

# Directors' Report

The directors submit herewith their annual report and the audited financial statements of the Group for the year ended 31 December 2003.

## 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. During the year, the Group disposed of a subsidiary which carried out the Group's operations in transportation and warehousing.

Segmental information of the Group for the year ended 31 December 2003 is set out in note 29 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 22.

The Board does not recommend the payment of a dividend (2002: nil).

## FINANCIAL SUMMARY

A summary of the consolidated income statements and balance sheets of the Group for the last five financial years is set out on page 13.

## FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 35 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 22 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 24 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for approximately 5% and 22% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for approximately 14% and 47% 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\$93,000.

## 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  
Mr. Cui Jian Hua  
Mr. Tsui Che Yin Frank

# Directors' Report

## DIRECTORS (Continued)

In accordance with the Company's Articles of Association, Mr. So Wing Hung Peter will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Mr. Ng Siu Fai, Chairman**

Age 47. A director of the Company since 1991 and the chairman of Jinhui Shipping, an approximately 50.9% 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).

### **Mr. Ng Kam Wah Thomas, Managing Director**

Age 41. 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**

Age 50. 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 as well as transportation services. Mr. Ng has extensive working experience in the shipping industry and China trade.

### **Ms. Ho Suk Lin, Executive Director and Company Secretary**

Age 40. A company secretary of the Company since 1991, a director of the Company since 1993 and a director and company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has over 18 years of 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 Society of Accountants.

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

### **Mr. Ho Kin Lung**, *Non-executive Director*

Age 58. 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. After redesignation from an executive director to a non-executive director recently, Mr. Ho continues to provide consultancy services to the Group.

### **Mr. So Wing Hung Peter**, *Non-executive Director*

Age 51. A director of the Company and Jinhui Shipping since 1994. Mr. So has extensive experience in international finance gained from his senior management positions in major international banks and financial institutions in Hong Kong and London. He is currently an executive director and chief operating officer of Pacific Century Insurance Holdings Limited (Hong Kong listed). Mr. So is an associate member of the Chartered Institute of Management Accountants and the Institute of Financial Services.

### **Mr. Cui Jian Hua**, *Independent Non-executive Director*

Age 49. 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*

Age 46. 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.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than disclosed in note 32 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

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

As at 31 December 2003, the directors of the Company 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"):

Name	Type of Interests	The Company		Jinhui Shipping	
		No. of shares	% of total shares issued	No. of shares	% of total shares issued
Ng Siu Fai	Family interests	930,000	1.77	–	–
	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Kam Wah Thomas	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Ki Hung Frankie	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
So Wing Hung Peter	Family interests	250,000	0.48	15,000	0.02

*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 30,385,628 shares that represented 57.74% of total issued shares of the Company and 494,049 shares that represented 0.5% of 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.*

Save as disclosed above, as at 31 December 2003, 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.

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

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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, in accordance with the register kept under Section 336 of the SFO, the following person (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 shareholder	No. of shares in the Company	% of total shares issued
Fairline Consultants Limited	30,385,628	57.74

Save as disclosed herein, as at 31 December 2003, 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

Apart from the purchase of odd lot shares resulting from Share Consolidation, 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 Committee meets regularly with the senior management and the Company's auditors to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The members of the Committee are Messrs. So Wing Hung Peter, Cui Jian Hua and Tsui Che Yin Frank, all of whom are non-executive directors of the Company.

# 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 Rules Governing the Listing of Securities on the Stock Exchange 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.

## AUDITORS

The auditors, Messrs. Moores Rowland merged with Messrs. Mazars on 1 October 2003 and are now practising under the name of Moores Rowland Mazars.

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, 31 March 2004