JINHUI HOLDINGS COMPANY LIMITED

INTERIM REPORT

2001

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 2001 together with comparative figures for the corresponding period of 2000 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2001

		Six months ended 30 June	
		2001	2000
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**457,638**	292,395
Other operating income		**28,278**	20,178
Other net income	*4*	**50,245**	47,559
Voyage related expenses		**(290,596)**	(152,408)
Cost of trading goods sold		**(107,484)**	(111,606)
Staff costs		**(21,072)**	(22,253)
Other operating expenses		**(19,334)**	(41,376)
Depreciation and amortization		**(27,071)**	(21,539)
Profit from operations	*3*	**70,604**	10,950
Interest income		**12,970**	11,746
Interest expenses		**(13,053)**	(7,695)
Share of results of associates		**(133)**	(30)
Profit before taxation		**70,388**	14,971
Taxation	*5*	**(402)**	(65)
Profit from ordinary activities after taxation		**69,986**	14,906
Minority interest		**(37,560)**	(8,053)
Net profit for the period		**32,426**	6,853
Basic earnings per share	*6*	**6.16 cents**	1.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2001

	Note	**At 30 June 2001 (Unaudited) *HK$'000***	At 31 December 2000 (Audited) *HK$'000*
Non-current assets			
Fixed assets		**1,150,327**	908,476
Intangible asset		**158**	163
Interests in associates		**(28)**	(1,402)
Other investments		**67,530**	69,209
Other non-current assets		**46,733**	47,346
		1,264,720	1,023,792
Current assets			
Inventories		**23,225**	27,284
Short-term investments		**32,856**	85,258
Trade receivables	*7*	**85,358**	89,642
Prepayments, deposits and other receivables		**80,274**	74,105
Pledged deposits		**59,958**	47,842
Bank balances and cash		**203,764**	83,438
		485,435	407,569
Current liabilities			
Trade payables	*8*	**101,356**	91,827
Provision for liabilities and charges and other payables		**94,517**	81,910
Taxation		**465**	517
Bank loans, secured		**70,602**	47,067
Bank overdrafts, secured		**40,061**	30,922
		307,001	252,243
Net current assets		**178,434**	155,326
Total assets less current liabilities		**1,443,154**	1,179,118
Non-current liabilities		**464,499**	267,964
Minority interest		**424,684**	389,622
Net assets		**553,971**	521,532
Capital and reserves			
Issued capital		**52,624**	52,624
Reserves		**501,347**	468,908
Shareholders' funds		**553,971**	521,532

CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES

For the six months ended 30 June 2001

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**7**	(12)
Goodwill released on disposal of an associate	**6**	—
Gains (losses) not recognized in the consolidated income statement	**13**	(12)
Net profit for the period	**32,426**	6,853
Total recognized gains	**32,439**	6,841

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2001

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**143,851**	60,350
Net cash inflow from returns on investments and servicing of finance	**4,402**	2,865
Tax paid	**(454)**	(377)
Net cash outflow from investing activities	**(267,231)**	(168,018)
Net cash outflow before financing	**(119,432)**	(105,180)
Net cash inflow from financing	**230,619**	78,030
Increase (Decrease) in cash and cash equivalents	**111,187**	(27,150)
Cash and cash equivalents brought forward	**52,516**	66,038
Cash and cash equivalents carried forward	**163,703**	38,888
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**203,764**	51,114
Bank overdrafts	**(40,061)**	(12,226)
	163,703	38,888

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Review by auditors

The consolidated interim results of the Group for the six months ended 30 June 2001 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.

Without modifying their review conclusion, the auditors draw attention that the comparative financial information for the six months ended 30 June 2000 included in the interim financial report has not been subject to their review.

2. Basis of preparation and accounting policies

These condensed 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 2000.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000 except that the Group has adopted several new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001. These SSAPs have not resulted in changes in the Group's accounting policies except for the adoption of the following:

SSAP 26 "Segment Reporting"
SSAP 26 establishes principles for reporting the segmental analysis of financial information.

The adoption of SSAP 26 in the current interim reporting period has resulted in a respecification of some reportable segments and a change in the basis for allocation of expenses to segments. Segment turnover and results as disclosed in note 3 to these condensed interim financial statements, together with comparative segmental information for the six months ended 30 June 2000, have been presented in accordance with the provisions of SSAP 26.

SSAP 30 "Business Combinations"
SSAP 30 prescribes the accounting treatment for business combinations.

With the introduction of SSAP30, the Group has changed its accounting policy for goodwill and negative goodwill. With effect from 1 January 2001, the Group recognizes any goodwill arising from acquisition as an intangible asset and amortizes it on a straight-line basis over its estimated useful life. 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. In prior years, goodwill/negative goodwill arising on acquisition has been written off against/credited to reserves.

