



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

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 2002 together with comparative figures for the corresponding period of 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	3	374,116	457,638
Other operating income		34,957	28,278
Other net (expenses) income	4	(62,144)	50,245
Voyage related expenses		(229,612)	(290,596)
Cost of trading goods sold		(89,772)	(107,484)
Staff costs		(17,294)	(21,072)
Other operating expenses		(25,531)	(19,334)
Depreciation and amortization		(33,210)	(27,071)
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(Loss) Profit from operations	3	(48,490)	70,604
Interest income		3,650	12,970
Interest expenses		(10,439)	(13,053)
Share of results of associates		—	(133)
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(Loss) Profit before taxation		(55,279)	70,388
Taxation	5	(340)	(402)
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(Loss) Profit from ordinary activities after taxation		(55,619)	69,986
Minority interests		25,155	(37,560)
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Net (loss) profit for the period		(30,464)	32,426
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(Loss) Earnings per share – basic (HK cents)	6	(5.79)	6.16
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Notes:

1. Review by auditors

The consolidated interim results of the Group for the six months ended 30 June 2002 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.

2. Accounting policies

The accounting policies and methods of computation used by the Group for the six months ended 30 June 2002 are consistent with those used in the annual financial statements for the year ended 31 December 2001 except that the Group has adopted several new or revised Statement of Standard Accounting Practices issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002. The effect of such changes to the results for the period are not material and details of these changes in the accounting policies will be given in the 2002 annual financial statements.

3. Segmental information

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

	Turnover		Profit (Loss)	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Chartering freight and hire	267,333	341,468	12,030	20,505
Trading	104,797	115,337	2,004	3,866
Investments in China	1,986	833	635	(3,745)
Other operations	–	–	(63,159)	49,978
	<u>374,116</u>	<u>457,638</u>	<u>(48,490)</u>	<u>70,604</u>

The Group’s chartering freight and hire businesses were carried out internationally and cannot be attributable to any particular geographical location. During the period, about 95% of the Group’s turnover from trading operations was carried out in Hong Kong (*six months ended 30 June 2001: 26%*) 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.

4. Other net (expenses) income

Other net expenses for the period 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.

5. Taxation

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
The Company & its subsidiaries		
Hong Kong Profits Tax		
Current period	342	–
(Over)/Under-provision in respect of prior periods	(2)	402
	<u>340</u>	<u>402</u>

Hong Kong Profits Tax has been provided at the rate of 16% (*six months ended 30 June 2001: 16%*) on the estimated assessable profits for the period. 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) Earnings per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$30,464,000 (*six months ended 30 June 2001: net profit of HK\$32,426,000*) and the weighted average number of 526,242,488 (*six months ended 30 June 2001: 526,242,488*) shares in issue during the period.

Diluted earnings or loss per share is not shown as there was no potential ordinary shares 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 2001: Nil*).

BUSINESS REVIEW

Turnover for the six months ended 30 June 2002 was HK\$374,116,000, representing a decrease of 18% as compared to the last corresponding period. Net loss for the period amounted to HK\$30,464,000 whereas a profit of HK\$32,426,000 was made for the last corresponding period. Basic loss per share was HK5.79 cents for the period as against basic earnings per share of HK6.16 cents for the last corresponding period.

Contrary to the first half of 2001 in which the shipping market was firm and healthy, the slowdown in the world's economies and rising in operating costs such as fuel costs and maintenance expenses greatly affected the shipping industry during the first half of 2002. During the period, the freight rates remained low as a whole though the dry bulk freight markets have arisen and improved gradually since the end of 2001. The Baltic Freight Index opened at 876 and closed at 1,005 during the period. This was still 381 points below that at 1,386 by the end of June 2001. The decline in freight rates exerted a negative impact on the Group's shipping activities as its committed tonnage was yet to be unwound. The shipping turnover was HK\$267,333,000 for the period, representing a decrease of 22% as compared to that of the last corresponding period. During the period, the Company put every effort to improve efficiency and adopted active measures to reduce its main operating costs. Under such circumstances, the Group's shipping operations managed to operate at a profit of HK\$12,030,000 for the period; whereas an operating profit of HK\$20,505,000 was reported for the last corresponding period.

