

Chairman's Statement

BUSINESS REVIEW *(Continued)*

Discharging Ports Analysis

	2004	2003
<i>(Expressed as a percentage of turnover)</i>	%	%
Asia excluding China	39.29	33.12
China	22.18	26.44
Europe	16.88	18.43
North America	7.86	5.56
Africa	6.68	10.32
South America	3.12	2.26
Australia	1.24	2.25
Others	2.75	1.62
	100.00	100.00

Set out below is a breakdown of types of cargoes carried by the Group during the year 2004:

	Metric Tons <i>(in '000)</i>	%
Coal	4,462	37.01
Minerals	4,448	36.90
Agricultural products	1,545	12.82
Steel products	762	6.32
Cement	509	4.22
Fertilizer	242	2.01
Others	87	0.72
	12,055	100.00

Chairman's Statement

BUSINESS REVIEW *(Continued)*

Trading and investments in China. The turnover for the Group's trading of chemical and industrial raw materials was HK\$286,664,000, representing an increase of 20% as compared to that of last year. Due to the increase in demand and price for chemical and industrial raw materials as a result of economic recovery, the performance of the Group's trading business was improved with an operating profit of HK\$11,755,000, representing an increase of 192% as compared with an operating profit of HK\$4,032,000 last year. The Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather promising. An operating profit of HK\$12,051,000 with respect to the Group's investments in China was recorded for the year against an operating profit of HK\$1,320,000 last year.

Other operations. The Group's other operations recorded an operating profit of HK\$13,151,000 against an operating loss of HK\$25,788,000 for last year. The profit for the year was mainly due to the reversal of impairment loss of HK\$18,907,000 on the Group's leasehold land and buildings located in Hong Kong and, however, offset by the amortization of goodwill of HK\$11,587,000. Goodwill in the amount of HK\$57,935,000 arising from deemed acquisition of additional interests in a subsidiary, Jinhui Shipping, is recognized during the year as a result of the repurchase of 14,383,000 shares of Jinhui Shipping by Jinhui Shipping at an aggregate price of approximately HK\$218,367,000 during the year. The loss for year 2003 was mainly attributed to the exchange loss of HK\$43,090,000 as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. The Group had converted the outstanding Japanese Yen borrowings in relation to the ship mortgage loans into United States Dollars during the last quarter of 2003.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. After the completion of the disposal of two motor vessels before end of year 2004, the total of the Group's securities, bank balances and cash increased to HK\$481,430,000 as at 31 December 2004 (2003: HK\$133,001,000). The Group's bank borrowings decreased to HK\$470,621,000 as at 31 December 2004 (2003: HK\$749,540,000), of which 12%, 10%, 28% and 50% are repayable respectively within one year, one to two years, two to five years and over five years. The Group was in a net cash position (total of securities, cash and cash equivalents net of total interest bearing debts) of HK\$10,809,000 as at 31 December 2004 as compared to net debts (total interest bearing debts net of securities, cash and cash equivalents) of HK\$616,539,000 or gearing ratio, as calculated on the basis of net debts over shareholders' equity, of 125% as at 31 December 2003. All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. The Group hedged the interest rate exposures by entering into interest rate swaps during January 2004 and June 2004 respectively as follows:

- US\$30 million over three years through cap at 2.5% with knock out at 4%; and
- US\$50 million over five years through cap at 4.3% with knock out at 6.5%.

Chairman's Statement

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2004, the Group's fixed assets of HK\$859,153,000 (2003: HK\$1,192,488,000), short-term investments of HK\$10,009,000 (2003: HK\$1,767,000), bank deposits of HK\$23,522,000 (2003: HK\$30,551,000) and shares of five (2003: seven) ship owning companies were pledged together with the assignment of chartering income of five (2003: seven) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK\$199,265,000 (2003: HK\$29,998,000) for the year ended 31 December 2004, approximately HK\$184,087,000 (2003: HK\$28,169,000) was spent on the constructions of the Group's owned vessels.

As at 31 December 2004, there were outstanding capital commitments relating to the newbuildings of six (2003: two) dry bulk carriers at total purchase prices of HK\$1,283,256,000 (2003: HK\$321,516,000) and the total amount contracted but not provided for, net of deposits paid, was HK\$1,076,794,000 (2003: HK\$296,872,000).

Contingent liabilities. The Group had no material contingent liability not provided for both years ended 31 December 2003 and 2004.

