



JINHUI HOLDINGS COMPANY LIMITED

Annual
2003
Report

JINHUI

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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 DIRECTORS

Ho Kin Lung
So Wing Hung Peter
Cui Jian Hua
Tsui Che Yin Frank

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

Hong Kong Stock Exchange: 137

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank N.A.
Deutsche Schiffsbank Aktiengesellschaft
DVB NedshipBank
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
Hong Kong

CONTACTS

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WEBSITE

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Chairman's Statement

RESULTS

The consolidated turnover of the Company and its subsidiaries (the "Group") for the year was HK\$1,048,515,000, representing an increase of 39% as compared to that of last year. Net profit for the year amounted to HK\$36,676,000 whereas a net loss of HK\$62,339,000 was made for last year. Basic earnings per share was HK\$0.70 for the year as against basic loss per share of HK\$1.18 (restated) for last year.

The year 2003 was an extraordinary year for dry bulk shipping with a firm and rapidly growing market during the first eight months and then exploded to an unprecedented level during the last four months. The rapid economic growth in Asian countries especially China is the main driving force. The general improvements in the global economy also have a positive impact on the shipping market.

In view of the immense rises in the pricing of shipping market, the board of directors (the "Board") has reviewed the carrying values of its owned vessels as at 31 December 2003. Included in the net profit for the year, the Group has fully written back the provision of HK\$104,276,000 for impairment loss of its owned vessels made in prior years. However, it was partly offset by 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 during the second half 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 2003, after fully write-back of provision for impairment loss in prior years, were still greatly stated below their current market values. Based on the market transaction price around the year end date, the estimated market value of the Group's ten owned vessels as at 31 December 2003 was roughly around HK\$1,560 million as compared to their net book value of approximately HK\$1,298 million.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2002: nil). As interim dividend has also not been declared in the year (2002: nil), there will be no dividend distribution for the whole year of 2003 (2002: nil).

Chairman's Statement

BUSINESS REVIEW

Chartering freight and hire. The dry bulk market was rather strong at the start of the year although there were uncertainty and unpredictability as a response to the risks of war in Iraq and terrorist attacks. With the general improvements in the global economy and strong economic growth in Asian countries especially China, the freight rates picked up steadily during the first eight months. In the course of September 2003 till the end of the year, the freight rates exploded to an unprecedented level due to the Chinese steel boom, resulted in a very strong upturn in mineral trades. The Baltic Dry Index, an index reflects the performance of charter hire for bulk carriers, opened at 1,738 at the beginning of the year and increased steadily to around 2,400 by mid September 2003 and then followed by a strong upturn to close at record high of 4,765 at the end of 2003.

Baltic Dry Index



The Group's shipping turnover was HK\$809,045,000 for the year, representing an increase of 49% as compared to that of last year. The Group's shipping business recorded an operating profit of HK\$119,181,000 for the year; whereas an operating loss of HK\$3,220,000 was recorded for last year. The Group has fully written back a total provision of HK\$113,271,000 for impairment loss of the Group's owned vessels made in prior years. According to the Group's accounting policies, an amount of HK\$104,276,000 was included in the Group's operating profit for the year while the balance of HK\$8,995,000 was credited to revaluation and capital reserves.

The Group committed certain contracts of affreightment and time charter parties in year 2002 when the then prevailing market rates were at a very low level as compared to the spot market of 2003. Accordingly, the Group's overall shipping revenue for the year greatly lagged behind the spot market. However, the Group has, to a majority extent, completed and fulfilled these contracts by the end of 2003.

BUSINESS REVIEW *(Continued)*

As at 31 December 2003, the Group has operated a fleet of twenty-two vessels including ten owned vessels. These vessels were chartered out at a mixture of spot or period employment. Meanwhile, the Group maintains its strategy of expanding fleet of well-equipped and modernized owned vessels. In January 2003, the disposal of a 1985 built motor vessel was completed in accordance with an agreement entered into by the Group in October 2002. During 2003 and early 2004, the Group has committed to acquire four dry bulk carriers at total purchase prices of US\$95,770,000 (approximately HK\$747,006,000). Two of these newbuildings will be delivered to the Group in 2005 while the other two will be delivered to the Group in 2007.

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

	2003	2002
<i>(Expressed as a percentage of turnover)</i>	%	%
Asia excluding China	24.53	22.08
Australia	24.50	15.30
South America	21.09	15.09
North America	14.64	11.33
China	7.49	19.04
Africa	3.45	6.15
Europe	3.26	10.23
Others	1.04	0.78
	100.00	100.00

Discharging Ports Analysis

	2003	2002
<i>(Expressed as a percentage of turnover)</i>	%	%
Asia excluding China	33.12	27.90
China	26.44	14.78
Europe	18.43	36.20
Africa	10.32	6.08
North America	5.56	6.98
South America	2.26	2.97
Australia	2.25	1.10
Others	1.62	3.99
	100.00	100.00

Chairman's Statement

BUSINESS REVIEW (Continued)

Set out below is a breakdown of types of cargoes carried by the Group during the year 2003:

	Metric Tons (in '000)	%
Coal	5,442	46.05
Minerals	2,972	25.15
Agricultural products	1,810	15.31
Steel products	734	6.21
Cement	356	3.01
Fertilizer	326	2.76
Alumina	179	1.51
	11,819	100.00

Trading and investments in China. The turnover for the Group's trading of chemical and industrial raw materials was HK\$239,470,000, representing an increase of 15% as compared to that of last year. Affected by the increasing number of competitors and the outbreak of Severe Acute Respiratory Syndrome during the year, despite an increase in turnover, the profit margin of the trading activities was reduced and a profit of HK\$4,032,000 was reported for the year against a profit of HK\$5,152,000 for last year. The Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather stable. A profit of HK\$1,320,000 with respect to the Group's investments in China was recorded for the year against a profit of HK\$4,854,000 for last year. The profit for last year was partly attributable to a gain on termination of the investment in toll road located in Zhongshan of China upon receipt of an amount of approximately HK\$15,600,000, that is, the original cost of the investment.

