JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code: 137

2005 RESULTS ANNOUNCEMENT

HIGHLIGHTS FOR YEAR 2005:

- Group turnover slightly increased 1% to HK$1,985 million
- Profit attributable to shareholders increased 132% to HK$527 million
- Basic earnings per share: HK$0.992
- Gearing ratio as at 31 December 2005: 38%
- Return on average equity attributable to shareholders: 58%

The board of directors (the "Board" or the "Directors") of **Jinhui Holdings Company Limited (the "Company")** is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with comparative figures in 2004 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Turnover	2	**1,985,235**	1,974,661
Cancellation fee income	3	**156,000**	–
Gain on disposal of partial interests in a subsidiary	4	**102,855**	–
Gain on disposal of motor vessels		**–**	127,201
Other operating income		**93,792**	105,324
Shipping related expenses		**(948,959)**	(877,600)
Losses on forward freight agreements	5	**–**	(490,947)
Cost of trading goods sold		**(276,860)**	(254,377)
Depreciation and amortization		**(94,072)**	(85,191)
Staff costs		**(66,128)**	(43,190)
Other operating expenses		**(82,203)**	(42,959)
Profit from operations	2	**869,660**	412,922
Interest income		**13,983**	4,165
Interest expenses		**(40,213)**	(22,972)
Profit before taxation		**843,430**	394,115
Taxation	6	**(2,474)**	(2,608)
Net profit for the year		**840,956**	391,507
Attributable to:			
Shareholders of the Company		**526,862**	227,514
Minority interests		**314,094**	163,993
		840,956	391,507
Dividends	7	**101,356**	63,713
Earnings per share	8		
– Basic (2004: restated)		**HK$0.992**	HK$0.432
– Diluted (2004: restated)		**HK$0.982**	HK$0.432

CONSOLIDATED BALANCE SHEET
At 31 December 2005

	Note	**2005**	2004
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,319,229**	1,234,823
Investment properties		**35,000**	24,500
Goodwill		**39,040**	46,348
Available-for-sale financial assets		**36,938**	35,257
Intangible asset		**–**	105
Interests in an associate		**–**	(25)
Other non-current assets		**28,827**	34,076
		2,459,034	1,375,084
Current assets			
Inventories		**16,649**	27,175
Trade and other receivables	*9*	**225,720**	213,939
Financial assets at fair value through profit or loss		**99,788**	524,250
Pledged deposits		**19,610**	23,522
Bank balances and cash		**395,614**	462,356
		757,381	1,251,242
Current liabilities			
Trade and other payables	*10*	**185,031**	326,263
Financial liabilities at fair value through profit or loss		**30,323**	708,089
Taxation		**3,278**	2,435
Secured bank loans		**154,598**	45,914
Secured bank overdrafts		**–**	9,835
		373,230	1,092,536
Net current assets		**384,151**	158,706
Total assets less current liabilities		**2,843,185**	1,533,790
Non-current liabilities			
Secured bank loans		**1,005,205**	414,872
Net assets		**1,837,980**	1,118,918
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**53,394**	52,624
Reserves		**1,058,258**	667,599
		1,111,652	720,223
Minority interests		**726,328**	398,695
Total equity		**1,837,980**	1,118,918

Notes:

1. **Basis of preparation and accounting policies**
The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2004 except for the adoption of Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed below.

The Group has adopted the following HKFRSs which are pertinent to its operations with effective from 1 January 2005.

– HKAS 1	Presentation of Financial Statements
– HKAS 32	Financial Instruments: Disclosure and Presentation
– HKAS 36	Impairment of Assets
– HKAS 38	Intangible Assets
– HKAS 39	Financial Instruments: Recognition and Measurement
– HKAS 40	Investment Property
– HKFRS 2	Share-based Payment
– HKFRS 3	Business Combinations

The adoption of these HKFRSs has resulted in the following changes to the Group's accounting policies and the major effect of the adoption are summarized as follows:

(a) The adoption of HKAS 1 has affected the presentation of minority interests and other disclosures.

(b) The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment properties. Prior to this, the changes in values of the Group's investment properties were dealt with as movements in the investment property revaluation reserve or, in case this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was included in the income statement.