RISK MANAGEMENT

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

The Board announced on 2 February 2005 that the Group would not enter into new open position in the trading of FFAs until further notice. The Board believed by terminating the use of FFAs in the prevailing market conditions, unnecessary business risks will be eliminated, thus allowing the management to focus on the core business and achieve a more secure and predictable revenue stream. Should the correlation between FFAs and the physical shipping market normalize to a level where Jinhui Shipping consider the use of FFAs for hedging purpose to be beneficial to the core shipping business, Jinhui Shipping will inform the market immediately before entering into new open position in FFAs. Jinhui Shipping will subsequently inform the public, details of any new FFAs entered into by Jinhui Shipping in the future should they arise.

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

Chairman's Statement

RISK MANAGEMENT *(Continued)*

Foreign currency risk. The Group's transactions, assets and liabilities for year ended 31 December 2004 are mainly denominated in United States Dollars and Hong Kong Dollars. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and, to some extent, for investment purpose.

Interest rate risk. The Group's exposure to interest rate risk relating to bank borrowings is closely monitored and the Group uses financial instruments, as disclosed above, to reduce the risk associated with fluctuations in interest rates.

EMPLOYEES

As at 31 December 2004, the Group had 106 full-time employees and 208 crew (2003: 100 full-time employees and 262 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits.

The Group had adopted a share option scheme at an extraordinary general meeting of the Company on 18 November 2004. On 23 December 2004, options to subscribe for an aggregate of 7,679,200 shares of the Company were granted to the officers and employees of the Group including options granted to Mr. Ng Siu Fai, Chairman of the Company, and Mr. Ng Kam Wah Thomas, Managing Director of the Company, to subscribe for 3,157,000 and 2,105,000 shares of the Company respectively. The grant of share options to both Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas were approved at an extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions as set out in the circular of the Company dated 11 January 2005 including a performance target, whereby the 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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") had revised the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") which became effective on 31 March 2004. In addition, the Companies (Amendment) Ordinance 2003 became effective on 13 February 2004. The Board considered that amendments should be made to the Articles of Associations to bring them in line with the changes required under the revised Listing Rules and the legislative changes. The amendments of relevant Articles of Associations of the Company had been duly passed as special resolutions at the annual general meeting of the Company held on 21 June 2004.

Chairman's Statement

RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants 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.

OUTLOOK

As at date of this report, the total capacity of the Group's fleet is around deadweight 1.3 million metric tons comprising nine owned vessels and twelve chartered-in vessels. Subsequent to the year ended 31 December 2004, the freight rates maintain at very firm level with the Baltic Dry Index reaching around 4,800 by late February 2005 and the Group's trading business and investments in China will also continue to contribute steady returns to the Group.

At this point of time, the Board expects that the market will continue to be volatile in 2005 but the fundamentals in dry bulk shipping remain favourable with the strong demand of vessels in the next few years. The major downside risk of the shipping market still remains as there might be sudden downturn of the Chinese economy. The Board remains cautious on this particular point because there could be a various mix of factors that could trigger such downturn which includes further tightening economic measures from the Chinese government; a combination of Renminbi appreciation plus interest rate hike; a slow down on the US economy and high oil prices.

Going forward, the Board would continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate; maintain a balance in its employment mix by engaging part of its fleet in longer term charters to ensure certainty in future earnings for the Group; and adopt more stringent risk management procedures.

Chairman's Statement

APPRECIATION

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

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 28 February 2005

Business Profile

The Company was incorporated with limited liability in Hong Kong on 23 April 1991 and listed on the Stock Exchange (stock code: 137) on 6 December 1991 as the holding company for a number of ship owning and ship chartering subsidiaries. The Company started diversification of business since 1992 into other businesses such as trading and investments in various industries in China. Following a reorganization in June 1994, Jinhui Shipping became the immediate holding company of the shipping group. In order to generate international interest in Jinhui Shipping, it was listed on the Oslo Stock Exchange (stock code: JIN) since October 1994. The Company currently owns approximately 59.61% interests in Jinhui Shipping.