Other operations. The Group's other operations recorded an operating loss of HK\$25,788,000 against a loss of HK\$96,076,000 for last year. The loss for the year 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 loss for last year was attributed to the exchange loss of HK\$55,356,000 and a provision of HK\$30,200,000 for a claim receivable from a company in liquidation.

The Group has from time to time closely monitored the foreign currency exposures in Japanese Yen borrowings so as to balance the exchange rate risk associated with the fluctuation in Japanese Yen and possible interest savings from Japanese Yen borrowings. In view of the continuous low borrowing rate of United States Dollars and in order to reduce currency risk, the Group has 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. The total of the Group's pledged deposits, bank balances and cash increased to HK\$153,107,000 as at 31 December 2003 (2002: HK\$116,444,000). The Group's borrowings decreased to HK\$749,540,000 as at 31 December 2003 (2002: HK\$790,310,000), of which 14%, 8%, 25% and 53% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of total borrowings over shareholders' equity, decreased to 152% (2002: 177%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Should market conditions require, the Group would consider appropriate interest rate hedging products to mitigate the Group's exposure.

Pledge of assets. As at 31 December 2003, the Group's fixed assets of HK\$1,192,488,000 (2002: HK\$1,154,813,000), short-term investments of HK\$1,767,000 (2002: HK\$21,399,000), deposits of HK\$30,551,000 (2002: HK\$30,470,000) and shares of seven (2002: seven) ship owning companies were pledged together with the assignment of chartering income of seven (2002: 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\$29,998,000 (2002: HK\$408,736,000) for the year ended 31 December 2003, approximately HK\$28,169,000 (2002: HK\$407,558,000) was spent on the constructions of the Group's owned vessels.

As at 31 December 2003, there were outstanding capital commitments relating to the newbuildings of two dry bulk carriers at total purchase prices of approximately HK\$321,516,000 and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$296,872,000. The Group had no material capital commitment as at 31 December 2002.

Contingent liabilities. As at 31 December 2003, the Group had no material contingent liability not provided for. As at 31 December 2002, except for certain guarantees amounting to HK\$293,000 granted by the Company's subsidiary to a third party in its ordinary course of businesses, the Group had no other contingent liabilities.

SHARE CONSOLIDATION

At the annual general meeting of the Company held on 30 May 2003, the resolutions regarding the consolidation of every 10 issued and unissued shares of HK\$0.10 each in the capital of the Company into 1 consolidated share of HK\$1.00 each ("Share Consolidation") were approved by the shareholders of the Company. With effect from 2 June 2003, the authorized share capital of the Company has become HK\$100 million divided into 100 million shares of HK\$1.00 each, of which 52,624,248 shares were issued and fully paid.

Chairman's Statement

EMPLOYEES

As at 31 December 2003, the Group had 100 full-time employees and 262 crew (2002: 140 full-time employees and 289 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 has not adopted any share option scheme during the year.

OUTLOOK

Subsequent to year ended 31 December 2003, the astounding rise in freight rates continues. The Baltic Dry Index has increased to around 5,600 in early February 2004 and then slipped back to around 4,900 during late March 2004. As a matter of fact, the market prospect will to a very large extent be determined by the economic growth in Asian countries especially China. Given the broadly based recovery, the Board expects that the outlook of the dry bulk market for rest of 2004 remains extremely strong and the Group's trading business and investments in China will also continue to contribute steady returns to the Group.

Apart from the Group's ten owned vessels, the Group currently operates around twelve chartered-in dry bulk carriers including one Capesize, six Panamaxs and five Handymaxes. The Board strongly believes that the Group would be able to benefit from the strong market condition in the forthcoming year. To optimize the Group's earnings, about 70% of its fleet is now operated at spot or short-term period employment with expiry within three months time and this ratio will be gradually picked up after the existing committed contracts expire. Barring any unforeseeable circumstances and based on the current shipping market condition, the Group's prospects for year 2004 would be very promising. Going forward, the Group will continue focusing on the following areas:

- manage its capacity to capture the surging market demand;
- manage its fleet routes to enhance overall utilization; and
- manage the composition of long term and spot rate contracts to prudently maximize revenue stream.

While focusing on the core shipping business, the Group will continue making efforts to improve efficiency, reduce the operating costs, manage its gearing level and remain vigilant to the changing market conditions in mapping out its business and investment strategies.

