JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

2003 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 2003 together with comparative figures for last year of 2002 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	Note	**2003** *HK$'000*	2002 *HK$'000*
Turnover	2	**1,048,515**	756,179
Other operating income		**56,251**	54,859
Reversal of (Provision for) impairment loss of fixed assets	3	**104,276**	(12,661)
Voyage related expenses		**(727,327)**	(470,012)
Cost of trading goods sold		**(214,974)**	(180,815)
Staff costs		**(34,797)**	(34,235)
Other operating expenses		**(40,958)**	(49,229)
Other net expenses	4	**(27,670)**	(85,173)
Depreciation and amortization		**(64,571)**	(68,203)
Profit (Loss) from operations		**98,745**	(89,290)
Interest income		**4,279**	6,113
Interest expenses		**(20,947)**	(22,250)
Profit (Loss) before taxation		**82,077**	(105,427)
Taxation	5	**(64)**	(667)
Profit (Loss) from ordinary activities after taxation		**82,013**	(106,094)
Minority interests		**(45,337)**	43,755
Net profit (loss) for the year		**36,676**	(62,339)
Basic earnings (loss) per share	6	**HK$0.70**	(HK$1.18)

CONSOLIDATED BALANCE SHEET
At 31 December 2003

	2003	2002
	HK$'000	*HK$'000*
Fixed assets	**1,430,045**	1,387,830
Intangible asset	**119**	134
Interests in associates	**(27)**	(28)
Other investments	**37,789**	40,320
Other non-current assets	**21,549**	26,188
Current assets	**346,086**	272,794
Current liabilities	**(303,838)**	(240,180)
Non-current liabilities	**(643,891)**	(690,665)
Minority interests	**(395,135)**	(349,218)
Net assets	**492,697**	447,175
Issued capital	**52,624**	52,624
Reserves	**440,073**	394,551
Shareholders' equity	**492,697**	447,175

Notes:

1. Accounting policies

The Group has adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003. The adoption of this SSAP has 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 the revised policies will be set out in the 2003 annual report.

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**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Chartering freight and hire	**809,045**	543,641	**119,181**	(3,220)
Trading	**239,470**	209,098	**4,032**	5,152
Investments in China	**–**	3,440	**1,320**	4,854
Other operations	**–**	–	**(25,788)**	(96,076)
	1,048,515	756,179	**98,745**	(89,290)

The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the year, about 90% (2002: 90%) of the Group's turnover from trading operations was carried out in Hong Kong and the balance was mainly carried out in 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. Reversal of (Provision for) impairment loss of fixed assets

	2003	2002
	HK$'000	*HK$'000*
Reversal of (Provision for) impairment loss of fixed assets in respect of:		
– motor vessels	**104,276**	(4,975)
– land and buildings	**–**	(7,686)
	104,276	(12,661)

4. **Other net expenses**

It comprises:

	2003 *HK$'000*	2002 *HK$'000*
Exchange loss	**(43,090)**	(55,356)
Write-back of (Provision for) a claim receivable	**6,688**	(30,200)

5. **Taxation**

	2003 *HK$'000*	2002 *HK$'000*
Hong Kong Profits Tax:		
Current year	**(491)**	(670)
Over provision in respect of prior years	**427**	3
	(64)	(667)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 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. **Earnings (Loss) per share**

The calculation of basic earnings (loss) per share for the year is based on the net profit for the year of HK$36,676,000 (2002: net loss of HK$62,339,000) and the weighted average number of 52,624,248 (2002: 52,624,248) ordinary shares in issue during the year. The weighted average number of ordinary shares outstanding for both years presented have been adjusted for the consolidation of shares effective on 2 June 2003.

Diluted earnings (loss) per share is not presented as there is no potential ordinary share in issue during both years.

7. **Comparative figures**

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

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2002: nil). As interim dividend has also not been declared in the year (2002: nil), there will be no dividend distribution for the whole year of 2003 (2002: nil).

