



Jinhui Holdings Company Limited



INTERIM
REPORT
2005

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

Ng Kam Wah Thomas, *Managing Director*

Ng Ki Hung Frankie

Ho Suk Lin

Non-executive Director

Ho Kin Lung

Independent Non-executive Directors

Cui Jianhua

Tsui Che Yin Frank

William Yau

COMPANY SECRETARY

Ho Suk Lin

REGISTERED OFFICE

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HIGHLIGHTS FOR FIRST HALF OF 2005:

- Turnover increased 4% to HK\$1,049 million
- Profit attributable to shareholders amounted to HK\$338 million
- Basic earnings per share: HK\$0.639
- Interim dividend per share: HK\$0.19
- Return on average equity for the period: 39%
- Average daily time charter equivalent rate: US\$30,918

OTHER ACHIEVEMENT:

- Jinhui Shipping, a subsidiary of the Company, was ranked the 8th place out of 74 international shipping companies in terms of outstanding financial performance in 2004 by Marine Money International

The board of directors (the "Board" or the "Directors") of **Jinhui Holdings Company Limited (the "Company")** is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with comparative figures for the corresponding period of 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	1,048,799	1,006,181
Cancellation fee income	3	156,000	–
Other operating income		37,089	40,860
Shipping related expenses		(453,832)	(435,181)
Losses on forward freight agreements	4	–	(523,980)
Cost of trading goods sold		(113,173)	(139,211)
Depreciation and amortization		(41,015)	(37,419)
Staff costs and related expenses		(27,907)	(17,622)
Other operating expenses		(22,365)	(29,527)
Other net expenses		(4,034)	(715)
Profit (Loss) from operations	2	579,562	(136,614)
Interest income		7,290	935
Interest expenses		(14,814)	(9,041)
Profit (Loss) before taxation		572,038	(144,720)
Taxation	5	(1,088)	(951)
Net profit (loss) for the period		570,950	(145,671)
Attributable to:			
Shareholders of the Company		338,346	(79,691)
Minority interests		232,604	(65,980)
		570,950	(145,671)
Dividends	6	101,208	–
Earnings (Loss) per share	7		
– Basic (2004: restated)		HK\$0.639	(HK\$0.151)
– Diluted		HK\$0.631	N/A



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

Attributable to shareholders of the Company

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other asset revaluation reserve (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Retained profits (Accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2004	52,624	288,733	143,924	2,023	4,578	-	815	492,697	395,135	887,832
Net loss for the period	-	-	-	-	-	-	(79,691)	(79,691)	(65,980)	(145,671)
At 30 June 2004	<u>52,624</u>	<u>288,733</u>	<u>143,924</u>	<u>2,023</u>	<u>4,578</u>	<u>-</u>	<u>(78,876)</u>	<u>413,006</u>	<u>329,155</u>	<u>742,161</u>
At 1 January 2005	52,624	288,733	143,936	2,023	4,578	-	228,329	720,223	398,695	1,118,918
Effect of initial adoption of HKFRS 3	-	-	(143,936)	-	-	-	143,936	-	-	-
At 1 January 2005 (as restated)	52,624	288,733	-	2,023	4,578	-	372,265	720,223	398,695	1,118,918
Net profit for the period	-	-	-	-	-	-	338,346	338,346	232,604	570,950
Exercise of options	575	8,622	-	-	-	-	-	9,197	-	9,197
Share issuing expenses	-	(31)	-	-	-	-	-	(31)	-	(31)
Employee share option benefits	-	-	-	-	-	6,604	-	6,604	3,452	10,056
2004 final dividend paid	-	-	-	-	-	-	(63,713)	(63,713)	-	(63,713)
2004 dividends paid to minority interests	-	-	-	-	-	-	-	-	(47,659)	(47,659)
2005 dividends paid to minority interests	-	-	-	-	-	-	-	-	(15,886)	(15,886)
At 30 June 2005	<u>53,199</u>	<u>297,324</u>	<u>-</u>	<u>2,023</u>	<u>4,578</u>	<u>6,604</u>	<u>646,898</u>	<u>1,010,626</u>	<u>571,206</u>	<u>1,581,832</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