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, 31 March 2004

Business Profile

The Company was incorporated with limited liability in Hong Kong on 23 April 1991 and listed on the Hong Kong Stock Exchange (code: 137) on 6 December 1991 as the holding company for a number of ship owning and ship chartering subsidiaries. The Group's shipping activities began in mid 1980's and started diversification of its business since 1992 into other businesses such as trading and investments in China. Following a reorganization in June 1994, Jinhui Shipping and Transportation Limited ("Jinhui Shipping") became the immediate holding company of the shipping group. In order to generate international interest in Jinhui Shipping within an internationally recognized maritime orientated business community, such as community in Norway, it was listed on the Oslo Stock Exchange (code: JIN) since October 1994. The Company currently owns approximately 50.9% 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 as at the date of this report are listed below:

Name of motor vessels	Type	Deadweight Tonnage (Metric Tons)	Year built	Builder
M.V. Jin Kang	Panamax	74,204	2002	Oshima
M.V. Jin Tai	Panamax	74,204	2002	Oshima
M.V. Jin Ping	Handymax	50,777	2002	Oshima
M.V. Jin Fu	Handymax	50,777	2001	Oshima
M.V. Jin Li	Handymax	50,777	2001	Oshima
M.V. Jin An	Handymax	50,786	2000	Oshima
M.V. Jin Hui	Handymax	50,777	2000	Oshima
M.V. Jin Da	Handymax	41,346	1986	C.S.B.C.
M.V. Jin Shun	Handysize	39,728	1984	Imabari
M.V. Jin Bi	Handysize	34,062	1983	Mitsubishi H.I.

Vessels under construction (to be named)	Type	Deadweight Tonnage (Metric Tons)	Expected delivery date	Builder
M.V. Jin Hai	Handymax	55,500	Feb. to May 2005	Oshima
M.V. Jin Sheng	Panamax	76,300	Dec. 2005	Tsuneishi
M.V. Jin Yi	Handymax	55,300	Jul. 2007	Oshima
M.V. Jin Xing	Handymax	55,300	Oct. 2007	Oshima

SHIPPING BUSINESS *(Continued)*

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

Type	Deadweight Tonnage <i>(Metric Tons)</i>	Year built	Builder
<i>Chartered-in vessels with options to acquire at specific dates:</i>			
Capesize	172,579	2001	NKK
Handymax	52,300	2003	Tsuneishi
<i>Chartered-in vessels:</i>			
Panamax	74,247	2001	Sasebo
Panamax	74,227	2001	Daewoo
Panamax	74,837	2000	Hu Dong
Panamax	74,271	2000	Namura
Panamax	74,099	2000	Jiangnan
Panamax	72,400	1998	Sasebo
Handymax	50,320	2002	Mitsui
Handymax	50,316	2002	Mitsui
Handymax	50,296	2002	Mitsui
Handymax	50,236	2000	Mitsui

The key to success in the ship chartering business is 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

In December 1994, the Group acquired 75 % equity interests in Yee Lee Technology Company Limited (“Yee Lee”) at a cost of around HK\$60 million. 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 products 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 265,000 tonnes. The investment is expected to bring contribution to the Group for 20 years up to 2015.

Financial Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Consolidated Income Statements					
Turnover	1,048,515	756,179	864,485	699,458	731,589
Profit (Loss) from operations	98,745	(89,290)	576	(90,748)	(79,888)
Provision for impairment loss of goodwill	-	-	-	-	(50,886)
Share of results of associates	-	-	(133)	141	(139)
Interest income	4,279	6,113	18,147	28,223	21,177
Interest expenses	(20,947)	(22,250)	(24,454)	(17,431)	(16,393)
Profit (Loss) before taxation	82,077	(105,427)	(5,864)	(79,815)	(126,129)
Taxation	(64)	(667)	(325)	(503)	(318)
Profit (Loss) from ordinary activities after taxation	82,013	(106,094)	(6,189)	(80,318)	(126,447)
Minority interests	(45,337)	43,755	(12,267)	51,595	29,348
Net profit (loss) for the year	36,676	(62,339)	(18,456)	(28,723)	(97,099)
Basic earnings (loss) per share	HK\$0.70	(HK\$1.18)	(HK\$0.35)	(HK\$0.55)	(HK\$1.85)
Consolidated Balance Sheets					
Fixed assets	1,430,045	1,387,830	1,112,779	908,476	769,413
Intangible asset	119	134	148	163	173
Interests in associates	(27)	(28)	(28)	(1,402)	344
Other investments	37,789	40,320	54,151	69,209	96,826
Other non-current assets	21,549	26,188	3,626	47,346	11,765
Current assets	346,086	272,794	425,192	407,569	469,006
Current liabilities	(303,838)	(240,180)	(266,545)	(252,243)	(220,843)
Non-current liabilities	(643,891)	(690,665)	(426,844)	(267,964)	(92,756)
Minority interests	(395,135)	(349,218)	(392,969)	(383,200)	(437,312)
Net assets	492,697	447,175	509,510	527,954	596,616
Issued capital	52,624	52,624	52,624	52,624	52,624
Reserves	440,073	394,551	456,886	475,330	543,992
Shareholders' equity	492,697	447,175	509,510	527,954	596,616

Note: Certain comparative figures have been restated to conform to current year's presentation.

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

Auditors' Report

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 22 to 62 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 Society of 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 2003 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, 31 March 2004

Consolidated Income Statement

Year ended 31 December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	3	1,048,515	756,179
Other operating income		56,251	54,859
Reversal of (Provision for) impairment loss of fixed assets		104,276	(12,661)
Voyage related expenses		(727,327)	(470,012)
Cost of trading goods sold		(214,974)	(180,815)
Staff costs		(34,797)	(34,235)
Other operating expenses		(40,958)	(49,229)
Other net expenses		(27,670)	(85,173)
Depreciation and amortization		(64,571)	(68,203)
Profit (Loss) from operations	4	98,745	(89,290)
Interest income		4,279	6,113
Interest expenses	5	(20,947)	(22,250)
Profit (Loss) before taxation		82,077	(105,427)
Taxation	8	(64)	(667)
Profit (Loss) from ordinary activities after taxation		82,013	(106,094)
Minority interests		(45,337)	43,755
Net profit (loss) for the year	9	36,676	(62,339)
Basic earnings (loss) per share (2002: restated)	11	HK\$0.70	(HK\$1.18)