BUSINESS REVIEW

The consolidated turnover of the Group for the year was HK$1,048,515,000, representing an increase of 39% as compared to that of last year. Net profit for the year amounted to HK$36,676,000 whereas a net loss of HK$62,339,000 was made for last year. Basic earnings per share was HK$0.70 for the year as against basic loss per share (restated) of HK$1.18 for last year.

The year 2003 was an extraordinary year for dry bulk shipping with a firm and rapidly growing market during the first eight months and then exploded to an unprecedented level during the last four months. The rapid economic growth in Asian countries especially China is the main driving force. The general improvements in the global economy also have a positive impact on the shipping market.

In view of the immense rises in the pricing of shipping market, the Board has reviewed the carrying values of its owned vessels as at 31 December 2003. Included in the net profit for the year, the Group has fully written back the provision of HK$104,276,000 for impairment loss of its owned vessels made in prior years. However, it was partly offset by the exchange loss of HK$43,090,000 as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars during the second half of the year.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market value of dry bulk carriers, the book values of the Group's owned vessels vis-a-vis the Group's net asset value as at 31 December 2003, after fully write-back of provision for impairment loss in prior years, were still greatly stated below their current market values. Based on the market transaction price around the year end date, the estimated market value of the Group's ten owned vessels as at 31 December 2003 was roughly around HK$1,560 million as compared to their net book value of approximately HK$1,298 million.

Chartering freight and hire. The dry bulk market was rather strong at the start of the year although there were uncertainty and unpredictability as a response to the risks of war in Iraq and terrorist attacks. With the general improvements in the global economy and strong economic growth in Asian countries especially China, the freight rates picked up steadily during the first eight months. In the course of September 2003 till the end of the year, the freight rates exploded to an unprecedented level due to the Chinese steel boom, resulted in a very strong upturn in mineral trades. The Baltic Dry Index, an index reflects the performance of charter hire for bulk carriers, opened at 1,738 at the beginning of the year and increased steadily to around 2,400 by mid September 2003 and then followed by a strong upturn to close at record high of 4,765 at the end of 2003.

The Group's shipping turnover was HK$809,045,000 for the year, representing an increase of 49% as compared to that of last year. The Group's shipping business recorded an operating profit of HK$119,181,000 for the year; whereas an operating loss of HK$3,220,000 was recorded for last year. The Group has fully written back a total provision of HK$113,271,000 for impairment loss of the Group's owned vessels made in prior years. According to the Group's accounting policies, an amount of HK$104,276,000 was included in the Group's operating profit for the year while the balance of HK$8,995,000 was credited to revaluation and capital reserves.

The Group committed certain contracts of affreightment and time charter parties in year 2002 when the then prevailing market rates were at a very low level as compared to the spot market of 2003. Accordingly, the Group's overall shipping revenue for the year greatly lagged behind the spot market. However, the Group has, to a majority extent, completed and fulfilled these contracts by the end of 2003.

As at 31 December 2003, the Group has operated a fleet of twenty-two vessels including ten owned vessels. These vessels were chartered out at a mixture of spot or period employment. Meanwhile, the Group maintains its strategy of expanding fleet of well-equipped and modernized owned vessels. In 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. During 2003 and early 2004, the Group has committed to acquire four dry bulk carriers at total purchase prices of US$95,770,000 (approximately HK$747,006,000). Two of these newbuildings will be delivered to the Group in 2005 while the other two will be delivered to the Group in 2007.

Trading and investments in China. The turnover for the Group's trading of chemical and industrial raw materials was HK$239,470,000, representing an increase of 15% as compared to that of last year. Affected by the increasing number of competitors and the outbreak of Severe Acute Respiratory Syndrome during the year, despite an increase in turnover, the profit margin of the trading activities was reduced and a profit of HK$4,032,000 was reported for the year against a profit of HK$5,152,000 for last year. The Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather stable. A profit of HK$1,320,000 with respect to the Group's investments in China was recorded for the year against a profit of HK$4,854,000 for last year. The profit for last year was partly attributable to a gain on termination of the investment in toll road located in Zhongshan of China upon receipt of an amount of approximately HK$15,600,000, that is, the original cost of the investment.

