



JINHUI Holdings
Company Limited

Interim Report
2003

The Board of Directors 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 2003 together with comparative figures for the corresponding period of 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003

		Six months ended	
		30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	473,017	374,116
Other operating income		29,585	34,957
Voyage related expenses		(336,335)	(229,612)
Cost of trading goods sold		(100,420)	(89,772)
Staff costs		(14,957)	(17,294)
Other operating expenses		(21,055)	(25,531)
Other net income (expenses)	3	11,596	(62,144)
Depreciation and amortization		(31,826)	(33,210)
		<hr/>	<hr/>
Profit (Loss) from operations	2	9,605	(48,490)
Interest income		2,968	3,650
Interest expenses		(10,713)	(10,439)
		<hr/>	<hr/>
Profit (Loss) before taxation		1,860	(55,279)
Taxation	4	279	(340)
		<hr/>	<hr/>
Profit (Loss) from ordinary activities			
after taxation		2,139	(55,619)
Minority interests		(3,663)	25,155
		<hr/>	<hr/>
Net loss for the period		(1,524)	(30,464)
		<hr/>	<hr/>
Basic loss per share (HK cents)	5	(2.90)	(57.89)
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CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2003

	Note	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		1,316,061	1,387,830
Intangible asset		126	134
Interests in associates		(26)	(28)
Other investments		39,054	40,320
Other non-current assets		22,592	26,188
		<u>1,377,807</u>	<u>1,454,444</u>
Current assets			
Inventories		45,179	31,107
Short-term investments		22,567	31,376
Trade receivables	6	80,373	67,012
Prepayments, deposits and other receivables		24,667	26,855
Pledged deposits		47,768	30,470
Bank balances and cash		129,816	85,974
		<u>350,370</u>	<u>272,794</u>
Current liabilities			
Trade payables	7	65,175	57,104
Accrued charges and other payables		84,778	82,966
Taxation		167	465
Secured bank loans		62,532	62,538
Secured bank overdrafts		59,104	37,107
		<u>271,756</u>	<u>240,180</u>
Net current assets		<u>78,614</u>	<u>32,614</u>
Total assets less current liabilities		<u>1,456,421</u>	<u>1,487,058</u>
Non-current liabilities			
Secured bank loans		657,457	690,665
Minority interests		<u>353,461</u>	<u>349,218</u>
Net assets		<u>445,503</u>	<u>447,175</u>
CAPITAL AND RESERVES			
Issued capital		52,624	52,624
Reserves		392,879	394,551
Shareholders' funds		<u>445,503</u>	<u>447,175</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2003*

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Accu- mulated (losses) profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2003	52,624	288,733	139,656	2,023	(35,861)	447,175
Exchange reserve arising on consolidation	-	-	(1)	-	-	(1)
Release on disposal of subsidiaries	-	-	(147)	-	-	(147)
Net losses not recognized in the income statement	-	-	(148)	-	-	(148)
Net loss for the period	-	-	-	-	(1,524)	(1,524)
At 30 June 2003	<u>52,624</u>	<u>288,733</u>	<u>139,508</u>	<u>2,023</u>	<u>(37,385)</u>	<u>445,503</u>
At 1 January 2002	52,624	288,733	139,652	2,023	26,478	509,510
Exchange reserve arising on consolidation and not recognized in the income statement	-	-	3	-	-	3
Net loss for the period	-	-	-	-	(30,464)	(30,464)
At 30 June 2002	<u>52,624</u>	<u>288,733</u>	<u>139,655</u>	<u>2,023</u>	<u>(3,986)</u>	<u>479,049</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2003*

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities	17,176	(24,598)
Net cash generated from (used in) investing activities	53,218	(259,626)
Net cash (used in) generated from financing activities	(48,549)	153,551
Net increase (decrease) in cash and cash equivalents	21,845	(130,673)
Cash and cash equivalents at 1 January	48,867	160,107
Cash and cash equivalents at 30 June	70,712	29,434
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	129,816	70,025
Secured bank overdrafts	(59,104)	(40,591)
	70,712	29,434

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2003 have been reviewed by our auditors, Messrs. Moores Rowland, 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.

These interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). They should be read in conjunction with the annual financial statements and notes thereto included in the annual report of the Group for the year ended 31 December 2002.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002 except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2003. The effect of such changes to the results for the period are not material and details of the changes in the accounting policies will be given in the 2003 annual financial statements.

2. Segmental information

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

	Turnover		Profit (Loss) from operations	
	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Chartering freight and hire	362,709	267,333	(970)	12,030
Trading	110,308	104,797	(270)	2,004
Investments in China	-	1,986	737	635
Other operations	-	-	10,108	(63,159)
	<u>473,017</u>	<u>374,116</u>	<u>9,605</u>	<u>(48,490)</u>

The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, about 90% (six months ended 30 June 2002: 95%) of the Group's turnover from trading operations was carried out in Hong Kong and the balance was mainly carried out in Mainland 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 periods.

3. Other net income (expenses)

Other net expenses for the preceding period ended 30 June 2002 included a provision for a claim receivable of HK\$30,200,000 payable by China Nonferrous Metals Group (Hong Kong) Limited ("CNMG") as an order for winding-up CNMG was issued by the High Court of Hong Kong on 8 May 2002.

4. Taxation

	Six months ended	
	30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group		
Hong Kong Profits Tax		
Current period	-	(342)
Over-provision in respect of prior periods	279	2
	279	(340)

Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the period. Hong Kong Profits Tax has been provided at the rate of 16% on the estimated assessable profits for the period ended 30 June 2002. 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.

5. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$1,524,000 (six months ended 30 June 2002: HK\$30,464,000) and the weighted average number of 52,624,248 (six months ended 30 June 2002: 52,624,248) ordinary shares in issue during the period. The weighted average number of ordinary shares outstanding for both periods presented have 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.

6. Trade receivables

The credit terms given to charterers vary from 15 to 60 days according to the types of vessel's employment. 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:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 90 days	60,137	41,640
91 – 180 days	15,680	22,102
181 – 365 days	2,901	2,484
Over 365 days	1,655	786
	80,373	67,012

7. Trade payables

The aging analysis of trade payables is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 90 days	56,385	45,623
91 – 180 days	463	711
181 – 365 days	1,356	740
Over 365 days	6,971	10,030
	65,175	57,104

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period (six months ended 30 June 2002: Nil).

BUSINESS REVIEW

Turnover for the six months ended 30 June 2003 was HK\$473,017,000, representing an increase of 26% as compared to that of last corresponding period. Net loss for the period amounted to HK\$1,524,000 whereas a loss of HK\$30,464,000 was made for the last corresponding period. Basic loss per share was HK2.90 cents for the period as against basic loss per share of HK57.89 cents for the last corresponding period.

The dry bulk market was rather strong and the freight rates remained firm during the first half of 2003 due to strong demand. The Baltic Dry Index increased by 387 points to close at 2,125 over the past six months, an unprecedented level during recent years. However, the prolonged rise in operating costs such as fuel costs and maintenance expenses greatly affected the shipping industry and the Group's committed tonnages were yet to be unwound. The shipping turnover was HK\$362,709,000 for the period, representing an increase of 36% as compared to that of the last corresponding period. The Group's shipping operations recorded a loss of HK\$970,000 for the period; whereas an operating profit of HK\$12,030,000 was reported for last corresponding period.

During 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. As at 30 June 2003, the Group owned ten motor vessels with total deadweight of around 517,000 metric tons. Meanwhile, the Group remains its strategy of expanding a fleet of well-equipped and modernized vessels. On 30 June 2003, the Group entered into a contract to acquire a deadweight 76,300 metric tons motor vessel, which will be delivered on or before 20 December 2005, for a consideration of US\$21,970,000 (equivalent to HK\$171,366,000). Subsequent to the period, the Group entered into another contract on 12 August 2003 to acquire a deadweight 55,300 metric tons motor vessel, which will be delivered on or before 31 July 2007, for a consideration of US\$19,250,000 (equivalent to HK\$150,150,000).

The turnover for the Group's trading of chemical and industrial products was HK\$110,308,000, representing an increase of 5% as compared to that of last corresponding period. Affected by the increasing number of competitors and the outbreak of Severe Acute Respiratory Syndrome ("SARS"), despite a slight increase in turnover, the profit margin of the trading activities was reduced and a modest loss of HK\$270,000 was reported for the period against a profit of HK\$2,004,000 for last corresponding period. The direct investments in China during the period reported a profit of HK\$737,000 for the period against a profit of HK\$635,000 for last corresponding period.

