JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
Stock code: 137

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

The board of directors (the "Board") of Jinhui Holdings Company Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 together with comparative figures for the corresponding period of 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**1,006,181**	473,017
Other operating income		**40,860**	29,585
Voyage related expenses		**(435,181)**	(336,335)
Losses, including provisions made for unrealized losses, on forward freight agreements		**(523,980)**	–
Cost of trading goods sold		**(139,211)**	(100,420)
Staff costs		**(17,622)**	(14,957)
Other operating expenses		**(29,527)**	(21,055)
Other net (expenses) income		**(715)**	11,596
Depreciation and amortization		**(37,419)**	(31,826)
(Loss) Profit from operations	*2*	**(136,614)**	9,605
Interest income		**935**	2,968
Interest expenses		**(9,041)**	(10,713)
(Loss) Profit before taxation		**(144,720)**	1,860
Taxation	*3*	**(951)**	279
(Loss) Profit from ordinary activities after taxation		**(145,671)**	2,139
Minority interests		**65,980**	(3,663)
Net loss for the period		**(79,691)**	(1,524)
Basic loss per share *(HK$)*	*4*	**(1.514)**	(0.029)

Notes:

1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2004 have been reviewed by our auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants ("HKSA"). An unmodified review conclusion has been issued by the auditors.

The accounting policies and methods of computation used by the Group for the six months ended 30 June 2004 are consistent with those used in the annual financial statements for the year ended 31 December 2003.

2. Segmental information

An analysis of the Group's turnover and (loss) profit from operations by principal activities is as follows:

	Turnover		**(Loss) Profit from operations**	
	Six months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Chartering freight and hire	**850,867**	362,709	**(138,143)**	(970)
Trading	**155,314**	110,308	**5,237**	(270)
Investments in China	**–**	–	**6,481**	737
Other operations	**–**	–	**(10,189)**	10,108
	1,006,181	473,017	**(136,614)**	9,605

The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, the Group's turnover from trading operations was carried out mainly in Hong Kong and China of about 45% (2003: 90%) and 54% (2003: 10%) respectively. The Group's other operations, including property investments, foreign currency transactions and short-term investments, were mainly carried out in Hong Kong in both periods.

3. Taxation

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group		
Hong Kong Profits Tax:		
Current period	**(951)**	–
Over provision in respect of prior periods	**–**	279
	(951)	279

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period ended 30 June 2004. 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.

4. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK$79,691,000 (2003: HK$1,524,000) and the weighted average number of 52,624,248 (2003: 52,624,248) ordinary shares in issue during the period. The weighted average number of ordinary shares outstanding for 2003 has been adjusted for the consolidation of shares effective on 2 June 2003.

Diluted loss per share is not presented as there is no potential ordinary share in issue during both periods.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period (2003: nil).

BUSINESS REVIEW

The consolidated turnover of the Group for the period was HK$1,006,181,000, representing an increase of 113% as compared to that of last corresponding period. Net loss for the period amounted to HK$79,691,000 whereas a net loss of HK$1,524,000 was made for last corresponding period. Basic loss per share was HK$1.514 for the period as against basic loss per share of HK$0.029 for last corresponding period. The loss for the period was wholly attributed by the losses under the forward freight agreements ("FFAs") entered into by the Group since January 2004.

Chartering freight and hire. The dry bulk sector market enjoyed breaking rates during early 2004. However, driven by the negative sentiment towards the China economy as a result of the macro economic measures introduced by the relevant authorities and historical high bunker prices, the freight rates of all dry bulk sectors have been adjusted downwards since March 2004. The Baltic Dry Index surged from 4,765 at the end of 2003 to record high of 5,681 in early February 2004, dropped drastically to 2,622 in late June 2004 and closed at 3,005 during the period.

The Group's shipping turnover for the period amounted to HK$850,867,000; representing an increase of 135% over last corresponding period. Affected by the losses attributable to the FFAs, including the FFAs that have been, and have not been, squared off, amounting to HK$523,980,000, the Group's shipping operations recorded a loss of HK$138,143,000 for the period; whereas a loss of HK$970,000 was reported for last corresponding period.

In view of the upturn of the shipping markets especially during early 2004, the Group has entered into certain FFAs in order to mitigate its risks associated primarily with upward trend of freight rates. However, caused by the unexpected and sudden decline in the freight rates of the dry bulk shipping market which began in March 2004 and continued further in June 2004, the Group suffered from the realized losses incurred from, and the provisions made for the unrealized losses from, the FFAs entered into by the Group since January 2004. The majority of the FFAs entered into by the Group have now been squared off and hence the Group's losses under such squared off FFAs have been crystalised. As a consequence, the losses attributable to the FFAs, including the FFAs that have been, and have not been, squared off, amounting to HK$523,980,000 had been accounted for in the period ended 30 June 2004.

