



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

2002 RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Jinhui Holdings Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 together with comparative figures for the corresponding year of 2001 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	756,179	864,485
Other operating income		54,859	75,002
Voyage related expenses		(470,012)	(543,463)
Cost of trading goods sold		(180,815)	(226,270)
Staff costs		(34,235)	(39,453)
Other operating expenses		(61,890)	(70,342)
Other net (expenses) income	3	(85,173)	53,841
Depreciation and amortization		(68,203)	(56,627)
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(Loss) Profit from operations		(89,290)	57,173
Provision for impairment			
loss of fixed assets	4	–	(56,597)
Share of results of associates		–	(133)
Interest income		6,113	18,147
Interest expenses		(22,250)	(24,454)
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Loss before taxation		(105,427)	(5,864)
Taxation	5	(667)	(325)
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Loss from ordinary activities after taxation		(106,094)	(6,189)
Minority interests		43,755	(12,267)
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Net loss for the year		(62,339)	(18,456)
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Basic loss per share	6	(HK11.85 cents)	(HK3.51 cents)

Notes:

1. Accounting policies

The Group has changed certain of its accounting policies following the adoption of the new/revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2002. These SSAPs have not resulted in significant changes in the Group’s accounting policies nor material effects on the financial statements. Detailed changes and the effects of adopting these new policies will be set out in the 2002 annual report.

2. Segmental information

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

	Turnover		(Loss) Profit from operations	
	Year ended 31 December		Year ended 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chartering freight and hire	543,641	613,256	(3,220)	9,804
Trading	209,098	248,087	5,152	10,333
Investments in China	3,440	3,142	4,854	(3,240)
Other operations	—	—	(96,076)	40,276
	<u>756,179</u>	<u>864,485</u>	<u>(89,290)</u>	<u>57,173</u>

The Group's chartering business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 90% of the Group's turnover from trading operations was carried out in Hong Kong (2001: 25%) 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 years.

3. Other net (expenses) income

Other net expenses for the year included a provision for a claim receivable of HK\$30,200,000 (2001: Nil).

4. Provision for impairment loss of fixed assets

Provision for impairment loss of fixed assets for previous year 2001 included provision for impairment loss of motor vessels and properties respectively of HK\$46,562,000 and HK\$10,035,000.

Provision for impairment loss of motor vessels and properties amounted to HK\$4,975,000 and HK\$7,686,000 respectively for the year was included in other operating expenses.

5. Taxation

	Year ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
The Company & its subsidiaries		
Hong Kong Profits Tax:		
Current year	670	230
(Over) Under-provision in respect of prior years	(3)	95
	<u>667</u>	<u>325</u>

Hong Kong Profits Tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. 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. Loss per share

The calculation of basic loss per share for the year is based on the net loss for the year of HK\$62,339,000 (2001: HK\$18,456,000) and the weighted average number of 526,242,488 (2001: 526,242,488) shares in issue during the year.

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

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2001: Nil). As interim dividend has also not been declared in the year (2001: Nil), there will be no dividend distribution for the whole year of 2002 (2001: Nil).

BUSINESS REVIEW

The Group's consolidated turnover for the year was HK\$756,179,000, representing a decrease of 13% as compared to that of last year. Net loss for the year amounted to HK\$62,339,000 whereas a net loss of HK\$18,456,000 was made for last year. The basic loss per share was HK11.85 cents for the year as compared with HK3.51 cents for last year.

The year 2002 was a difficult year for the Group in the overall bearish economic conditions. Though the freight rates picked up especially during the last quarter, the prolonged high operation costs greatly affected the shipping industry. During the year, the overall performance of the Group was also adversely affected by a provision for a claim receivable and exchange loss as a result of the drastic and unexpected rebound of Japanese Yen and weakening of United States Dollars.

The start of the year was gloomy with freight rates staying low while the costs seemed inexorably to rise. During the year, the global economy still underwent slow recovery but the freight rates picked up due to strong demands. The Baltic Dry Index opened at 876, increased steadily to above 1,000 during mid of the year and then rose impressively since September 2002 to end the year at 1,738. The increase in freight rates has a positive impact on the Group's chartering activities but the operating costs such as fuel costs and maintenance expenses still remained high throughout the year. The chartering turnover was HK\$543,641,000 for the year, representing a decrease of 11% as compared to that of last year. The Group's shipping business ran at a loss of HK\$3,220,000 for the year whereas a profit of HK\$9,804,000 was reported last year.