Other operations. The Group's other operations recorded an operating loss of HK$25,788,000 against a loss of HK$96,076,000 for last year. The loss for the year was mainly attributed to the exchange loss of HK$43,090,000 as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. The loss for last year was attributed to the exchange loss of HK$55,356,000 and a provision of HK$30,200,000 for a claim receivable from a company in liquidation.

The Group has from time to time closely monitored the foreign currency exposures in Japanese Yen borrowings so as to balance the exchange rate risk associated with the fluctuation in Japanese Yen and possible interest savings from Japanese Yen borrowings. In view of the continuous low borrowing rate of United States Dollars and in order to reduce currency risk, the Group has converted the outstanding Japanese Yen borrowings in relation to the ship mortgage loans into United States Dollars during the last quarter of 2003.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. The total of the Group's pledged deposits, bank balances and cash increased to HK$153,107,000 as at 31 December 2003 (2002: HK$116,444,000). The Group's borrowings decreased to HK$749,540,000 as at 31 December 2003 (2002: HK$790,310,000), of which 14%, 8%, 25% and 53% 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' equity, decreased to 152% (2002: 177%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Should market conditions require, the Group would consider appropriate interest rate hedging products to mitigate the Group's exposure.

Pledge of assets. As at 31 December 2003, the Group's fixed assets of HK$1,192,488,000 (2002: HK$1,154,813,000), short-term investments of HK$1,767,000 (2002: HK$21,399,000), deposits of HK$30,551,000 (2002: HK$30,470,000) and shares of seven (2002: seven) ship owning companies were pledged together with the assignment of chartering income of seven (2002: seven) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$29,998,000 (2002: HK$408,736,000) for the year ended 31 December 2003, approximately HK$28,169,000 (2002: HK$407,558,000) was spent on the constructions of the Group's owned vessels.

As at 31 December 2003, there were outstanding capital commitments relating to the newbuildings of two dry bulk carriers at total purchase prices of approximately HK$321,516,000 and the total amount contracted but not yet provided for, net of deposits paid, was approximately HK$296,872,000. The Group had no material capital commitment at year ended 31 December 2002.

Contingent liabilities. As at 31 December 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 subsidiary to a third party in its ordinary course of businesses, the Group had no other contingent liabilities.

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. With effect from 2 June 2003, 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 31 December 2003, the Group had 100 full-time employees and 262 crew (2002: 140 full-time employees and 289 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits. The Group has not adopted any share option scheme during the year.

OUTLOOK

Subsequent to year ended 31 December 2003, the astounding rise in freight rates continues. The Baltic Dry Index has increased to around 5,600 in early February 2004 and then slipped back to around 4,900 during late March 2004. As a matter of fact, the market prospect will to a very large extent be determined by the economic growth in Asian countries especially China. Given the broadly based recovery, the Board expects that the outlook of the dry bulk market for rest of 2004 remains extremely strong and the Group's trading business and investments in China will also continue to contribute steady returns to the Group.

Apart from the Group's ten owned vessels, the Group currently operates around twelve chartered-in dry bulk carriers including one Capesize, six Panamaxes and five Handymaxes. The Board strongly believes that the Group would be able to benefit from the strong market condition in the forthcoming year. To optimize the Group's earnings, about 70% of its fleet is now operated at spot or short-term period employment with expiry within three months time and this ratio will be gradually picked up after the existing committed contracts expire. Barring any unforeseeable circumstances and based on the current shipping market condition, the Group's prospects for year 2004 would be very promising. Going forward, the Group will continue focusing on the following areas:

– manage its capacity to capture the surging market demand;

– manage its fleet routes to enhance overall utilization; and

– manage the composition of long term and spot rate contracts to prudently maximize revenue stream.

While focusing on the core shipping business, the Group will continue making efforts to improve efficiency, reduce the operating costs, manage its gearing level and remain vigilant 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 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 2003 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

Hong Kong, 31 March 2004

Please also refer to the published version of this announcement in China Daily.