Under HKAS 40, investment property is stated at fair value at balance sheet date, all changes in fair value of the investment property are recognized in the income statement. There is no impact on these financial statements as a result of this change in accounting policy because the Group's investment property had a net revaluation deficit position as at 31 December 2004 and the changes in valuation of the Group's investment property during the year ended 31 December 2004 would be recognized in the income statement irrespective of whether the old policy or the new policy is applied.

(c) The adoption of HKFRS 2 has resulted in a change in the Group's accounting policy for employee share option benefits. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2 on 1 January 2005, the fair value of share options at grant date is amortized over the relevant vesting periods in the income statement, with a corresponding increase in employee share-based compensation reserve in equity. The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of equity-settled share-based payments and has applied HKFRS 2 only to share options granted after 7 November 2002 that had not vested at 1 January 2005.

(d) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in accounting policy for goodwill. Prior to this, goodwill on acquisitions which occurred prior to 1 January 2001 was eliminated against consolidated reserves and subject to assessments of impairment and negative goodwill was credited to a capital reserve. Goodwill arising from acquisitions after 1 January 2001 was recognized as an intangible asset and was amortized on a straight-line basis over its estimated useful life not exceeding 20 years. Any negative goodwill was presented as deduction from goodwill and was released to the income statement based on an analysis of the circumstance from which the balance resulted.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortization of goodwill from 1 January 2005;

– accumulated amortization of goodwill arising from acquisition of subsidiaries as at 1 January 2005 have been eliminated with a corresponding decrease in the cost of goodwill at that date;

– any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognized immediately in the consolidated income statement. In addition, following the transitional provisions of HKFRS 3, the carrying amount of the negative goodwill as at 1 January 2005 was derecognized by way of a corresponding adjustment to the opening balance of retained profits as at 1 January 2005;

– there should be no further reversal of negative goodwill on disposal of a subsidiary; and

– from the year ended 31 December 2005, goodwill is tested annually for impairment, as well as when there are indications of impairment.

(e) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Prior to this, the Group's investments in co-operative joint ventures were classified as other investments, which the Group have no control, joint control or significant influence, and were carried at costs less accumulated amortization (over the duration of contracts) and accumulated impairment losses; the Group's investments in equity and debt securities were classified as short-term investments, which were stated at their fair values in the balance sheet and recognized the changes in fair value in the income statement; and specific provisions were made for forward freight agreements.

In accordance with the provisions of HKAS 39, the Group's investments have been re-designated as financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were held. As a result, all the investments are now stated at fair value in the balance sheet except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair values cannot be reliably measured, they are stated at cost less accumulated impairment losses. The impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed in future.

Derivative financial instruments, including foreign exchange contracts, foreign exchange options, securities derivatives, interest rate swaps and forward freight agreements are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. They are classified as financial assets or financial liabilities at fair value through profit or loss and changes in the fair value of any derivative instruments are recognized immediately in the income statement.

As a result of the adoption of HKAS 32 and HKAS 39, the Group:

– has re-designated other investments into available-for-sale financial assets on 1 January 2005;

– has ceased amortization of other investments from 1 January 2005;

– has re-designated investments in equity securities into financial assets at fair value through profit or loss on 1 January 2005;

– has re-designated the unrealized gains or losses on forward freight agreements into respective financial assets or financial liabilities at fair value through profit or loss on 1 January 2005;

– has recognized all derivative financial instruments including foreign exchange contracts, foreign exchange options and interest rate swaps at fair value in the balance sheet on 1 January 2005;

– has remeasured those financial assets or financial liabilities that should be measured at fair value at 1 January 2005;

– has determined that no adjustment to the Group's opening balance of retained profits as at 1 January 2005 would be made as the amount involved was not material; and

– will apply the principles for the derecognition of financial assets or financial liabilities prospectively.

2. Segmental information

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

	Turnover		Profit from operations	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Chartering freight and hire	**1,672,792**	1,687,997	**779,621**	375,965
Trading	**312,443**	286,664	**13,181**	11,755
Other operations	**–**	–	**76,858**	25,202
	1,985,235	1,974,661	**869,660**	412,922

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 83% (2004: 90%) and 11% (2004: 7%) of the Group's trading business was carried out in Hong Kong and China respectively. The Group's other operations comprised gain on disposal of partial interests in Jinhui Shipping and Transportation Limited (as disclosed hereinafter), as well as investment holding, property investments, equity and debt securities and foreign currency transactions which were mainly carried out in Hong Kong in both years.