Meanwhile, the Group remains its strategy of expanding well-equipped vessels. During the year, three motor vessels namely "Jin Tai", "Jin Kang" and "Jin Ping" were delivered respectively in January, March and September 2002 as scheduled. The Group has also entered into agreements during the year to dispose two 1985 built motor vessels "Jin Yi" and "Jin Sheng", which were delivered to the buyers in mid November 2002 and mid January 2003 respectively.

Affected by the downturn of the economy, the turnover for the Group's trading, mainly of industrial chemical products, was HK\$209,098,000 for 2002, representing a decrease of 16% as compared to that of last year. The Group's trading business recorded an operating profit of HK\$5,152,000 for 2002 as compared to the operating profit of HK\$10,333,000 for 2001.

The operating results of the Group's investments in China improved from a loss of HK\$3,240,000 for 2001 to a profit of HK\$4,854,000 for the year. It was partly attributable to a gain on termination of the investment in toll road located in Zhongshan, the People's Republic of China, upon receipt of an amount of approximately HK\$15,600,000, that is, the original cost of the investment.

The Group's other operations recorded an operating loss of HK\$96,076,000 for the year. It was partly attributable to a provision of HK\$30,200,000 made for a claim receivable from 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. During the year, the Group also suffered from the realized and unrealized exchange loss as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. Contrary to year 2002, the Group's other operations for 2001 recorded a profit of HK\$40,276,000 mainly derived from the exchange gain as a result of the weakening of Japanese Yen. The Group has foreign currency exposures in Japanese Yen mainly derived from the borrowings in Japanese Yen to finance the payments for the deliveries of newbuildings of motor vessels in recent years.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The deliveries of the three dry bulk vessels, namely "Jin Tai", "Jin Kang" and "Jin Ping", during the year were mainly funded by bank loans. As a result, the Group's bank borrowings increased to HK\$790,310,000 as at 31 December 2002 (2001: HK\$540,148,000), of which 13%, 8%, 24% and 55% are repayable respectively within one year, one to two years, two to five years and over five years. All borrowing facilities were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. The total of the Group's pledged deposits, bank balances and cash decreased to HK\$116,444,000 as at 31 December 2002 (2001: HK\$214,995,000). The gearing ratio, as calculated on the basis of total borrowings over shareholders' funds, increased to 177% as at 31 December 2002 (2001: 106%). 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 31 December 2002, the Group's fixed assets of HK\$1,154,813,000 (2001: HK\$891,533,000), short-term investments of HK\$21,399,000 (2001: HK\$19,000,000), deposits of HK\$30,470,000 (2001: HK\$7,369,000) and shares of several ship owning companies were pledged together with the assignment of chartering income of these ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK\$408,736,000 for the year (2001: HK\$319,992,000), approximately HK\$407,558,000 (2001: HK\$314,179,000) was spent on the constructions of the Group's owned vessels.

As at 31 December 2002, the Group had no material capital expenditure commitment. As at 31 December 2001, there were outstanding capital commitments relating to the newbuildings of three dry bulk vessels at a total purchase price of approximately HK\$494,910,000 and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$395,226,000.

Contingent liabilities

Except for certain guarantees amounting to HK\$293,000 as at 31 December 2002 (2001: HK\$486,000) granted by the Group to third parties in their ordinary course of businesses, the Group had no other contingent liabilities.

EMPLOYEES

As at 31 December 2002, the Group had approximately 140 full-time employees and 289 crew (2001: 130 full-time employees and 237 crew). The Group remunerated its employees in accordance with their performances, experiences and prevailing market practices and provided them with usual fringe benefits. The Group has not adopted any share option scheme during the year.

OUTLOOK

The middle east war and threats from terrorists have enormous influences on the economic activities; the fundamentals of the global economy do not look promising. Although the shipping market has enjoyed greatly improved rates over the past few months, the outlook for the near future is full of uncertainty and volatility. In particular, the rise in oil prices is a concern for the shipping industry as well as other industries. A regain of business confidence and an improvement in the health of the global economy would be the main driving forces in the long run. 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.

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 year.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

DISCLOSURE OF INFORMATION ON THE EXCHANGE'S WEBSITE

The Company's 2002 annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board

Ng Siu Fai

Chairman and Managing Director

Hong Kong, 9 April 2003

Please also refer to the published version of this announcement in The Standard.