The Board continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet size as appropriate. On 8 July 2004, the Group has contracted to sell two motor vessels "Jin Tai" and "Jin Kang" with aggregate net book values of US$39,808,000 (approximately HK$310,502,000) as at 30 June 2004 at total consideration of US$56,500,000 (approximately HK$440,700,000); which will be delivered to an independent buyer during second half of 2004. As at date of this announcement, the Group has also committed to acquire five newbuildings at total purchase prices of US$133,020,000 (approximately HK$1,037,556,000); of which three will be delivered in 2005 and the other two will be delivered in 2007.

The Group intends to use approximately HK$187.4 million of the payment received from the disposal of motor vessels "Jin Tai" and "Jin Kang" to repay bank loans and the balance as additional working capital. After taking into account of the disposals of two motor vessels, the Board believes that the current ratio will be improved to a much healthier position.

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. Based on the valuation made by an independent professional valuer, the market values of the Group's ten owned vessels as at 30 June 2004 was approximately HK$1,606.8 million as compared to their net book values of approximately HK$1,263.8 million.

Trading and investments in China. The turnover for the Group's trading of chemical and industrial raw materials was HK$155,314,000, representing an increase of 41% as compared to that of last corresponding period. The Group's trading business was affected by the outbreak of Severe Acute Respiratory Syndrome during last corresponding period. Due to the increase in demand and price for chemical and industrial raw materials as a result of the economic recovery, the performance of the Group's trading business was improved with a profit of HK$5,237,000 for the period against a loss of HK$270,000 for last corresponding period. Due to the increase in demand and price for commodities, the performance of the Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather promising. The Group's investments in China reported a profit of HK$6,481,000 for the period against a profit of HK$737,000 for last corresponding period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. The total of the Group's pledged deposits, bank balances and cash increased to HK$440,876,000 as at 30 June 2004 (31/12/2003: HK$153,107,000). The Group's borrowings decreased to HK$694,236,000 as at 30 June 2004 (31/12/2003: HK$749,540,000), of which 12%, 9%, 27% and 52% 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 net debts (total interest bearing debts net of securities, cash and cash equivalents) over shareholders' equity decreased to 66% (31/12/2003: 125%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars.

Pledge of assets. As at 30 June 2004, the Group's fixed assets of HK$1,168,356,000 (31/12/2003: HK$1,192,488,000), short-term investments of HK$2,550,000 (31/12/2003: HK$1,767,000), deposits of HK$30,301,000 (31/12/2003: HK$30,551,000) and shares of seven (31/12/2003: seven) ship owning companies were pledged together with the assignment of chartering income of seven (31/12/2003: seven) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$98,487,000 (31/12/2003: HK$29,998,000) for the period ended 30 June 2004, approximately HK$93,151,000 (31/12/2003: HK$24,644,000) was spent on the constructions of the Group's newbuildings.

As at 30 June 2004, there were outstanding capital commitments relating to the newbuildings of five (31/12/2003: two) dry bulk carriers at total purchase prices of approximately HK$1,037,556,000 (31/12/2003: HK$321,516,000) and the total amount contracted but not yet provided for, net of deposits paid, was approximately HK$919,760,000 (31/12/2003: HK$296,872,000).

Contingent liabilities. As at 30 June 2004, except for certain guarantees amounting to HK$2,340,000 granted by the Company's subsidiary to a third party in its ordinary course of businesses, the Group had no other contingent liabilities. As at 31 December 2003, the Group had no material contingent liability not yet provided for.

EMPLOYEES

As at 30 June 2004, the Group had 102 full-time employees and 260 crew (31/12/2003: 100 full-time employees and 262 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits. The Group has not adopted any share option scheme during the period.

OUTLOOK

The shipping industry and, the freight market in particular, are becoming more and more volatile, evidenced by wide variations in freight rates and vessel prices. To manage this risk and avoid significant losses, the Board has recognised the need for a more conservative and effective strategies for its business in FFA so as to limit and monitor the market-related and financial risks.

Apart from the Group's ten owned vessels, the Group currently operates around thirteen chartered-in dry bulk carriers including one Capesize, seven Panamaxes and five Handymaxes. By the end of June 2004, the freight rates for all dry bulk sectors started to recover with the Baltic Dry Index picked up to around 4,100 during early August 2004. The Board is also aware of the recent rises in bunker prices which may affect the shipping industry. However, the Board believes that the fundamentals of demand in dry bulk shipping remain unchanged with the supply of vessels remaining tight in the next few years. The Board is confident that the continued strength in freight rates bode well for the Group in the coming years and therefore, will consider to expand the Group's own fleet at appropriate timing. The Board also expects that the Group's trading business and investments in China will also continue to contribute steady returns to the Group.

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

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2004.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2004.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

As at the date of this announcement:

(a) the executive directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin;

(b) the non-executive directors of the Company are Ho Kin Lung and So Wing Hung Peter; and

(c) the independent non-executive directors of the Company are Cui Jian Hua and Tsui Che Yin Frank.

PUBLICATION OF INTERIM RESULTS ON THE EXCHANGE'S WEBSITE

A detailed announcement of interim results for the six months ended 30 June 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Ng Siu Fai
Chairman

Hong Kong, 11 August 2004

Please also refer to the published version of this announcement in China Daily.