SHIPPING BUSINESS

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

The Group also owns a number of vessels which are either used for carrying its own cargo or time chartered-out to other shipping operators, whichever is expected to bring a higher economic benefit to the Group. The Group's owned vessels, newbuildings under construction and vessels acquired but not yet delivered as at date of this report are listed below:

Owned Vessels

Name of vessels	Type	DWT	Year built	Builder	Market value* US\$'000
Jin Hai	Handymax	55,557	2005	Oshima	41,000
Jin Ping	Handymax	50,777	2002	Oshima	35,000
Jin Fu	Handymax	50,777	2001	Oshima	33,000
Jin Li	Handymax	50,777	2001	Oshima	33,000
Jin An	Handymax	50,786	2000	Oshima	31,000
Jin Hui	Handymax	50,777	2000	Oshima	31,000
Jin Da	Handymax	41,346	1986	C.S.B.C.	15,000
Jin Shun	Handysize	39,728	1984	Imabari	12,500
Jin Bi	Handysize	34,062	1983	Mitsubishi H.I.	11,000
		424,587			242,500

Business Profile

SHIPPING BUSINESS *(Continued)*

Newbuildings under construction

To be named	Type	DWT	Expected delivery date	Builder	Market value* US\$'000
Jin Yang	Panamax	76,500	Apr 2005	Imabari	45,000
Jin Sheng	Panamax	76,300	Dec 2005	Tsuneishi	42,000
Jin He	Panamax	77,000	Apr 2006	Oshima	40,000
Jin Yi	Handymax	55,300	Jul 2007	Oshima	31,000
Jin Xing	Handymax	55,300	Oct 2007	Oshima	30,000
		340,400			188,000

* Market values of vessels as at 31 December 2004 were made by an independent professional valuer, HSBC Shipping Services Limited.

Vessels acquired but not yet delivered

Name of vessels	Type	DWT	Year built	Builder	Expected delivery date
Progreso Dos	Handymax	50,212	2001	Mitsui	Apr 2005
Futuro Dos	Handymax	50,212	2001	Mitsui	Jun 2005
		100,424			

Apart from the owned vessels, the Group currently operates around twelve chartered-in vessels including one Capesize, eight Panamaxs and three Handymaxes as at date of this report.

Business Profile

SHIPPING BUSINESS (Continued)

Chartered-in vessels

Name of vessels	Type	DWT	Year built
Gran Trader	Capesize	172,579	2001
Red Lily	Panamax	76,500	2004
Goldbeam Trader	Panamax	74,247	2001
Alpha Afovos	Panamax	74,227	2001
Yong Huan	Panamax	74,837	2000
Tian Bai Feng	Panamax	74,271	2000
Yong Feng	Panamax	74,099	2000
Endless	Panamax	73,427	1999
Ocean Favour	Panamax	72,400	1998
Canton Trader (note #)	Handymax	52,300	2003
Nord Monaco	Handymax	50,296	2002
Nordglimt	Handymax	50,236	2000
		919,419	

note #: The motor vessel "Canton Trader" has been chartered-in by the Group since April 2003 with purchase option exercisable by the Group on or after April 2005 at around US\$22 million until April 2010. The market value of this vessel as at 31 December 2004, which was made by an independent professional valuer, HSBC Shipping Services Limited, was US\$35 million.

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

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

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

Business Profile

TRADING

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

OTHER LONG TERM INVESTMENT

Since 1995, the Group has, through a wholly-owned subsidiary of Jinhui Shipping, invested around HK\$45 million, representing 36.7% equity interests, in a co-operative joint venture, namely Shanxi Jinyao Coke & Chemicals Ltd. ("Jinyao"), in Shanxi Province of China, where the country's largest and best coking coal reserve is found. Jinyao operates battery type of metallurgical coke production and has currently achieved an annual capacity of around 280,000 tonnes. The investment is expected to bring contribution to the Group for 20 years up to 2015.

Financial Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Consolidated Income Statements					
Turnover	1,974,661	1,048,515	756,179	864,485	699,458
Profit (Loss) from operations	412,922	98,745	(89,290)	576	(90,748)
Share of results of associates	–	–	–	(133)	141
Interest income	4,165	4,279	6,113	18,147	28,223
Interest expenses	(22,972)	(20,947)	(22,250)	(24,454)	(17,431)
Profit (Loss) before taxation	394,115	82,077	(105,427)	(5,864)	(79,815)
Taxation	(2,608)	(64)	(667)	(325)	(503)
Profit (Loss) from ordinary activities after taxation	391,507	82,013	(106,094)	(6,189)	(80,318)
Minority interests	(163,993)	(45,337)	43,755	(12,267)	51,595
Net profit (loss) for the year	227,514	36,676	(62,339)	(18,456)	(28,723)
Dividends per share	HK\$1.20	–	–	–	–
Basic earnings (loss) per share	HK\$4.32	HK\$0.70	(HK\$1.18)	(HK\$0.35)	(HK\$0.55)