Meanwhile, the Group remains its strategy of expanding fleet of well-equipped and modernized owned vessels. During the period, two motor vessels namely “Jin Tai” and “Jin Kang” were delivered respectively in January and March 2002 as scheduled. As at 30 June 2002, the Group owned eleven dry bulk vessels with total dead weight tonnages of about 544,000 tonnes.

Affected by the downturn of the economy, the turnover for the Group’s trading of chemical products was HK\$104,797,000, representing a decrease of 9% as compared to the last corresponding period. A modest profit was reported for both the trading activities and investments in China during the period.

The Group’s other operations recorded an operating loss of HK\$63,159,000 for the period mainly due to the provision made for a claim receivable of HK\$30,200,000 payable by CNMG as an order for winding-up CNMG was issued by the High Court of Hong Kong on 8 May 2002. The Group also suffered from the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars during the period and incurred realized and unrealized exchange loss for the Group’s foreign currency exposure in Japanese Yen. The Group has foreign currency exposures in Japanese Yen derived from the borrowings in Japanese Yen to finance the payments for the deliveries of new buildings in previous years.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The deliveries of the two dry bulk vessels, namely “Jin Tai” and “Jin Kang”, during the period were mainly funded by bank loans. The total of the Group’s pledged deposits, bank balances and cash decreased to HK\$111,006,000 as at 30 June 2002 (*31 December 2001: HK\$214,995,000*). The Group’s borrowings increased to HK\$739,815,000 as at 30 June 2002 (*31 December 2001: HK\$540,148,000*), of which 17%, 7%, 22% and 54% 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, increased to 154% (*31 December 2001: 106%*). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. Should market conditions require, the Group will consider appropriate foreign exchange and interest rate hedging products to mitigate the Group’s exposure.

Pledge of assets

As at 30 June 2002, the Group’s fixed assets of HK\$1,113,950,000 (*31 December 2001: HK\$891,533,000*), short-term investments of HK\$40,911,000 (*31 December 2001: HK\$19,000,000*), deposits of HK\$40,981,000 (*31 December 2001: HK\$7,369,000*) 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

Out of the Group’s capital expenditures totalling HK\$272,530,000 for the six months ended 30 June 2002 (*six months ended 30 June 2001: HK\$267,235,000*), approximately HK\$272,202,000 (*six months ended 30 June 2001: HK\$262,071,000*) was spent on the constructions of the Group’s owned vessels.

As at 30 June 2002, the Group had capital expenditure commitments relating to the newbuilding of one (*31 December 2001: three*) dry bulk vessel. The purchase price of the vessel was approximately HK\$163,020,000 (*31 December 2001: HK\$494,910,000*) and the amount contracted but not provided for, net of deposits paid, was approximately HK\$130,416,000 (*31 December 2001: HK\$395,226,000*).

Contingent liabilities

Except for certain guarantees amounting to HK\$771,000 as at 30 June 2002 (*31 December 2001: HK\$486,000*) granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liabilities.

EMPLOYEES

As at 30 June 2002, the Group employed approximately 430 employees including 289 crew (*31 December 2001: 370 employees including 237 crew*). The Group remunerated its employees in accordance with their performances, experiences and prevailing market practices and provided them with usual fringe benefits.

OUTLOOK

Looking ahead, the global economy is expected to continue a trend of slow recovery in the foreseeable future. The dry bulk market has just started to pick up quite strongly due to strong demand and therefore we are optimistic for the rest of 2002. The Group is confident that there would be sufficient demand to meet its tonnage commitments. While focusing the core shipping businesses, 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 six months ended 30 June 2002.

CODE OF BEST PRACTICE

None of the Directors 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 2002, 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 2002 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, 18 September 2002

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