		30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,164,199	1,234,823
Investment property		24,500	24,500
Goodwill		46,348	46,348
Available-for-sale financial assets		33,991	–
Intangible asset		98	105
Interests in associates		(24)	(25)
Other investments		–	35,257
Other non-current assets		30,256	34,076
		<u>2,299,368</u>	<u>1,375,084</u>
Current assets			
Inventories		23,182	27,175
Trade and other receivables	8	200,130	213,939
Short-term investments		–	19,074
Financial assets at fair value through profit or loss	10	138,455	–
Pledged deposits		22,646	23,522
Bank balances and cash		244,411	462,356
		<u>628,824</u>	<u>746,066</u>
Current liabilities			
Trade and other payables	9	171,968	326,263
Financial liabilities at fair value through profit or loss	10	186,193	–
Provision for losses		–	202,913
Taxation		1,960	2,435
Secured bank loans		137,257	45,914
Secured bank overdrafts		–	9,835
		<u>497,378</u>	<u>587,360</u>
Net current assets		<u>131,446</u>	<u>158,706</u>
Total assets less current liabilities		<u>2,430,814</u>	<u>1,533,790</u>



CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	30 June 2005 (Unaudited) <i>HK\$'000</i>	31 December 2004 (Audited) <i>HK\$'000</i>
<i>Note</i>		
Non-current liabilities		
Secured bank loans	<u>848,982</u>	<u>414,872</u>
Net assets	<u>1,581,832</u>	<u>1,118,918</u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	53,199	52,624
Reserves	<u>957,427</u>	<u>667,599</u>
	<u>1,010,626</u>	<u>720,223</u>
Minority interests	<u>571,206</u>	<u>398,695</u>
Total equity	<u>1,581,832</u>	<u>1,118,918</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash generated from operating activities	389,767	426,762
Net cash used in investing activities	(970,956)	(83,689)
Net cash generated from (used in) financing activities	<u>373,079</u>	<u>(31,479)</u>
Net (decrease) increase in cash and cash equivalents	(208,110)	311,594
Cash and cash equivalents at 1 January	<u>452,521</u>	<u>80,216</u>
Cash and cash equivalents at 30 June	<u>244,411</u>	<u>391,810</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	244,411	410,575
Secured bank overdrafts	<u>–</u>	<u>(18,765)</u>
	<u>244,411</u>	<u>391,810</u>



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 2005 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 Institute of Certified Public Accountants (“HKICPA”). An unmodified review conclusion has been issued by the auditors.

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2004 except for the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs as disclosed below.

The HKICPA has issued a number of new/revised HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

- HKAS 1 Presentation of Financial Statements
- HKAS 28 Investments in Associates
- HKAS 32 Financial Instruments: Disclosure and Presentation
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets
- HKAS 39 Financial Instruments: Recognition and Measurement
- HKAS 40 Investment Property
- HKFRS 2 Share-based Payment
- HKFRS 3 Business Combinations

The adoption of these new/revised HKFRSs and HKASs has resulted in the following changes to the Group's accounting policies and the major effect of the adoption are summarized as follows:

- (a) The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- (b) The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment property. Prior to this, the changes in values of the Group's investment properties were dealt with as movements in the investment property revaluation reserve or, in case this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was included in the profit and loss account.

Under HKAS 40, investment property is stated at fair value at balance sheet date, all changes in fair value of the investment property are recognized in the profit and loss account. There is no impact on these financial statements as a result of this change in accounting policy because the Group's investment property had a net revaluation deficit position as at 30 June 2004 and 31 December 2004 and the changes in valuation of the Group's investment property during the period ended 30 June 2004 and year ended 31 December 2004 would be recognized in the profit and loss account irrespective of whether the old policy or the new policy is applied.