Statements of Changes in Equity

Year ended 31 December 2003

	2003 HK\$'000	2002 HK\$'000
Group		
Shareholders' equity at 1 January	447,175	509,510
Exchange reserve arising on consolidation	(1)	4
Release on disposal of a subsidiary	(148)	–
Reversal of impairment loss of fixed assets	8,995	–
Net gains not recognized in the income statement	8,846	4
Net profit (loss) for the year	36,676	(62,339)
Shareholders' equity at 31 December	492,697	447,175
Company		
Shareholders' equity at 1 January	493,091	520,280
Net loss for the year	(15,127)	(27,189)
Shareholders' equity at 31 December	477,964	493,091

Balance Sheets

At 31 December 2003

	Note	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Fixed assets	12	1,430,045	1,387,830	-	-
Intangible asset	13	119	134	-	-
Interests in subsidiaries	14	-	-	489,009	501,331
Interests in associates	15	(27)	(28)	-	-
Other investments	16	37,789	40,320	5,000	5,000
Other non-current assets	17	21,549	26,188	-	-
		1,489,475	1,454,444	494,009	506,331
Current assets					
Inventories	18	34,161	31,107	-	-
Short-term investments	19	10,445	31,376	-	4,684
Trade receivables	20	75,435	67,012	-	-
Prepayments, deposits and other receivables		72,938	26,855	318	166
Pledged deposits	27(b)	30,551	30,470	-	-
Bank balances and cash		122,556	85,974	67	515
		346,086	272,794	385	5,365
Current liabilities					
Trade payables	21	56,098	57,104	-	-
Accrued charges and other payables		141,581	82,966	468	3,251
Taxation		510	465	-	-
Secured bank loans	22	63,309	62,538	-	-
Secured bank overdrafts	22	42,340	37,107	15,962	15,354
		303,838	240,180	16,430	18,605
Net current assets (liabilities)		42,248	32,614	(16,045)	(13,240)
Total assets less current liabilities		1,531,723	1,487,058	477,964	493,091

Balance Sheets

At 31 December 2003

	Note	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current liabilities					
Secured bank loans	22	643,891	690,665	-	-
Minority interests					
		395,135	349,218	-	-
Net assets					
		492,697	447,175	477,964	493,091
CAPITAL AND RESERVES					
Issued capital	23	52,624	52,624	52,624	52,624
Reserves	24	440,073	394,551	425,340	440,467
Shareholders' equity					
		492,697	447,175	477,964	493,091

Approved and authorized for issue by the Board of Directors on 31 March 2004

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Consolidated Cash Flow Statement

Year ended 31 December 2003

	Note	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	81,343	20,257
Claim received		3,168	–
Interest paid		(21,032)	(22,127)
Hong Kong Profits Tax paid		(19)	(589)
Net cash generated from (used in) operating activities		63,460	(2,459)
INVESTING ACTIVITIES			
Purchase of fixed assets		(29,998)	(408,736)
Proceeds from disposal of fixed assets, other than investment properties		42,452	43,725
Proceeds from disposal of an investment property		–	4,840
Proceeds from termination of investment in toll road		–	13,650
Net cash (outflow) inflow on disposal of a subsidiary	25(b)	(291)	1,000
Interest received		4,728	6,313
Net amount of loan received (advanced)		5,200	(866)
Dividend and investment income received, including toll income received		8,435	14,797
Net repayment to associates		(1)	–
Net cash generated from (used in) investing activities		30,525	(325,277)
FINANCING ACTIVITIES			
New bank loans		–	343,161
Repayment of bank loans		(62,555)	(103,564)
Increase in pledged deposits		(81)	(23,101)
Net cash (used in) generated from financing activities		(62,636)	216,496
Net increase (decrease) in cash and cash equivalents		31,349	(111,240)
Cash and cash equivalents at 1 January		48,867	160,107
Cash and cash equivalents at 31 December	25(c)	80,216	48,867

Notes to the Financial Statements

Year ended 31 December 2003

1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income Taxes” issued by the Hong Kong Society of Accountants (“HKSA”). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. SSAP 12 (Revised) has been applied retrospectively and certain comparative information has been restated to conform to the current year’s presentation. The adoption of SSAP 12 (Revised) has no material effect on the Group’s results other than presentational changes.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with SSAPs and Interpretations issued by the HKSA, 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. 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 properties, leasehold land and buildings and motor vessels and improvement and the marking to market of certain investments in securities, 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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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. Any negative goodwill arising on acquisition is presented as a deduction from goodwill and is released to the income statement based on an analysis of the circumstances from which the balance resulted.

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.

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.

Other 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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Fixed assets

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential. Investment properties are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties 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 properties, the relevant portion of the investment property revaluation reserve realized in respect of previous valuations will be included in the income statement.

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 HKSA 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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Fixed assets (Continued)

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 properties 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.

Depreciation is provided to write off the costs 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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Financial Statements

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Cash equivalents

For the purpose of consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change 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 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, bank overdrafts, financing expenses and minority interests.

Notes to the Financial Statements

Year ended 31 December 2003

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. During the year, the Group disposed of a subsidiary which carried out the Group's operations in transportation and warehousing. The disposed subsidiary did not contribute significant revenue and results for current and prior years.