3. Cancellation fee income

The amount represented a fee of approximately HK$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), a wholly-owned subsidiary of Jinhui Shipping and Transportation Limited, on 14 February 2005 under a contract (the "Termination Contract") made between GSI and a counterparty (the "Counterparty") on 31 August 2004. Under the Termination Contract, upon receiving a fee of approximately HK$156,000,000 by GSI from the Counterparty, both parties agreed to early terminate a charter party dated 8 February 2000 made between the Counterparty, as owner, and GSI, as charterer, for the chartering of a Capesize vessel to GSI for a period of upto seven years from October 2001.

4. Gain on disposal of partial interests in a subsidiary

The amount represented a gain on the disposal of 7,900,000 shares or 9.4% interests in the share capital of Jinhui Shipping and Transportation Limited, a subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange.

5. Losses on forward freight agreements

The amount for year 2004 represented the realized losses incurred from, and the provisions made for the unrealized losses from forward freight agreements. In the opinion of the Directors, the losses from the forward freight agreements had been caused by the unexpected and sudden decline in the freight rates of the dry bulk shipping market which began in March 2004 and continued further in June 2004. The Group had squared off majority of the forward freight agreements during mid of 2004 and therefore, unrealized gains or losses for all squared off forward freight agreements were recognized during year 2004 accordingly. As stated in note 1 above, the unrealized gains or losses on forward freight agreements have been re-designated into financial assets or financial liabilities at fair value through profit or loss on 1 January 2005.

6. Taxation

	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**(2,456)**	(2,509)
Under provision in respect of prior years	**(18)**	(99)
	(2,474)	(2,608)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) 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.

7. Dividends

The Board has resolved not to recommend the payment of any final dividend for the year (2004: HK$0.12 restated per share). Thus, the interim dividend of HK$0.19 (2004: nil) per share represents the total dividend distribution for the year ended 31 December 2005.

8. Earnings per share

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of the Company for the year of HK$526,862,000 (2004: HK$227,514,000) and the weighted average number of 531,337,466 (2004: 526,242,480 restated) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders of the Company for the year of HK$526,862,000 (2004: HK$227,514,000). The weighted average number of ordinary shares used in the calculation is 531,337,466 (2004: 526,242,480 restated) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 5,357,026 (2004: 2,020 restated) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The weighted average number of ordinary shares outstanding for both years presented have been adjusted for the subdivision of shares effective on 23 May 2005 (as disclosed hereinafter).

9. Trade and other receivables

	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**118,919**	77,543
Prepayments, deposits and other receivables	**106,801**	136,396
	225,720	213,939

The credit terms given to charterers vary according to the types of vessels' employment. The credit terms could vary from 15 to 60 days. The credit terms given to trading customers vary based on the financial assessments and payment track records. Credit limits are set for all customers and are revised only with the approval of senior management. General credit terms are payments by the end of 60 to 120 days following the month in which sales took place.

The aging analysis of trade receivables (net of provision for doubtful debts) is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	**98,447**	57,767
91 – 180 days	**17,452**	15,487
181 – 365 days	**1,964**	3,688
Over 365 days	**1,056**	601
	118,919	77,543

10. Trade and other payables

	2005	2004
	HK$'000	*HK$'000*
Trade payables	**23,975**	70,733
Accrued charges and other payables	**161,056**	255,530
	185,031	326,263

The aging analysis of trade payables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	**14,308**	62,210
91 – 180 days	**1,256**	556
181 – 365 days	**84**	412
Over 365 days	**8,327**	7,555
	23,975	70,733

11. Comparative figures

Due to the adoption of HKFRSs in 2005, the accounting treatment and presentation of certain items and balances have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform to current year's presentation.

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,985,235,000, representing a slight increase of 1% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$526,862,000; representing an increase of 132% over net profit of HK$227,514,000 for year 2004. Basic earnings per share for the year was HK$0.992 as compared with basic earnings per share of HK$0.432 (restated) for last year.

The Group achieved a record high annual results supported by rather strong dry bulk market conditions during the first half of the year notwithstanding a drop in freight rates during the second half, partly attributed to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party, and a gain of HK$102,855,000 on disposal of 7,900,000 shares or 9.4% interests in the share capital of a subsidiary, Jinhui Shipping and Transportation Limited ("Jinhui Shipping"); whereas the profit for last year was partly offset by the losses of HK$490,947,000 on the forward freight agreements.