Consolidated Balance Sheets

Fixed assets	1,259,323	1,430,045	1,387,830	1,112,779	908,476
Goodwill	46,348	–	–	–	–
Intangible asset	105	119	134	148	163
Interests in associates	(25)	(27)	(28)	(28)	(1,402)
Other investments	35,257	37,789	40,320	54,151	69,209
Other non-current assets	34,076	21,549	26,188	3,626	47,346
Current assets	746,066	346,086	272,794	425,192	407,569
Current liabilities	(587,360)	(303,838)	(240,180)	(266,545)	(252,243)
Non-current liabilities	(414,872)	(643,891)	(690,665)	(426,844)	(267,964)
Minority interests	(398,695)	(395,135)	(349,218)	(392,969)	(383,200)
Net assets	720,223	492,697	447,175	509,510	527,954
Issued capital	52,624	52,624	52,624	52,624	52,624
Reserves	667,599	440,073	394,551	456,886	475,330
Shareholders' equity	720,223	492,697	447,175	509,510	527,954

Directors' Report

The directors submit herewith their annual report and the audited financial statements of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

Segmental information of the Group for the year ended 31 December 2004 is set out in note 32 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 28.

The Board recommends the payment of a final dividend of HK\$1.20 per share, totalling HK\$63,155,000.

FINANCIAL SUMMARY

A summary of the consolidated income statements and balance sheets of the Group for the last five financial years is set out on page 17.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 25 and 26 respectively to the financial statements.

Directors' Report

SUBSIDIARIES

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

SECURED BANK LOANS AND OVERDRAFTS

Details of the secured bank loans and overdrafts of the Company and the Group at balance sheet date are set out in note 24 to the financial statements.

RESERVES

Details of the movements in reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for approximately 6% and 23% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 18% and 51% respectively of the total purchases of the Group for the year.

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

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$184,000.

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Ng Siu Fai
Mr. Ng Kam Wah Thomas
Mr. Ng Ki Hung Frankie
Ms. Ho Suk Lin

Non-executive Directors:

Mr. Ho Kin Lung
Mr. So Wing Hung Peter (Resigned on 13 August 2004)

Independent Non-executive Directors:

Mr. Cui Jian Hua
Mr. Tsui Che Yin Frank
Mr. William Yau (Appointed on 2 December 2004)

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

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

The Board has obtained written confirmations from all independent non-executive directors of the Company concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board believed that the existing independent non-executive directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Siu Fai, Chairman

Aged 48. A director of the Company since 1991 and the chairman of Jinhui Shipping, an approximately 59.61% owned subsidiary of the Company and with its shares listed on the Oslo Stock Exchange, since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning and overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. Ng Kam Wah Thomas, Managing Director

Aged 42. A director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group and is the person-in-charge of Jinhui Shipping, in particular ship chartering. Mr. Ng has a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, Executive Director

Aged 51. A director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments in China. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin, Executive Director and Company Secretary

Aged 41. A company secretary of the Company since 1991, a director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Ho Kin Lung, Non-executive Director

Aged 59. Joined the Group in 1987 and was appointed as a director of the Company since 1991. Mr. Ho has extensive working experience in shipping industry and provides consultancy services to the Group.

Mr. Cui Jian Hua, Independent Non-executive Director

Aged 50. An independent non-executive director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco Holdings Limited and R.M.H. Limited. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

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

Aged 47. An independent non-executive director of the Company since 1994. Mr. Tsui has extensive experience in direct investment and merchant banking with key management responsibilities for investments and operations in China. He is currently an executive director of Melco International Development Limited (Hong Kong listed). Mr. Tsui holds a Master of Business Administration Degree from the Chinese University of Hong Kong and a Law Degree from the University of London. Mr. Tsui is a member of the Certified General Accountants' Association of Canada and the Hong Kong Securities Institute.

Mr. William Yau, Independent Non-executive Director

Aged 37. Appointed as an independent non-executive director of the Company since 2 December 2004. Mr. Yau graduated with a Bachelor Degree of Engineering from the Carleton University in Canada. He has extensive experience gained from his senior management positions in various industries. Mr. Yau is at present a director of American Phil Textiles Limited.