Turnover and revenue recognized by category are analyzed as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	268,320	215,403
Other chartering freight and hire income	540,725	328,238
Trading	239,470	209,098
Transportation and warehousing	–	3,440
	1,048,515	756,179
Other revenue		
Dividend and investment income from co-operative joint ventures	7,786	9,759
Interest income	4,279	6,113
Revenue	1,060,580	772,051

Notes to the Financial Statements

Year ended 31 December 2003

4. PROFIT (LOSS) FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2003	2002
	HK\$'000	HK\$'000
Auditors' remuneration	663	675
Cost of inventories	266,464	230,481
Amortization of other investments	2,531	3,289
Amortization of intangible asset	15	14
Hire payments under time charters	358,668	238,645
Operating lease charges in respect of land and buildings	4,674	5,102
Exchange loss, including unrealized provision, for foreign currency exposures	43,090	55,356
Loss on disposal/written off of fixed assets, other than investment properties	422	4,699
Loss on disposal of an investment property	-	860
Gain on disposal of a subsidiary	(422)	-
Net (gain) loss on disposal of short-term investments, including unrealized holding loss of HK\$76,000 (2002: HK\$10,131,000)	(6,943)	10,888
Gain on termination of investment in toll road	-	(4,222)
Provision for bad and doubtful debts	1,680	1,980
Provision for impairment loss of other investments (included in other operating expenses)	-	114
(Write-back of provision for) Provision for a claim receivable	(6,688)	30,200
Retirement benefits scheme contributions net of forfeited contributions of HK\$37,000 (2002: HK\$345,000)	1,658	1,485
Revaluation (surplus) deficit of an investment property	(4,200)	2,000
Gross rental income of HK\$716,000 (2002: HK\$912,000) net of outgoings from operating lease on an investment property	(606)	(873)

Notes to the Financial Statements

Year ended 31 December 2003

5. INTEREST EXPENSES

	Group	
	2003 HK\$'000	2002 HK\$'000
Interests on bank loans and overdrafts:		
Wholly repayable within five years	6,078	6,780
Not wholly repayable within five years	14,869	15,470
	20,947	22,250

6. DIRECTORS' EMOLUMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Directors' fees	5,972	5,972
Other emoluments:		
Salaries and other benefits	7,183	4,088
Retirement benefits scheme contributions	89	89
	13,244	10,149

The directors' emoluments included fee of HK\$60,000 (2002: HK\$60,000) paid to the independent non-executive directors during the year.

Emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
HK\$0 – HK\$1,000,000	4	4
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	2	–
	8	8

Notes to the Financial Statements

Year ended 31 December 2003

7. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2002: four) directors whose details of emoluments are set out in note 6 above. Emoluments of the remaining one (2002: one) individual were as follows:

	Group	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Salaries and other benefits	1,895	1,808
Retirement benefits scheme contributions	30	30
	1,925	1,838

The emoluments of the one (2002: one) individual with the highest emoluments were within the following band:

	Number of individual	
	2003	2002
HK\$1,500,001 – HK\$2,000,000	1	1

8. TAXATION

	Group	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current year	491	670
Over provision in prior years	(427)	(3)
	64	667

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) 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 2003

8. TAXATION (Continued)

Reconciliation of tax expense:

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit (Loss) before taxation	82,077	(105,427)
Income tax at the rates applicable to profits in the tax jurisdiction concerned	(4,803)	(7,167)
Non-deductible expenses	921	2,945
Tax exempt revenue	(2,079)	(3,665)
Unrecognized tax losses	7,238	8,494
Unrecognized temporary differences	(501)	45
Utilization of previously unrecognized tax losses	(311)	(4)
Over provision in prior years	(427)	(3)
Others	26	22
Tax expense for the year	64	667

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.

9. NET PROFIT (LOSS) FOR THE YEAR

The net profit (loss) for the year included a loss of HK\$15,127,000 (2002: HK\$27,189,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2002: nil). As interim dividend has also not been declared in the year (2002: nil), there will be no dividend distribution for the whole year of 2003 (2002: nil).

11. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the year is calculated on the net profit attributable to shareholders for the year of HK\$36,676,000 (2002: net loss of HK\$62,339,000) and on the weighted average number of 52,624,248 (2002: 52,624,248) shares in issue during the year. The weighted average number of ordinary shares outstanding for both years presented have been adjusted for the consolidation of shares effective on 2 June 2003 (note 23).

Diluted earnings (loss) per share is not presented as there is no potential ordinary share in issue during both years.

Notes to the Financial Statements

Year ended 31 December 2003

12. 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 2003	15,800	210,670	69,356	1,759,009	-	1,300	32,175	2,088,310
Additions	-	-	529	3,525	24,644	-	1,300	29,998
On disposal of a subsidiary	-	(422)	-	-	-	-	(471)	(893)
Disposals/Write off	-	-	-	(111,953)	-	(458)	(1,581)	(113,992)
Revaluation	4,200	-	-	-	-	-	-	4,200
At 31 December 2003	20,000	210,248	69,885	1,650,581	24,644	842	31,423	2,007,623
Accumulated depreciation and impairment losses								
At 1 January 2003	-	140,421	54,356	477,212	-	1,041	27,450	700,480
Charge for the year	-	1,620	-	58,442	-	57	1,906	62,025
Eliminated on disposal of a subsidiary	-	(136)	-	-	-	-	(402)	(538)
Eliminated on disposals/written off	-	-	-	(69,522)	-	(325)	(1,271)	(71,118)
Impairment loss reversed	-	-	-	(113,271)	-	-	-	(113,271)
At 31 December 2003	-	141,905	54,356	352,861	-	773	27,683	577,578
Net book value								
At 31 December 2003	20,000	68,343	15,529	1,297,720	24,644	69	3,740	1,430,045
At 1 January 2003	15,800	70,249	15,000	1,281,797	-	259	4,725	1,387,830
Analysis of cost or valuation of fixed assets								
At 31 December 2003								
At cost	-	157,248	69,885	1,305,899	24,644	842	31,423	1,589,941
At professional valuation in:								
1994	-	53,000	-	344,682	-	-	-	397,682
2003	20,000	-	-	-	-	-	-	20,000
	20,000	210,248	69,885	1,650,581	24,644	842	31,423	2,007,623