The Group has taken advantage of the transitional provisions of SSAP 30 not to retroactively restate the goodwill/negative goodwill previously written off against/credited to reserves. Accordingly, goodwill/negative goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be charged/credited to the income statement on the disposal of the relevant subsidiary or associate. Such goodwill will also be charged to the income statement at the time it is determined to be impaired.

3. **Segmental information**

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

	Turnover		Contribution to profit (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	**2001**	2000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Chartering freight and hire	**341,468**	165,354	**20,505**	(1,033)
Trading	**115,337**	124,854	**3,866**	(15,652)
Investments in China	**833**	2,187	**(3,745)**	1,236
Other operations	**—**	—	**49,978**	26,399
	457,638	292,395	**70,604**	10,950

During the period, the Group's chartering freight and hire businesses were carried out internationally and could not be attributable to any particular geographical location.

During the period, about 74% *(six months ended 30 June 2000: 70%)* of the trading turnover was derived from China and the remaining was derived from Hong Kong. The contribution of each geographical market of the Group's trading operation, when measured in relation to the turnover, was not significantly different.

The Group's other operations, including property investments and short-term investments, were mainly carried out in Hong Kong during the period.

4. **Other net income**

Other net income for the period included a loss on disposal, including unrealized provision, of short-term investments of HK$7,463,000 *(six months ended 30 June 2000: HK$22,510,000).*

5. **Taxation**

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Company & its subsidiaries		
Hong Kong Profits Tax		
— Provision for the period	**—**	(65)
— Underprovision in respect of prior periods	**(402)**	—
	(402)	(65)

Hong Kong Profits Tax has been provided at the rate of 16% *(six months ended 30 June 2000: 16%)* on the estimated assessable profits for the period. 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.

6. **Basic earnings per share**

The calculation of basic earnings per share for the period is based on the net profit for the period of HK$32,426,000 *(six months ended 30 June 2000: HK$6,853,000)* and the weighted average number of 526,242,488 *(six months ended 30 June 2000: 526,242,488)* shares in issue during the period.

Diluted earnings per share is not shown as there was no potential ordinary shares in issue in both periods.

7. Trade receivables

Credit terms granted to customers vary, depending generally on the terms of negotiation. Trade receivables are normally to be settled within one year.

The ageing analysis of trade receivables (net of provision for bad and doubtful debts) is as follows:

	At 30 June 2001 (Unaudited)	At 31 December 2000 (Audited)
	HK$'000	*HK$'000*
0 - 90 days	**72,713**	76,043
91 - 180 days	**8,134**	10,346
181 - 365 days	**3,605**	1,191
Over 365 days	**906**	2,062
	85,358	89,642

8. Trade payables

The ageing analysis of trade payables is as follows:

	At 30 June 2001 (Unaudited)	At 31 December 2000 (Audited)
	HK$'000	*HK$'000*
0 - 90 days	**72,826**	60,394
91 - 180 days	**212**	3,270
181 - 365 days	**124**	898
Over 365 days	**28,194**	27,265
	101,356	91,827

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period *(six months ended 30 June 2000: Nil)*.

BUSINESS REVIEW

Turnover for the six months ended 30 June 2001 was HK$457,638,000, representing a growth of 57% over that for the same period last year. Net profit for the period amounted to HK$32,426,000, up from HK$6,853,000 for the corresponding period last year. Basic earnings per share was HK6.16 cents for the period as against HK1.30 cents for the same period of 2000.

Contrary to last year in which all dry bulk sectors benefited from a significant rise in freight rates, their performances during the six months ended 30 June 2001 varied. Whilst the Capesize sector experienced a downward adjustment in freight earnings throughout the period owing to weaker demands, the Panamax and Handymax and Handysize markets, the principal markets of the Group's shipping operations, were quite unstable during the period. At the start of the period, these principal markets continued to remain firm and healthy with stable grains, coal and fertilizer shipments. Thereafter, the economic slowdown experienced by some major countries including the United States and Japan was more severe than expected, resulting in a weaker market sentiment and lower rates. On the whole, the dry bulk freight market followed a general downward trend, with the Baltic Freight Index (the "BFI") falling by 213 points to close the period at 1,386. This was 230 points below that at 1,616 by the end of June 2000.

Despite the adverse market development in freight rates, the Group's shipping operations managed to operate at a profit of HK$20,505,000 for the period whereas an operating loss of HK$1,033,000 was incurred in the corresponding period last year. Such an improvement in profitability reflected that contributions from increased activities, lower bunker costs and stringent cost controls were more than able to offset downward adjustments in freight rates during the period. Meanwhile, the Group achieved a growth in shipping turnover of 107% from that of the same period last year to HK$341,468,000 for the period, partly attributable to an expanded fleet of owned vessels since the deliveries of motor vessels "Jin An", "Jin Li" and "Jin Fu" in July 2000, February 2001 and April 2001 respectively. At 30 June 2001, the Group owned nine dry bulk vessels with a total tonnage capacity of about 400,000 metric tons.