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 2005 were greatly stated below their current market values. Based on the valuation made by an independent professional valuer, the total market value of the Group's thirteen owned vessels as at 31 December 2005 was approximately HK$2,458 million as compared to their net book values of approximately HK$2,115 million. In addition, the market values of the Group's four newbuildings under construction as at 31 December 2005 were valued by the independent professional valuer at approximately HK$987 million as compared to the total contract prices of approximately HK$767 million.

On 1 January 2005, a number of new and revised HKFRSs came into effect. The resulting changes in accounting treatment and presentation of various income statement and balance sheet items may render certain comparative figures not strictly comparable. Details of the changes in accounting policies will be set out in the 2005 annual report.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2004: HK$0.12 restated per share). Thus, the interim dividend of HK$0.19 (2004: nil) per share represents the total dividend distribution for the year ended 31 December 2005.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Monday, 26 June 2006 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 50.21% owned subsidiary of the Company as at date of this announcement whose shares are listed on the Oslo Stock Exchange.

Year 2005 was another good year for the dry bulk market despite the high volatility in freight rates. After reaching record high in early December last year, the freight rates softened and remained at firm and relatively stable situation during the first few months given the iron ore trades continued to drive the market supported by strong level of coal shipment. Since mid of the year, the compound effects of influx of newbuildings which entered the fleet and the reduction of port congestion caused the downturn in freight rates. During summer, natural disasters also took their toll with Hurricanes Katrina and Rita wreaking havoc on New Orleans and the US Gulf region. The Baltic Dry Index opened at 4,598, and went on to hit its 2005 high in late February at 4,880, before falling steadily to its lowest point of 1,747 in early August. The Baltic Dry Index closed at 2,407 at end of the year, around 48% below its opening level.

The Group's shipping turnover for the year amounted to HK$1,672,792,000; representing a slight decrease of 1% over last year. The Group's shipping business recorded an operating profit of HK$779,621,000 for the year; representing an increase of 107% as compared to that of last year. The increase in overall net profit of shipping business was partly attributed to the improvement in average freight rates and partly attributed to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party; whereas the profit for 2004 was partly offset by the losses of HK$490,947,000 on the forward freight agreements. The average daily time charter equivalent rate of our fleet was increased by 2% to US$26,375 in year 2005. However, the net profit for the year was offset by the operating loss of two Capesize vessels chartered-in by the Group, comparatively lower number of available days of operations as quite a number of vessels operated by the Group were under scheduled drydocking, and off-hire for repairs, in particular, one of our owned vessels "Jin An" had been off-hire for nearly two months. On 30 June 2005, motor vessel "Jin An" touched ground near the port at Visakhapatnam, India to avoid collision and sustained various damages. The said vessel came into operation again by end of August 2005 after taking all necessary repairs and surveys.

The Group continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet size as appropriate. During the year, the Group had further committed to acquire one newbuilding and three second hand vessels. However, the Group had terminated the acquisition of one of the second hand vessels due to the protracted delay in delivery.

During the year, two Panamax newbuildings, one Handymax newbuilding and two 2001-built Handymax vessels were delivered to the Group as scheduled.

Trading. The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK$312,443,000, representing an increase of 9% as compared to that of last year. The increase in turnover was mostly a result of the increase in prices for raw materials traded by the Group, predominately copper and nickel. The business was particular strong in the fourth quarter because of shortages of supplies in certain raw materials traded by the Group. The Group's trading business recorded a profit of HK$13,181,000, representing an increase of 12% as compared to that of last year.

