



## JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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

	<i>Note</i>	Six months ended 30 June	
		2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
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)
Profit (Loss) from operations	2	9,605	(48,490)
Interest income		2,968	3,650
Interest expenses		(10,713)	(10,439)
Profit (Loss) before taxation		1,860	(55,279)
Taxation	4	279	(340)
Profit (Loss) from ordinary activities after taxation		2,139	(55,619)
Minority interests		(3,663)	25,155
Net loss for the period		(1,524)	(30,464)
Basic loss per share ( <i>HK cents</i> )	5	(2.90)	(57.89)

Notes:

### 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.

The accounting policies and methods of computation used by the Group for the six months ended 30 June 2003 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 Statement of Standard Accounting Practice 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		Six months ended 30 June	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	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

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The Company and its subsidiaries		
Hong Kong Profits Tax		
Current period	–	(342)
Over-provision in respect of prior periods	<u>279</u>	<u>2</u>
	<u><b>279</b></u>	<u><b>(340)</b></u>

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 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.

#### 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.

## **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 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.

## **PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

A detailed announcement of interim results for the six months ended 30 June 2003 containing all the information required by paragraphs 46(1) to 46(6) 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, 11 September 2003

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