With regard to the Group's trading operation, it recorded an operating profit of HK$3,866,000 for the period. The improved financial results, as compared with an operating loss of HK$15,652,000 for the same period last year, was largely due to a reduction in bad and doubtful debts provision made for trading receivables during the period.

The exchange gain from foreign currency exposures, after offsetting the loss from short-term investments, accounted significantly for the operating profit of HK$49,978,000 for the Group's other operations during the period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The deliveries of the two dry bulk vessels, namely motor vessels "Jin Li" and "Jin Fu", during the period were mainly funded by bank loans. As a result, the Group's bank borrowings increased to HK$575,162,000 at 30 June 2001 *(31 December 2000: HK$345,953,000)*, of which 19%, 11%, 20% and 50% are repayable within one year, one to two years, two to five years and over five years respectively. The bank borrowings which bear interest at floating rates are principally denominated in United States dollars and Japanese Yen. To mitigate its foreign currency exposures, the Group has adopted hedging instruments where necessary.

At 30 June 2001, the Group's gearing ratio as calculated on the basis of total liabilities over shareholders' funds was around 139% *(31 December 2000: 100%)*, a level which was nonetheless considered acceptable taking account of the Group's pledged deposits, bank balances and cash amounting to HK$263,722,000 at that date *(31 December 2000: HK$131,280,000)*.

Pledge of assets

At 30 June 2001, the Group's fixed assets of HK$965,624,000 *(31 December 2000: HK$628,272,000)*, deposits of HK$59,958,000 *(31 December 2000: HK$47,842,000)*, short-term investments of HK$18,293,000 *(31 December 2000: HK$53,700,000)* and some of the shares and chartering income of ship owning subsidiaries were pledged to secure credit facilities utilized by the Group.

Contingent liabilities

Except for certain guarantees amounting to HK$462,000 *(31 December 2000: HK$506,000)* granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liabilities at 30 June 2001 *(31 December 2000: Nil)*.

Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK$267,235,000 for the six months ended 30 June 2001 *(six months ended 30 June 2000: HK$197,365,000)*, approximately HK$262,071,000 *(six months ended 30 June 2000: HK$197,009,000)* was spent on the constructions of the Group's owned vessels.

At 30 June 2001, the Group had capital expenditure commitments relating to the newbuildings of three *(31 December 2000: five)* dry bulk vessels. The total purchase price of these vessels was approximately HK$494,910,000 *(31 December 2000: HK$852,152,000)* and the total amount contracted but not provided for (net of deposits paid) was approximately HK$445,393,000 *(31 December 2000: HK$713,324,000)*.

Employees

The Group employed approximately 145 employees at 30 June 2001. The remuneration package which includes year-end bonus, retirement benefits and share options is reviewed regularly, taking into account the employees' experience and performance as well as the current industry practices. Details of the share option scheme were disclosed in the Group's annual report for the year ended 31 December 2000.

OUTLOOK

The prospects of the global freight market are uncertain, depending largely on the availability of tonnage and how fast the major economies can recover from the prevailing economic slowdown. Nevertheless, a harsh and sudden fall in the BFI by nearly 33% since the end of the period to mid-September 2001 has signified worsening business conditions and declining freight earnings and, in turn, suggested that the profit made by the Group's shipping operations during the period would not continue into the rest of the year. Worst still, the recent terrorist attacks in United States trigger off further volatility and disturbance to the global economic and political environment. Under such a turbulent situation, the freight market would remain depressed as the demand is unlikely to increase to take up the excessive tonnage in the near term.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

At 30 June 2001, the Directors had the following interests in the share capital of the Company and its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Name of Directors	Type of interests	No. of shares in the Company	No. of shares in Jinhui Shipping
Mr. Ng Siu Fai	Interests other than personal, family and corporation	*Note*	*Note*
Mr. Ng Kam Wah Thomas	Interests other than personal, family and corporation	*Note*	*Note*
Mr. Ng Ki Hung Frankie	Interests other than personal, family and corporation	*Note*	*Note*
Mr. So Wing Hung Peter	Family interests	2,500,000	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 ("Fairline") which is the legal and beneficial owner of 303,856,282 shares of the Company and 494,049 shares of Jinhui Shipping and Transportation Limited ("Jinhui Shipping"). The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

Save as disclosed herein, none of the Directors or their associates had any interest either beneficially or non-beneficially in any shares of the Company, its holding company or any of its subsidiaries and associated corporations within the meaning of the SDI Ordinance at 30 June 2001 and at no time during the six months ended 30 June 2001 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

According to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, the following shareholder had an interest representing 10% or more of the issued share capital of the Company at 30 June 2001:

Name of shareholder	**No. of shares in the Company**
Fairline	303,856,282

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 2001.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2001, 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, 21 September 2001