- (c) The adoption of HKFRS 2 has resulted in a change in the Group's accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to profit and loss account. The main impact of HKFRS 2 on the Group is the expensing of share options of employees and Directors. The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of equity-settled incentives and has applied HKFRS 2 only to equity-settled incentives granted after 7 November 2002 that had not vested on or before 1 January 2005.
- (d) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in accounting policy for goodwill. Prior to this, goodwill on acquisitions which occurred prior to 1 January 2001 was eliminated against consolidated reserves and subject to assessments of impairment and negative goodwill was credited to a capital reserve. Goodwill arising from acquisitions after 1 January 2001 was recognized as an intangible asset and was amortized on a straight-line basis over

its estimated useful life not exceeding 20 years. Any negative goodwill was presented as deduction from goodwill and was released to the profit and loss account based on an analysis of the circumstance from which the balance resulted.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortization of goodwill from 1 January 2005;
 - accumulated amortization of goodwill arising from acquisition of subsidiaries as at 1 January 2005 have been eliminated with a corresponding decrease in the cost of goodwill at that date;
 - any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognized immediately in the consolidated profit and loss account. In addition, following the transitional provisions of HKFRS 3, the carrying amount of the negative goodwill as at 1 January 2005 was derecognized by way of a corresponding adjustment to the opening balance of retained profits as at 1 January 2005;
 - there should be no further reversal of negative goodwill on disposal of a subsidiary; and
 - from the year ending 31 December 2005, goodwill is tested annually for impairment, as well as when there are indications of impairment.
- (e) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Prior to this, the Group's investments in co-operative joint ventures were classified as other investments, which the Group have no control, joint control or significant influence, and were carried at costs less accumulated amortization (over the duration of contracts) and accumulated impairment losses; the Group's investments in equity securities were classified as short-term investments, which were stated at their fair values in the balance sheet and recognized the changes in fair value in the profit and loss account; and specific provisions were made for forward freight agreements.

In accordance with the provisions of HKAS 39, the Group's investments have been redesignated as available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were held. As a result, all the investments are now stated at fair value in the balance sheet except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair values cannot be reliably measured, they are stated at cost less accumulated impairment losses. The impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed in future.

Derivative financial instruments, including foreign exchange contracts, foreign exchange options, interest rate swaps and forward freight agreements are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. They are classified as financial assets or liabilities at fair value through profit or loss and changes in the fair value of any derivative instruments are recognized immediately in the profit and loss account.

As a result of the adoption of HKAS 32 and HKAS 39, the Group:

- has redesignated other investments into available-for-sale financial assets on 1 January 2005;
- has redesignated investments in equity securities into financial assets at fair value through profit or loss on 1 January 2005;
- has redesignated forward freight agreements into respective financial assets or financial liabilities at fair value through profit or loss on 1 January 2005;
- has recognized all derivatives including foreign exchange contracts, foreign exchange options and interest rate swaps at fair value in the balance sheet on 1 January 2005;
- has remeasured those financial assets or liabilities that should be measured at fair value at 1 January 2005;

- has determined that no adjustment to the Group's retained profits would be made as the amount involved was not material; and
- will apply the principles for the derecognition of financial assets prospectively.

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		Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Chartering freight and hire	919,419	850,867	576,605	(138,143)
Trading	129,380	155,314	6,214	5,237
Investments in China	-	-	2,040	6,481
Other operations	-	-	(5,297)	(10,189)
	<u>1,048,799</u>	<u>1,006,181</u>	<u>579,562</u>	<u>(136,614)</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% (2004: 45%) and 5% (2004: 54%) of the Group's trading business was carried out in Hong Kong and China 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. Cancellation fee income

The amount represented a fee of approximately HK\$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), an approximately 59.61% owned subsidiary of the Company, on 14 February 2005 under a contract (the "Termination Contract") made between GSI and a counter party (the "Counter Party") on 31 August 2004. Under the Termination Contract, upon receiving a fee of approximately HK\$156,000,000 by GSI from the Counter Party, both parties agreed to early terminate a charterparty dated 8 February 2000 made between the Counter Party, as owner, and GSI, as charterer, for the chartering of a Capesize vessel to GSI for a period of up to seven years from October 2001.