Notes to the Financial Statements

Year ended 31 December 2003

12. FIXED ASSETS (Continued)

During the year, favourable indicative shipping market index and the increased demand for the Group's ship chartering caused the Group to assess the recoverable amount of its motor vessels, which had been impaired in previous years. Based on this assessment, the carrying amount of these motor vessels was increased by HK\$113,271,000. The estimates of recoverable amount were based on the net selling price of transactions around balance sheet date in an active resale market.

Investment property of the Group was revalued at balance sheet date by Midland 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	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Leasehold land and buildings	68,343	70,249
Motor vessels and improvement	1,262,137	1,281,797

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	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Medium term lease:		
Property under development in Hong Kong	15,529	15,000
Long term leases:		
Leasehold land and buildings in Hong Kong	68,343	69,962
Leasehold land and buildings outside Hong Kong	-	287
Investment property in Hong Kong	20,000	15,800
	103,872	101,049

Notes to the Financial Statements

Year ended 31 December 2003

13. INTANGIBLE ASSET

	Group	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Transfer fee for club entrance		
Cost		
At 1 January and at 31 December	250	250
Accumulated amortization		
At 1 January	116	102
Charge for the year	15	14
At 31 December	131	116
Net book value		
At 31 December	119	134

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Listed shares 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	141,092	153,462
Due to subsidiaries	(3,798)	(3,846)
	489,009	501,331

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

The market value of one of the subsidiaries, Jinhui Shipping, whose shares are listed on the Oslo Stock Exchange, amounted to approximately HK\$423,148,000 (2002: HK\$66,321,000) at balance sheet date.

Notes to the Financial Statements

Year ended 31 December 2003

15. INTERESTS IN ASSOCIATES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	23	23
Due to associates	(50)	(51)
	(27)	(28)

16. OTHER INVESTMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Toll road, at cost	-	15,600	-	-
Less: Accumulated amortization	-	(6,172)	-	-
Eliminated on termination	-	(9,428)	-	-
	-	-	-	-
Co-operative joint ventures, at cost	78,648	78,648	-	-
Less: Accumulated amortization	(24,253)	(21,722)	-	-
Accumulated impairment losses	(24,016)	(24,016)	-	-
	30,379	32,910	-	-
Unlisted club debentures, at cost	7,410	8,524	5,000	5,000
Less: Provision for impairment loss	-	(114)	-	-
Disposal	-	(1,000)	-	-
	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)	-	-
	-	-	-	-
	37,789	40,320	5,000	5,000

Notes to the Financial Statements

Year ended 31 December 2003

17. OTHER NON-CURRENT ASSETS

	Group	
	2003 HK\$'000	2002 HK\$'000
Deferred drydocking expenses, at cost	11,417	14,398
Less: Amount written off	(6,868)	(10,210)
	4,549	4,188
Loan receivable	20,800	26,000
Less: Amount included in current assets	(3,800)	(4,000)
Loan receivable due over one year	17,000	22,000
	21,549	26,188

18. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Ship stores	4,187	1,639
Trading goods	29,974	29,468
	34,161	31,107

Inventories at balance sheet date were carried at cost.

Notes to the Financial Statements

Year ended 31 December 2003

19. SHORT-TERM INVESTMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Debts securities, at fair value:				
Listed outside Hong Kong	363	744	-	-
Unlisted	-	7,761	-	-
	363	8,505	-	-
Equity securities, at fair value:				
Listed in Hong Kong	7,694	21,316	-	4,684
Listed outside Hong Kong	2,388	1,555	-	-
	10,082	22,871	-	4,684
	10,445	31,376	-	4,684

20. 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	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	60,431	41,640
91 – 180 days	11,953	22,102
181 – 365 days	1,520	2,484
Over 365 days	1,531	786
	75,435	67,012

Notes to the Financial Statements

Year ended 31 December 2003

21. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	47,579	45,623
91 – 180 days	1,126	711
181 – 365 days	279	740
Over 365 days	7,114	10,030
	56,098	57,104

22. SECURED BANK LOANS AND OVERDRAFTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The maturity of secured bank loans and overdrafts is as follows:				
Within one year	105,649	99,645	15,962	15,354
After one year but within two years	63,215	62,608	–	–
After two years but within five years	187,953	188,463	–	–
After five years	392,723	439,594	–	–
	749,540	790,310	15,962	15,354
Less: Amount included in current liabilities				
Secured bank loans	(63,309)	(62,538)	–	–
Secured bank overdrafts	(42,340)	(37,107)	(15,962)	(15,354)
Amount included in non-current liabilities	643,891	690,665	–	–

Notes to the Financial Statements

Year ended 31 December 2003

23. ISSUED CAPITAL

Company	2003		2002	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<i>Authorized:</i>				
At 1 January	1,000,000,000	100,000	1,000,000,000	100,000
Consolidation of shares	(900,000,000)	–	–	–
At 31 December	100,000,000	100,000	1,000,000,000	100,000
<i>Issued and fully paid:</i>				
At 1 January	526,242,488	52,624	526,242,488	52,624
Consolidation of shares	(473,618,232)	–	–	–
Cancellation of repurchased shares	(8)	–	–	–
At 31 December	52,624,248	52,624	526,242,488	52,624

At the annual general meeting of the Company held on 30 May 2003, the resolutions regarding the consolidation of every 10 issued and unissued shares of HK\$0.10 each in the capital of the Company into 1 consolidated share of HK\$1.00 each ("Share Consolidation") were approved by the shareholders of the Company. With effect from 2 June 2003, the authorized share capital of the Company has become HK\$100 million divided into 100 million shares of HK\$1.00 each, of which 52,624,248 shares were issued and fully paid.