Directors' Report

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

The directors of the Company who held office as at 31 December 2004 had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

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

Name	Type of interests	No. of shares in the Company	Percentage of total issued shares of the Company	No. of shares in Jinhui Shipping	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	Personal interests	100,400	0.19%	–	–
	Family interests	2,134,000	4.06%	–	–
	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Kam Wah Thomas	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Ki Hung Frankie	Other interests	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline Consultants Limited which is the legal and beneficial owner of 31,618,028 shares of the Company (representing 60.08% of the total issued shares of the Company) and 494,049 shares of Jinhui Shipping (representing 0.59% of the total issued shares of Jinhui Shipping) as at balance sheet date. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline Consultants Limited.

Directors' Report

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

(ii) Interests in equity derivative of the Company

Name	Number of share options granted during the year and as at 31 December 2004	Date of grant	Exercise price of share options	Exercise period of share options
Ng Siu Fai	3,157,000	23 December 2004	HK\$16.00	1 March 2006 to 22 December 2014 <i>Note 2</i>
Ng Kam Wah Thomas	2,105,000	23 December 2004	HK\$16.00	1 March 2006 to 22 December 2014 <i>Note 2</i>
Ng Ki Hung Frankie	300,000	23 December 2004	HK\$16.00	23 December 2004 to 22 December 2009
Ho Suk Lin	500,000	23 December 2004	HK\$16.00	23 December 2004 to 22 December 2009
Cui Jian Hua	100,000	23 December 2004	HK\$16.00	23 December 2004 to 22 December 2009
Tsui Che Yin Frank	100,000	23 December 2004	HK\$16.00	23 December 2004 to 22 December 2009
William Yau	50,000	23 December 2004	HK\$16.00	23 December 2004 to 22 December 2009

Directors' Report

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

(ii) Interests in equity derivative of the Company (Continued)

Notes:

1. None of the share options granted to the directors of the Company during the year have been exercised.
2. The grant of share options to each of Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas had been approved by the shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options 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.
3. The closing price per share of the Company as at 31 December 2004 was HK\$16.15.

Save as disclosed above, as at 31 December 2004, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 35 to the financial statements, no other contracts of significance to which the Company, its holding company, a fellow subsidiary or a subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, in accordance with the register kept under Section 336 of the SFO, the following persons (other than the directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Name of shareholders	No. of shares in the Company	No. of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	31,618,028	–	60.08%
Wong Yee Man Gloria	33,852,428 (note 1)	–	64.33%
	–	3,157,000 (note 2)	6.00%

notes:

1. The interest in shares includes 2,134,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 31,718,428 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai.
2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 3,157,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 31 December 2004, the Company has not been notified of any person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

AUDIT COMMITTEE

The Audit Committee has been established since 1998. The members of the Committee are Messrs. Cui Jian Hua, Tsui Che Yin Frank and William Yau, all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audited financial statements for the year ended 31 December 2004.

Directors' Report

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the forthcoming annual general meeting of the Company in accordance with the Company's Articles of Association.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Ng Kam Wah Thomas

Managing Director

Hong Kong, 28 February 2005

Moores Rowland Mazars

To the members

Jinhui Holdings Company Limited

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 28 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 28 February 2005

Consolidated Income Statement

Year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	3	1,974,661	1,048,515
Other operating income		99,353	56,251
Gain on disposal of motor vessels		127,201	–
Reversal of impairment loss of motor vessels		–	104,276
Voyage related expenses		(877,600)	(727,327)
Losses on forward freight agreements	4	(490,947)	–
Cost of trading goods sold		(254,377)	(214,974)
Staff costs		(43,300)	(34,797)
Other operating expenses		(41,336)	(40,958)
Other net income (expenses)		4,458	(27,670)
Depreciation and amortization		(85,191)	(64,571)
Profit from operations	5	412,922	98,745
Interest income		4,165	4,279
Interest expenses	6	(22,972)	(20,947)
Profit before taxation		394,115	82,077
Taxation	9	(2,608)	(64)
Profit from ordinary activities after taxation		391,507	82,013
Minority interests		(163,993)	(45,337)
Net profit for the year	10	227,514	36,676
Proposed final dividends after balance sheet date	11	63,155	–
Earnings per share			
– Basic	12(a)	HK\$4.32	HK\$0.70
– Diluted	12(b)	HK\$4.32	N/A

Statements of Changes in Equity

Year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Group		
Shareholders' equity at 1 January	492,697	447,175
Exchange reserve arising on consolidation	-	(1)
Release on disposal of a subsidiary	12	(148)
Reversal of impairment loss of fixed assets	-	8,995
Net gains not recognized in the income statement	12	8,846
Net profit for the year	227,514	36,676
Shareholders' equity at 31 December	720,223	492,697
Company		
Shareholders' equity at 1 January	477,964	493,091
Net loss for the year	(1,785)	(15,127)
Shareholders' equity at 31 December	476,179	477,964

