

**JINHUI HOLDINGS COMPANY LTD :  
A DISASTER OF A COMPANY, TO BE SURE**

There are not many publicly listed companies that managed to lose large amounts of money, 3 financial years in a row.

But that is, exactly, what has happened in the case of Jinhui Holdings Company Ltd (Code: 137), a shipping and warehousing company, principally, being listed on The Stock Exchange of Hongkong Ltd.

There are not many publicly listed companies, also, that, having managed to lose nearly \$HK200 million in the past 3 financial years, determine that it is time to reward its Chairman and Board of Directors -- with a 107-percent increase in Directors' fees and Emoluments.

But that is, exactly, what has happened in the case of Jinhui Holdings Company Ltd, the publicly listed company, chaired by 44-year-old Mr Ng Siu Fai.

Jinhui Holdings turned in a Loss for the 1999 Financial Year, ended December 31, 1999, of about \$HK46.21 million.

This was an improvement over the 1998 Financial Year when the Company reported a Loss of about \$HK111.66 million.

The 1999 Year's Loss was the third, successive Financial Year that Jinhui Holdings has lost substantial sums of money.

The main reasons for the 1999 Year's losses, according to Chairman Ng Siu Fai, were:

1. *'... freight rates remained struggling within a relatively narrow range in an overall low market ...';*
2. *'... the Group experienced an operating loss of HK\$40,295,000 for its core shipping activities in 1999 ... partly attributable to the fact that relatively more owned vessels were off-hire for dry docking during the year ...';*
3. *'... The markets in which the Group's commodity trading business operate were challenging for most of 1999 ... the Group continued to report a falling turnover and a loss for its commodity trading activities ... the operating loss for the trading business decreased to HK\$18,085,000 in 1999 ...';*
4. *'... The Group's total investment in toll road (in the People's Republic of China (PRC)) was largely scaled down after the early termination of the Zhangping Road Section, with the remaining interest only in the Zhongshan Fugang Highway/Danasha Bridge. As far as this highway was concerned, its profitability suffered from low traffic flow which hindered its operating cash flow ... a provision of HK\$9,402,000 was made for the guaranteed return recognized but not recoverable from the highway ...'.*

(TARGET has copied the above statements, verbatim, from the 1999 Annual Report)

Under the sub-heading, '**PROSPECTS**', Chairman Ng Siu Fai said that *'... the Group's focus will continue to be on its core shipping operation. Building on its proven expertise, competence and connection in the shipping sector, the Group is confident in emerging from the recent downturn in better shape ...'.*

TARGET does not have a crystal ball so that this analyst is unable to state whether or not the shipping market will improve sufficiently, allowing Jinhui Holdings to make a profit in the Current Financial Year, but TARGET can take issue with the statements of the Chairman, who claimed that his Board of Directors had '*proven expertise*' and '*competence ...*'.

If anything, the Board of Directors of this publicly listed Company has proved that it lacks '*proven expertise*' and lacks '*competence*'.

The statistics say it all:

	Financial Year ended December 31				
	1999	1998	1997	1996	1995
	All Figures are Denominated in \$HK'000				
Turnover	731,589	1,024,529	1,602,667	2,053,411	2,632,785
Profit/(Loss) from Operations	(79,888)	(157,420)	(81,585)	77,379	122,101
Interest Income	21,177	27,706	32,761	46,995	44,193
Interest Expenses	(16,393)	(25,635)	(30,431)	(41,491)	(58,503)
Share of Results of Associates	(139)	(398)	(1,452)	(3,018)	6,489
Profit/(Loss) before Taxation	(75,243)	(155,747)	(80,707)	79,865	114,280
Taxation	(318)	(39)	(917)	(1,102)	(4,798)
Profit/(Loss) from Ordinary Activities after Taxation	(75,561)	(155,786)	(81,624)	78,763	109,482
Minority Interests	29,348	44,125	29,690	(26,343)	(56,746)
Net Profit/(Loss) for the Year	(46,213)	(111,661)	(51,934)	52,420	52,736
Dividend per Share (cents, Hongkong)	Nil	Nil	Nil	4	2