Notes to the Financial Statements

Year ended 31 December 2003

24. RESERVES

Group	Share premium	Capital reserve	Capital redemption reserve	Other asset revaluation reserve	Accumulated profits (losses)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2002	288,733	139,652	2,023	-	26,478	456,886
Exchange reserve arising on consolidation	-	4	-	-	-	4
Net loss for the year	-	-	-	-	(62,339)	(62,339)
At 31 December 2002	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

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 subsidiaries and associates, revaluation of fixed assets and foreign currency translation.

Notes to the Financial Statements

Year ended 31 December 2003

24. RESERVES (Continued)

Company	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	288,733	–	2,023	176,900	467,656
Net loss for the year	–	–	–	(27,189)	(27,189)
At 31 December 2002	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

Accumulated 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\$102,364,000 (2002: HK\$117,491,000).

Notes to the Financial Statements

Year ended 31 December 2003

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit (Loss) before taxation	82,077	(105,427)
Depreciation and amortization	64,571	68,203
Interest income	(4,279)	(6,113)
Interest expenses	20,947	22,250
Dividend income from short-term investments	(649)	(1,683)
Dividend and investment income, including toll income	(7,786)	(12,333)
Loss on disposal/written off of fixed assets, other than investment properties	422	4,699
Loss on disposal of an investment property	-	860
Gain on disposal of a subsidiary	(422)	-
Gain on termination of investment in toll road	-	(4,222)
Provision for bad and doubtful debts	1,680	1,980
(Reversal of) Provision for impairment loss of fixed assets	(104,276)	12,661
Provision for impairment loss of other investments	-	114
(Write-back of provision for) Provision for a claim receivable	(6,688)	30,200
Revaluation (surplus) deficit of an investment property	(4,200)	2,000
Net drydocking expense deferred	(361)	(562)
Effects of exchange rates movement	16,549	20,985
Changes in working capital:		
Inventories	(3,062)	(10,420)
Short-term investments	20,931	(1,982)
Trade receivables	(9,764)	9,170
Prepayments, deposits and other receivables	(44,703)	2,784
Trade payables	(1,006)	(11,449)
Accrued charges and other payables	61,362	(1,458)
Cash generated from operations	81,343	20,257

Notes to the Financial Statements

Year ended 31 December 2003

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

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Net (liabilities) assets disposed of:		
Fixed assets	355	–
Other investments	–	1,000
Inventories	8	–
Trade receivables	67	–
Prepayments, deposits and other receivables	1,085	–
Bank balances and cash	291	–
Accrued charges and other payables	(2,662)	–
	(856)	1,000
Minority interests	582	–
Capital reserve released	(148)	–
Gain on disposal of a subsidiary	422	–
Total consideration, satisfied by cash	–	1,000
Net cash (outflow) inflow arising on disposal of a subsidiary:		
Cash consideration	–	1,000
Bank balances and cash disposed	(291)	–
	(291)	1,000

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank balances and cash	122,556	85,974
Secured bank overdrafts	(42,340)	(37,107)
	80,216	48,867

Notes to the Financial Statements

Year ended 31 December 2003

26. DEFERRED TAXATION

Unrecognized deferred tax assets

	Group	
	2003	2002
	HK\$'000	HK\$'000
Deductible temporary differences	4,217	4,345
Tax losses	73,578	61,249
At 31 December	77,795	65,594

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets have not been recognized in respect of these items because of uncertainty of their recoverability.

27. PLEDGE OF ASSETS

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

- (a) Legal charges on the Group's investment property, leasehold land and buildings and motor vessels with an aggregate net book value of HK\$1,192,488,000 (2002: HK\$1,154,813,000);
- (b) Deposits totalling HK\$30,551,000 (2002: HK\$30,470,000) of the Group placed with banks;
- (c) Short-term investments in securities with fair values totalling HK\$1,767,000 (2002: HK\$21,399,000) of the Group placed with a bank;
- (d) Legal charges on shares of seven (2002: seven) ship owning subsidiaries of the Company; and
- (e) Assignment agreements entered into with banks assigning seven (2002: seven) ship owning subsidiaries' chartering income in favour of banks.

Notes to the Financial Statements

Year ended 31 December 2003

28. COMMITMENTS

(a) Capital expenditure commitments

At balance sheet date, the Group had capital expenditure commitments relating to the newbuildings of two dry bulk carriers at total purchase prices of approximately HK\$321,516,000 and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$296,872,000. At 31 December 2002, the Group had no material capital expenditure commitment.