4. Losses on forward freight agreements

The amount for year 2004 represents the realized losses incurred from, and the provisions made for the unrealized losses from forward freight agreements. In the opinion of the Directors, the losses from the forward freight agreements had been 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 had squared off majority of the forward freight agreements during mid of 2004 and therefore, a provision for losses for all squared off forward freight agreements was made during year 2004 accordingly. As stated in note 1 above, the provision for losses on forward freight agreements has been redesignated into financial assets or liabilities at fair value through profit or loss on 1 January 2005.

5. Taxation

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current period	(1,068)	(951)
Under provision in respect of prior periods	(20)	–
	<u>(1,088)</u>	<u>(951)</u>

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period ended 30 June 2005. 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.

6. Dividends

The Board declares an interim dividend of HK\$0.19 per share for 2005 (2004: nil).

7. Earnings (Loss) per share

The calculation of basic earnings per share for the period is based on the profit attributable to shareholders of the Company for the period of HK\$338,346,000 (2004: loss of HK\$79,691,000) and the weighted average number of 529,307,541 (2004: 526,242,480 as adjusted) ordinary shares in issue during the period. The weighted average number of ordinary shares outstanding for both periods presented have been adjusted for the subdivision of shares effective on 23 May 2005 (as disclosed hereinafter).

The calculation of diluted earnings per share for the period is based on the profit attributable to shareholders of the Company for the period of HK\$338,346,000. The weighted average number of ordinary shares used in the calculation is 529,307,541 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 6,714,549 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period. Diluted loss per share for last corresponding period in 2004 is not presented as there is no potential ordinary share in issue during that period.

8. Trade and other receivables

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Trade receivables	82,182	77,543
Prepayments, deposits and other receivables	117,948	136,396
	<u>200,130</u>	<u>213,939</u>

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' 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 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
0 – 90 days	62,595	57,767
91 – 180 days	14,663	15,487
181 – 365 days	4,334	3,688
Over 365 days	590	601
	<u>82,182</u>	<u>77,543</u>

9. Trade and other payables

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Trade payables	22,126	70,733
Accrued charges and other payables	149,842	255,530
	<u>171,968</u>	<u>326,263</u>

The aging analysis of trade payables is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
0 – 90 days	12,826	62,210
91 – 180 days	985	556
181 – 365 days	624	412
Over 365 days	7,691	7,555
	<u>22,126</u>	<u>70,733</u>



10. Financial assets/liabilities at fair value through profit or loss

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Analysis of financial assets at fair value through profit or loss:		
<i>Held for trading</i>		
Equity securities, at fair value	33,396	–
<i>Designated as financial assets, at fair value through profit or loss</i>		
Derivative financial instruments, at fair value		
– Interest rate swaps	4,038	–
– Forward freight agreements (Note*)	101,021	–
	<u>138,455</u>	<u>–</u>
Analysis of financial liabilities at fair value through profit or loss:		
<i>Held for trading</i>		
Derivative financial instruments, at fair value		
– Forward foreign exchange contracts and options	842	–
– Equity derivatives	112	–
<i>Designated as financial liabilities, at fair value through profit or loss</i>		
Derivative financial instruments, at fair value		
– Forward freight agreements (Note*)	185,239	–
	<u>186,193</u>	<u>–</u>

Note *: As at 30 June 2005, all the forward freight agreements were squared off and the unrealized losses thereon had been fully taken up in the profit and loss account.

11. Comparative figures

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

INTERIM RESULTS

The consolidated turnover of the Group for the period was HK\$1,048,799,000, representing an increase of 4% as compared to that of last corresponding period. The Group's profit attributable to shareholders of the Company for the period amounted to HK\$338,346,000 whereas a loss of HK\$79,691,000 was recorded for last corresponding period. Basic earnings per share was HK\$0.639 for the period as against basic loss per share of HK\$0.151 (restated) for last corresponding period.

The Group achieved a record high interim results supported by overall strong market conditions and partly attributed to an exceptional income of approximately HK\$156,000,000 on completion of a contract for early termination of a long term charterparty whereas the loss for last corresponding period was wholly attributed to the losses of HK\$523,980,000 under the forward freight agreements entered into by the Group in early 2004.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.19 per share in cash for the six months ended 30 June 2005 (2004: nil) payable on 13 October 2005 to shareholders whose names appear on the register of members of the Company on 6 October 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 October 2005 to 6 October 2005, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 30 September 2005. The interim dividend warrants will be despatched on 13 October 2005.

BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited (“Jinhui Shipping”), an approximately 59.61% owned subsidiary of the Company whose shares are listed on the Oslo Stock Exchange.

After reaching record high in early December last year, the freight rates softened and remained firm as supported by strong level of coal shipment and iron ore trades during the first few months of 2005. The freight rates then came down sharply since mid of year 2005 as it did last year. The combined effect of commodity destocking in China and seasonality slowdown amplified by temporary easing of supply chain logistics, and the freight market sentiment caused the freight market to haul back. The Baltic Dry Index opened at 4,598, dropped to around 3,000 in early June and closed at 2,521 during the period.

The Group’s shipping turnover for the period amounted to HK\$919,419,000; representing an increase of 8% over last corresponding period. The Group achieved a record high interim results supported by overall strong market conditions and partly attributed to an exceptional income of approximately HK\$156,000,000 on completion of a contract for early termination of a long term charterparty. Under a contract made between the Group and a counter party, upon receiving a fee of approximately HK\$156,000,000 by the Group, both parties agreed to early terminate a charterparty for the chartering of a Capesize vessel from the counter party, as owner, to the Group, as charterer, for a period of up to seven years from October 2001. The said amount was received by the Group on 14 February 2005.

The average daily time charter equivalent rates of the Group’s fleet were as follows:

	2005 first half	2004
	<i>US\$</i>	<i>US\$</i>
Capesize	61,765	24,668
Panamax	34,204	30,669
Handymax	26,533	23,145
Handysize	19,495	21,087
In average	30,918	26,104

During the period, the Group has committed to purchase three more second hand vessels at a total purchase price of US\$95,800,000 (equivalent to HK\$747,240,000) of which two 2001-built Handymaxes had been delivered to the Group. In addition, one newly built Handymax and one newly built Panamax contracted by the Group in 2004 at a total purchase price of US\$72,550,000 (equivalent to HK\$565,890,000) had also been delivered to the Group during the period.

As at 30 June 2005, the Group had twelve owned vessels and committed to acquire five more vessels comprising four newbuildings and one 2002-built vessel at total purchase prices of US\$119,770,000 (equivalent to HK\$934,206,000); of which two will be delivered in 2005, one in 2006 and two in 2007; and the total amount contracted but not provided for, net of deposits paid, was US\$107,793,000 (equivalent to HK\$840,785,000).

Trading and investments in China. The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK\$129,380,000, representing a decrease of 17% as compared to that of last corresponding period. Despite a drop in turnover, the profit margin improved and the Group's trading business recorded a profit of HK\$6,214,000, representing an increase of 19% as compared to that of last corresponding period. The Group's investments in a co-operative joint venture producing metallurgical coke in Shanxi Province of China recorded an income of HK\$2,040,000 against a profit of HK\$6,481,000 for last corresponding period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. After the delivery of four additional vessels during the period, the total of the Group's equity securities, bank balances and cash decreased to HK\$277,807,000 as at 30 June 2005 (31/12/2004: HK\$481,430,000). The Group's bank borrowings increased to HK\$986,239,000 as at 30 June 2005 (31/12/2004: HK\$470,621,000), of which 14%, 7%, 22% and 57% 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 equity securities, cash and cash equivalents) over equity attributable to shareholders was 70% (31/12/2004: nil gearing ratio). All the bank

borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash and marketable equity securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 30 June 2005, the Group's fixed assets of HK\$1,934,165,000 (31/12/2004: HK\$859,153,000), short-term investments of HK\$240,000 (31/12/2004: HK\$10,009,000), bank deposits of HK\$22,646,000 (31/12/2004: HK\$23,522,000) and shares of nine (31/12/2004: five) ship owning companies were pledged together with the assignment of chartering income of nine (31/12/2004: five) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK\$969,118,000 for the period ended 30 June 2005 (year ended 31/12/2004: HK\$199,265,000), approximately HK\$968,552,000 (year ended 31/12/2004: HK\$184,087,000) was spent on the construction of the Group's newbuildings and acquisition of motor vessels.