There are quite a number of things that one may deduce from the above table, but the 3 main and unassailable facts are:

1. One should take pity on the long-suffering minority shareholders, who have received dividends, aggregating 6 cents in the past 5 Financial Years;
2. Interest income has played an important role in beefing up the Bottom Line, even during the past 3 Years when the Company was suffering losses; and,
3. Even at the best of times (in 1995), the Company was working on a 4.64-percent Margin of Profit from operations. And this was pared to 3.77 percent in the following Year.

### **Directors Get Paid, Nevertheless**

In spite of the pitiful state of affairs in this Company, the 8 Directors ensured that they had enough money to meet basic necessities of life -- and a little more, too.

According to the 1999 Annual Report of the Company, the 8 Executive Directors took fees, aggregating \$HK5,972,000, and, in addition, they took \$HK4,689,000 in salaries and other benefits, and the Company salted away another \$HK85,000 in pension scheme contributions for them.

According to TARGET's calculations, Chairman Ng Siu Fai and his brother, Mr Thomas Ng Kam Wah, Managing Director of Jinhui Shipping, together took \$HK7 million in fees and emoluments, while another brother, Mr Frankie Ng Ki Hung, also an Executive Director of the Company, dragged out another \$HK2.50 million.

The remaining \$HK1,246,000 was shared among the non-Ng Family Executive Directors: Mr Ho Kin Lung and Ms Ho Suk Lin, Executive Director and Company Secretary, respectively.

In the preceding Financial Year, ended December 31, 1998, none of the Executive Directors were awarded Directors' Fees, with Salaries and other benefits, aggregating just \$HK5,142,000.

There is no indication in the 1999 Annual Report of the Company that any Director waived his rights to fees or emoluments.

### **Investing In The PRC**

The proverbial bones of companies that have invested in the PRC and lost fortunes are scattered from the Guangzhou to Beijing, with very few major cities, not having a graveyard of failed, joint-venture entities, whose partners are not resident of the PRC.

Jinhui Holdings is not an virgin in this regard, to be sure, since it has come a-cropper like some many companies that came before it ... and went after it.

And, still, Management of Jinhui Holdings has not learned its lessons of just a few short years ago.

The Company's breakdown of losses in the 1999 Financial Year includes '*Direct investment in the PRC*', amounting to a loss of \$HK22,609,000.

That was in addition to other trading and operating losses as the following indicates:

<u>Activity</u>	<u>Turnover</u>	<u>Profit/(Loss) from Operations</u>
Chartering Freight and Hire	\$HK364,686,000	(\$HK40,295,000)
Trading	\$HK354,019,000	(\$HK18,085,000)
Transportation and warehouse	\$HK12,884,000	\$HK6,604,000
Direct Investments in the PRC	Nil	(\$HK22,609,000)
Others	<u>Nil</u>	<u>(\$HK5,503,000)</u>
<b>TOTALS</b>	<b><u>\$HK731,589,000</u></b>	<b><u>(\$HK79,888,000)</u></b>

This Company's trading and transportation, and warehousing operations are conducted in the PRC, while '*Others*' -- property investments and trading on The Stock Exchange of Hongkong Ltd -- are conducted in the Hongkong Special Administrative Region (HKSAR) of the PRC.

Still of the subject of '*Others*', in the 1999 Year, Management of Jinhui Holdings confirmed that it earned about \$HK19.29 million in speculative, stock-market activities, although unrealised as at Balance Sheet Date, but this '*paper profit*' was completely wiped out, and then some, by a Japanese yen translation loss of about \$HK30.85 million and a Provision for Diminution in the Market Value of its Properties under Development, amounting to about \$HK16.02 million.

Now, Chairman Ng Siu Fai, about your statement, '*...proven expertise, competence and connection in the shipping sector ...*', would you like to modify it a little? ... [CLICK TO ORDER FULL ARTICLE](#)

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