(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	
	2003 HK\$'000	2002 HK\$'000
Within one year:		
Land and buildings	1,038	1,091
Time charter hire	566,832	190,141
	567,870	191,232
After one year but within five years:		
Land and buildings	1,146	42
Time charter hire	394,724	219,387
	395,870	219,429
	963,740	410,661

Notes to the Financial Statements

Year ended 31 December 2003

28. 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	
	2003 HK\$'000	2002 HK\$'000
Within one year:		
Land and buildings	734	289
Time charter hire	260,032	152,860
	260,766	153,149
After one year but within five years:		
Land and buildings	572	–
Time charter hire	–	48,542
	572	48,542
	261,338	201,691

Notes to the Financial Statements

Year ended 31 December 2003

29. SEGMENTAL INFORMATION

(a) (i) 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 fixed assets	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

Notes to the Financial Statements

Year ended 31 December 2003

29. SEGMENTAL INFORMATION (Continued)

(a) (ii) Consolidated income statement by business segments – 2002

	Chartering freight and hire HK\$'000	Trading HK\$'000	Investments in China HK\$'000	Other operations HK\$'000	Total HK\$'000
Turnover	543,641	209,098	3,440	–	756,179
Other operating income	40,658	2,314	10,608	1,279	54,859
Provision for impairment loss of fixed assets	(4,975)	–	–	(7,686)	(12,661)
	579,324	211,412	14,048	(6,407)	798,377
Operating expenses	(516,099)	(205,750)	(10,071)	(2,371)	(734,291)
Other net (expenses) income	(5,287)	(15)	4,216	(84,087)	(85,173)
Depreciation and amortization	(61,158)	(495)	(3,339)	(3,211)	(68,203)
(Loss) Profit from operations	(3,220)	5,152	4,854	(96,076)	(89,290)
Interest income					6,113
Interest expenses					(22,250)
Loss before taxation					(105,427)
Taxation					(667)
Loss from ordinary activities after taxation					(106,094)
Minority interests					43,755
Net loss for the year					(62,339)

- (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% (2002: 90%) of the Group's turnover from trading operations 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 2003

29. SEGMENTAL INFORMATION (Continued)

(b) (i) 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
Allocated assets					
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
Unallocated assets					
Pledged deposits					30,551
Bank balances and cash					122,556
Total assets					1,835,561
Allocated liabilities					
Total segment liabilities	811,901	48,616	214	44,658	905,389
Unallocated liabilities					
Secured bank overdrafts					42,340
Total liabilities					947,729
Capital expenditures incurred					
during the year	28,176	1,044	9	769	29,998

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Year ended 31 December 2003

29. SEGMENTAL INFORMATION (Continued)

(b) (ii) Consolidated balance sheet by business segments – 2002

	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	1,281,936	1,307	361	104,226	1,387,830
Intangible asset	–	–	–	134	134
Interests in associates	–	(28)	–	–	(28)
Other investments	–	–	32,910	7,410	40,320
Other non-current assets	4,188	22,000	–	–	26,188
Current assets	26,950	92,535	876	35,989	156,350
Total segment assets	1,313,074	115,814	34,147	147,759	1,610,794
<i>Unallocated assets</i>					
Pledged deposits					30,470
Bank balances and cash					85,974
Total assets					1,727,238
<i>Allocated liabilities</i>					
Total segment liabilities	797,258	47,302	2,295	46,883	893,738
<i>Unallocated liabilities</i>					
Secured bank overdrafts					37,107
Total liabilities					930,845
Capital expenditures incurred					
during the year	407,577	463	10	686	408,736

- (iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 17% (2002: 19%) 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 2003

30. CONTINGENT LIABILITIES

At balance sheet date, contingent liabilities not provided for in the financial statements are as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees to secure banking facilities granted to subsidiaries	-	-	114,070	114,070
Other guarantees	-	293	-	-
	-	293	114,070	114,070

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\$45,721,000 (2002: HK\$52,693,000).

31. 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\$1,658,000 (2002: HK\$1,485,000) net of the forfeited contributions of HK\$37,000 (2002: HK\$345,000) which arose upon employees leaving the defined contribution retirement scheme.

Notes to the Financial Statements

Year ended 31 December 2003

32. 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\$32,000) 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 is a shareholder and a director of Vintage. Consultancy fee in the amount of £10,000 (approximately HK\$128,000) (2002: HK\$117,000) has been paid during the year under the agreement.

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

33. POST BALANCE SHEET EVENTS

- (a) On 9 January 2004, the Group entered into an agreement to acquire a motor vessel of deadweight 55,300 metric tons for the consideration of HK\$150,150,000 which will be delivered on or before 31 October 2007.
- (b) On 9 March 2004, the Group entered into an agreement to acquire a motor vessel of deadweight 55,500 metric tons for the consideration of HK\$275,340,000 which is expected to be delivered during the period from 1 February 2005 to 30 May 2005.

34. ULTIMATE HOLDING COMPANY

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

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35. 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	50.9%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	98,428,341 ordinary shares of US\$0.05 each	50.9%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US\$1 each	50.9%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US\$1 each	50.9%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US\$1 each	50.9%	Investment holding	Worldwide
Jinhui Transportation Inc.	1,000 shares of US\$1 each	50.9%	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
Exalten Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK\$1 each	50.9%	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	50.9%	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	50.9%	Property investment	Hong Kong
Ocean Fame International Limited	1,000 shares of HK\$1 each	100%	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 2003

35. 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	50.9%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide
Jinbi Shipping Ltd	1 registered share of US\$1 each	50.9%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide
Wonder Enterprises Ltd	500 registered shares of US\$ 1 each	50.9%	Ship chartering	Worldwide
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Rimpacific Navigation Inc.	2 common shares of US\$1 each	50.9%	Investment	Worldwide
Incorporated in the State of Delaware, United States of America				
Jinhui Shipping (USA) Inc.	500 shares of US\$1 each	50.9%	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.