Balance Sheets

At 31 December 2004

	Note	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Fixed assets	13	1,259,323	1,430,045	–	–
Goodwill	14	46,348	–	–	–
Intangible asset	15	105	119	–	–
Interests in subsidiaries	16	–	–	478,787	489,009
Interests in associates	17	(25)	(27)	–	–
Other investments	18	35,257	37,789	5,000	5,000
Other non-current assets	19	34,076	21,549	–	–
		1,375,084	1,489,475	483,787	494,009
Current assets					
Inventories	20	27,175	34,161	–	–
Short-term investments	21	19,074	10,445	–	–
Trade receivables	22	77,543	75,435	–	–
Prepayments, deposits and other receivables		136,396	72,938	319	318
Pledged deposits	30(b)	23,522	30,551	–	–
Bank balances and cash		462,356	122,556	73	67
		746,066	346,086	392	385
Current liabilities					
Trade payables	23	70,733	56,098	–	–
Accrued charges and other payables		255,530	141,581	1,095	468
Provision for losses	4	202,913	–	–	–
Taxation		2,435	510	–	–
Secured bank loans	24	45,914	63,309	–	–
Secured bank overdrafts	24	9,835	42,340	6,905	15,962
		587,360	303,838	8,000	16,430
Net current assets (liabilities)		158,706	42,248	(7,608)	(16,045)
Total assets less current liabilities		1,533,790	1,531,723	476,179	477,964

Balance Sheets

At 31 December 2004

	Note	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Non-current liabilities					
Secured bank loans	24	414,872	643,891	–	–
Minority interests					
		398,695	395,135	–	–
Net assets					
		720,223	492,697	476,179	477,964
CAPITAL AND RESERVES					
Issued capital	25	52,624	52,624	52,624	52,624
Reserves	27	667,599	440,073	423,555	425,340
Shareholders' equity					
		720,223	492,697	476,179	477,964

Approved and authorized for issue by the Board of Directors on 28 February 2005

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Consolidated Cash Flow Statement

Year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Cash generated from operations	<i>28(a)</i>	571,729	81,343
Claim received		5,280	3,168
Interest paid		(20,835)	(21,032)
Hong Kong Profits Tax paid		(683)	(19)
Net cash from operating activities		555,491	63,460
INVESTING ACTIVITIES			
Purchase of fixed assets		(199,265)	(29,998)
Proceeds from disposal of fixed assets		434,096	42,452
Net cash inflow (outflow) on disposal of a subsidiary	<i>28(b)</i>	8,854	(291)
Interest received		4,062	4,728
Net amount of loan received		7,796	5,200
Dividend and investment income received		19,025	8,435
Net repayment to associates		(2)	(1)
Net cash from investing activities		274,566	30,525
FINANCING ACTIVITIES			
Repayment of bank loans		(246,414)	(62,555)
Decrease (Increase) in pledged deposits		7,029	(81)
Repurchase of own shares by a subsidiary		(218,367)	-
Net cash used in financing activities		(457,752)	(62,636)
Net increase in cash and cash equivalents		372,305	31,349
Cash and cash equivalents at 1 January		80,216	48,867
Cash and cash equivalents at 31 December	<i>28(c)</i>	452,521	80,216

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
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

Year ended 31 December 2004

9. TAXATION (Continued)

Reconciliation of tax expense:

	Group	
	2004	2003
	HK\$'000	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

Year ended 31 December 2004

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

Notes to the Financial Statements

Year ended 31 December 2004

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

Notes to the Financial Statements

Year ended 31 December 2004

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

Notes to the Financial Statements

Year ended 31 December 2004

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

Year ended 31 December 2004

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 HK\$'000	2003 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 HK\$'000	2003 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 <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Other asset revaluation reserve <i>HK\$'000</i>	(Accumulated losses) Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 HK\$'000	2003 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 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
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
<i>Allocated assets</i>					
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
<i>Unallocated assets</i>					
Goodwill					46,348
Pledged deposits					23,522
Bank balances and cash					462,356
Total assets					2,121,150
<i>Allocated liabilities</i>					
Total segment liabilities	880,826	66,430	222	44,919	992,397
<i>Unallocated liabilities</i>					
Secured bank overdrafts					9,835
Total liabilities					1,002,232
<i>Capital expenditures incurred during the year</i>					
	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.

Notes to the Financial Statements

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

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 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

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 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.