As at 30 June 2005, there were outstanding capital commitments relating to the newbuildings and acquisition of five (31/12/2004: six) dry bulk carriers at total purchase prices of approximately HK\$934,206,000 (31/12/2004: HK\$1,283,256,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$840,785,000 (31/12/2004: HK\$1,076,794,000).

Contingent liabilities. As at 30 June 2005, except for guarantee amounting to HK\$78,000,000 granted by the Group to a third party in its ordinary course of businesses, the Group had no other contingent liabilities. As at 31 December 2004, the Group had no material contingent liability not provided for.

EMPLOYEES

As at 30 June 2005, the Group had 106 full-time employees and 307 crew (31/12/2004: 106 full-time employees and 208 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

OUTLOOK

As at date of this report, the total capacity of the Group's fleet is around deadweight 1.6 million metric tons comprising twelve owned vessels and twelve chartered-in vessels, and approximately 82% of the Group's revenue days in 2005 have been covered.

The current demand-supply condition remains tightly balanced in the dry bulk market, where congestion will exaggerate the upward freight trend, and a slack market will amplify the fall. This, coupled with seasonality of seaborne dry bulk trade causes huge volatility in the dry bulk freight rates. However, the Board continues to believe the long term structural drivers, including the Chinese secular demand for commodities, the continued supply chain issues with long lead times, and shipyards worldwide already operating at full capacity with little incentive to build low margin dry bulk vessels, will lead to a healthy operating environment for our shipping business going forward. In addition, the Group's trading business and investments in China will also continue to contribute steady returns to the Group.

COMMITMENT TO EXCELLENCE

Recently, Jinhui Shipping received an award from Marine Money International where Jinhui Shipping was ranked the 8th place out of 74 international shipping companies on 18 different stock exchanges in terms of outstanding financial performance in 2004.

The Group will continue with our commitment to excellence, and will continue to raise the Group's profile as a leading publicly listed shipping company.



SHARE CAPITAL

At the extraordinary general meeting of the Company held on 20 May 2005, the resolutions regarding the subdivision of every one issued and unissued share of HK\$1.00 each in the capital of the Company into ten subdivided shares of HK\$0.10 each (“Share Subdivision”) were approved by the shareholders of the Company. With effect from 23 May 2005, the authorized share capital of the Company has become HK\$100 million divided into 1,000 million shares of HK\$0.10 each.

During the period, the number of issued shares of the Company was increased from 526,242,480 shares to 531,990,480 shares following the allotment and issue of new ordinary shares of HK\$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the Share Option Scheme (as defined hereinafter).

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 2005.

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

As at 30 June 2005, the Directors 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 Issuers (the "Model Code"):

(i) Interests in shares of the Company and Jinhui Shipping

Name	Type of interests	No. of shares in the Company	Percentage of total issued shares of the Company	No. of shares in Jinhui Shipping	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	Personal interests	6,956,000	1.31%	746,000	0.89%
	Family interests	21,340,000	4.01%	-	-
	Other interests	Note	Note	Note	Note
Ng Kam Wah Thomas	Other interests	Note	Note	Note	Note
Ng Ki Hung Frankie	Other interests	Note	Note	Note	Note

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 316,180,280 shares of the Company (representing 59.43% of the total issued shares of the Company) and 494,049 shares of Jinhui Shipping (representing 0.59% of the total issued shares of Jinhui Shipping) as at 30 June 2005. 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.