The Group's other operations recorded an operating profit of HK\$10,108,000 which comprised an exchange gain of HK\$5,242,000. The loss of HK\$63,159,000 for last corresponding period was mainly due to the provision made for a claim receivable of HK\$30,200,000 payable by CNMG and the realized and unrealized exchange loss of HK\$36,742,000 for the Group's foreign currency exposures in Japanese Yen as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. The Group has foreign currency exposures in Japanese Yen derived from the borrowings in Japanese Yen to finance the payments for the deliveries of newbuildings in previous years.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The total of the Group's pledged deposits, bank balances and cash increased to HK\$177,584,000 as at 30 June 2003 (31 December 2002: HK\$116,444,000). The Group's borrowings decreased to HK\$779,093,000 as at 30 June 2003 (31 December 2002: HK\$790,310,000), of which 16%, 8%, 24% 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 total borrowings over shareholders' funds, decreased to 175% (31 December 2002: 177%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. The Group has from time to time closely monitored the foreign currency exposures so as to balance the exchange rate risk associated with the fluctuation in Japanese Yen and possible interest saving from Japanese Yen borrowings. Should market conditions require, the Group would consider appropriate foreign exchange and interest rate hedging products to mitigate the Group's exposure.

Pledge of assets

As at 30 June 2003, the Group's fixed assets of HK\$1,134,776,000 (31 December 2002: HK\$1,154,813,000), short-term investments of HK\$13,385,000 (31 December 2002: HK\$21,399,000), deposits of HK\$47,768,000 (31 December 2002: HK\$30,470,000) and some of the shares and chartering income of ship owning subsidiaries were pledged to secure credit facilities utilized by the Group.

Capital expenditures and commitments

There was no material capital expenditure for the six months ended 30 June 2003. Out of the Group's capital expenditures totalling HK\$272,530,000 for the six months ended 30 June 2002, approximately HK\$272,202,000 was spent on the constructions of the Group's owned vessels.

As at 30 June 2003, the Group had capital expenditure commitments relating to the newbuilding of one motor vessel at the purchase price of HK\$171,366,000 wholly contracted but not provided for. The Group had no material capital commitment at year ended 31 December 2002.

Contingent liabilities

As at 30 June 2003, the Group had no material contingent liability not yet provided for. As at 31 December 2002, except for certain guarantees amounting to HK\$293,000 granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liability.

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. Since 2 June 2003, the effective date of the Share Consolidation, 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.

EMPLOYEES

As at 30 June 2003, the Group had approximately 110 full-time employees and 260 crew (31 December 2002: 140 full-time employees and 289 crew). The Group remunerated its employees in accordance with their performances, experiences and prevailing market practices and provided them with usual fringe benefits.

OUTLOOK

In general, there is modest growth in the world economy with increasing positive signs. Looking ahead, the freight rates are expected to be firm in the coming months. Given the apparent control over SARS and the possible rebound of Hong Kong economy, we expect that there should be improvement in the Group's trading business for the rest of 2003. While focusing on the core shipping business, the Group will continue taking efforts to improve efficiency, reduce the operating costs and remain conscious to the changing market conditions in mapping out its business and investment strategies.

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

As at 30 June 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	No. of shares in the Company	No. of shares in Jinhui Shipping and Transportation Limited
Ng Siu Fai	Interests other than personal, family and corporation	Note	Note
Ng Kam Wah Thomas	Interests other than personal, family and corporation	Note	Note
Ng Ki Hung Frankie	Interests other than personal, family and corporation	Note	Note
So Wing Hung Peter	Family interests	250,000	15,000

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 of the Company and 494,049 shares of Jinhui Shipping and Transportation Limited as at 30 June 2003. 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 30 June 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.

Save as disclosed above, at no time during the period 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 interest 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 period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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
Fairline Consultants Limited	30,385,628

Save as disclosed herein, as at 30 June 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 six months ended 30 June 2003.

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 2003.

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 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

By Order of the Board

Ng Siu Fai

Chairman and Managing Director

Hong Kong, 11 September 2003