

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.

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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.

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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).

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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.

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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.

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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

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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.

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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.

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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