(ii) Interests in share options of the Company

The Company adopted a share option scheme on 18 November 2004 (the "Share Option Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options including the interests of the Directors and chief executives of the Company during the period under the Share Option Scheme were as follows:

Name	Date of grant	Exercise price per share (Note 7)	Vesting schedule	Exercise period	Number of options		
					As at 1 January 2005 (Note 7)	Exercised during the period (Note 7)	As at 30 June 2005 (Note 7)
Directors							
Ng Siu Fai	23 December 2004	HK\$1.60	Note 1	1 March 2006 to 22 December 2014	31,570,000	–	31,570,000
Ng Kam Wah Thomas	23 December 2004	HK\$1.60	Note 1	1 March 2006 to 22 December 2014	21,050,000	–	21,050,000
Ng Ki Hung Frankie	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	3,000,000	–	3,000,000
Ho Suk Lin	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	5,000,000	–	5,000,000
Cui Jianhua	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
Tsui Che Yin Frank	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
William Yau	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	500,000	–	500,000
In aggregate					63,120,000	–	63,120,000
Other employees							
	23 December 2004	HK\$1.60	–	23 December 2004 to 22 December 2009	5,374,000	3,310,000	2,064,000
	23 December 2004	HK\$1.60	Note 2	23 December 2004 to 22 December 2009	8,298,000	2,438,000	5,860,000
In aggregate					13,672,000	5,748,000	7,924,000
TOTAL					76,792,000	5,748,000	71,044,000

Notes:

1. The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options will become exercisable upon the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year 2005. These share options may be exercised during the period commencing on 1 March 2006 or on the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005, whichever is the later, and ending on 22 December 2014 being the end of the 10-year period from 23 December 2004, or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.
2. These share options were granted to employees of the Group, other than Directors, under vesting schedule, which began on 7 January 2005 with monthly exercisable limit of about 10% of the share options granted.
3. The closing price of the shares of the Company immediately before the options granted on 23 December 2004 was HK\$1.53.
4. The weighted average closing price of the shares immediately before the dates of exercise by the employees was HK\$2.55.
5. The closing price per share of the Company as at 30 June 2005 was HK\$2.35.
6. No share options were granted, cancelled or lapsed under the Share Option Scheme during the interim period under review.
7. As a result of the Share Subdivision (as disclosed hereinabove), all exercise prices of the options, number of options and market prices of the shares of the Company shown hereinabove have been adjusted accordingly.

Save as disclosed above, as at 30 June 2005, 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 2005, in accordance with the register kept under Section 336 of the SFO, the following persons (other than the Directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Name of shareholders	No. of shares in the Company	No. of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	316,180,280	–	59.43%
Wong Yee Man Gloria	344,476,280 (Note 1)	–	64.75%
	–	31,570,000 (Note 2)	5.93%

Notes:

1. The interest in shares includes 21,340,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 323,136,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

2. *Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 31,570,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).*

Save as disclosed herein, as at 30 June 2005, 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.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2005, with deviations from code provisions A.2.1, A.4.1, A.4.2 and B.1.1 to B.1.5 in respect of the roles of the chairman and chief executive officer, the service term and rotation of directors and the establishment of a remuneration committee.

Code provision A.2.1 Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from code provision A.2.1 of the Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. However, the Board considers that this will not impair the balance of power and authority between the Board and the management of the Company.

Code provisions A.4.1 and A.4.2 Under code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for specific terms and subject to re-election, and (b) all directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



According to the Company's Articles of Association, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office at each annual general meeting. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director and a Director so appointed shall retire at the next annual general meeting and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. A Managing Director and a Director holding any other executive office shall not be subject to retirement by rotation.

The Non-executive Directors of the Company are not appointed for specific terms but 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.

The current Articles of Association of the Company do not comply fully with the code provisions. The Board will review the relevant Articles of Association and propose any amendment, if necessary, to ensure compliance with the code provisions A.4.1 and A.4.2 of the Code as soon as practicable.

Code provisions B.1.1 to B.1.5 Under code provisions B.1.1 to B.1.5 of the Code, the Company should establish a remuneration committee with, inter alia, specific written terms of reference and a majority of the members should be independent non-executive directors.

The Company has established a remuneration committee on 25 August 2005 in accordance with code provisions B.1.1 to B.1.5 as set out in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard as set out therein during the six months ended 30 June 2005.

AUDIT COMMITTEE

The audit committee comprises of three Independent Non-executive Directors. 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 2005.

By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

Hong Kong, 25 August 2005