Other operations. The Group's other operations recorded an operating profit of HK$76,858,000 as compared to an operating profit of HK$25,202,000 last year. The increase in profit for other operations for the year was primarily due to a gain of HK$102,855,000 on disposal of 9.4% interests in the share capital of Jinhui Shipping. In addition, the Group's investment in Shanxi Jinyao Coke & Chemicals Ltd. ("Shanxi Jinyao") which produces battery type of metallurgical coke in Shanxi Province of China, declared a dividend income of HK$11,783,000 to the Group during the year. Whereas the profit for other operations in 2004 was mainly due to the reversal of impairment loss of HK$18,907,000 on the Group's leasehold land and buildings located in Hong Kong and, however, offset by the amortization of goodwill of HK$11,587,000.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, net sale proceeds of HK$248 million was received on disposal of 9.4% interests in the share capital of Jinhui Shipping and offset by cash used to partially finance the delivery of five additional vessels. The total of the Group's equity and debt securities, bank balances and cash decreased to HK$460,815,000 as at 31 December 2005 (2004: HK$481,430,000). The Group's bank borrowings increased to HK$1,159,803,000 as at 31 December 2005 (2004: HK$470,621,000), of which 13%, 8%, 25% 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 net debts (total interest-bearing debts net of equity and debt securities, cash and cash equivalents) over total equity, was 38% as compared to nil gearing ratio as at 31 December 2004. All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash and marketable equity and debt securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2005, the Group's motor vessels of HK$1,996,802,000 (2004: HK$787,485,000), leasehold land and buildings and investment properties of HK$82,479,000 (2004: HK$71,668,000), bank deposits of HK$19,610,000 (2004: HK$23,522,000) and shares of ten (2004: five) ship owning companies were pledged together with the assignment of chartering income of ten (2004: five) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$1,173,839,000 for the year (2004: HK$199,265,000), approximately HK$1,171,864,000 (2004: HK$184,087,000) was spent on the construction of the Group's newbuildings and acquisition of second hand motor vessels.

As at 31 December 2005, there were outstanding capital commitments relating to the newbuildings and acquisition of four (2004: six) dry bulk carriers at total purchase prices of approximately HK$766,738,000 (2004: HK$1,283,256,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK$665,494,000 (2004: HK$1,076,794,000).

Contingent liabilities. As at 31 December 2005, except for guarantee amounting to HK$78,000,000 granted by the Group to a third party in its ordinary course of businesses, the Group had no other contingent liabilities. As at 31 December 2004, the Group had no material contingent liability not provided for.

EMPLOYEES

As at 31 December 2005, the Group had 107 full-time employees and 330 crew (2004: 106 full-time employees and 208 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

OUTLOOK

As at date of this announcement, the total capacity of the Group's fleet is around deadweight 1.35 million metric tons comprising thirteen owned vessels and seven chartered-in vessels, and approximately 56% of the Group's revenue days in 2006 for the existing fleet have been covered.

Freight rates for all sizes of the dry bulk carriers further declined in January 2006 but then improved after the Chinese New Year. Since mid of February 2006, there is an increase in freight rates attributable to improvement in business activities. The Baltic Dry Index dropped around 400 points to 2,033 in January 2006 and then picked up to around 2,500 by end of March 2006. In the short term, the Board expects freight rates to improve further due to increase in Chinese demand and expected increase in port congestion. In the medium to long term, the Board remains confident with the business outlook and expects freight rates to remain at relatively strong level, given the limited newbuildings to enter the market in 2007 and 2008, as well as expected increase in demolition of old tonnages in the market which will result in a tight balance between supply and demand.

In addition, the Board expects the Group's trading business and investments in Shanxi Jinyao will continue to contribute steady returns to the Group.

SHARE CAPITAL

At the extraordinary general meeting of the Company held on 20 May 2005, the resolutions regarding the subdivision of every one issued and unissued share of HK$1.00 each in the share capital of the Company into ten subdivided shares of HK$0.10 each ("Share Subdivision") were approved by the shareholders of the Company. With effect from 23 May 2005, the authorized share capital of the Company has become HK$100 million divided into 1,000 million shares of HK$0.10 each.

During the year, the number of issued shares of the Company was increased from 526,242,480 shares to 533,940,480 shares following the allotment and issue of new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

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.

CORPORATE GOVERNANCE

The Company has applied the principles in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year except for the deviations from code provisions A.2.1, A.4.1, A.4.2 and B.1.1 to B.1.5 in respect of the roles of chairman and chief executive officer, the service term and rotation of directors and the establishment of a remuneration committee.

Code provision A.2.1 Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from code provision A.2.1 of the Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duties for overseeing the aspects of the Group's operations is clearly beneficial to the Company. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company.

Code provision A.4.2 Under code provision A.4.2 of the Code, all directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's Articles of Association, a Managing Director and a Director holding any other executive office shall not be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the Code. The Board has reviewed the relevant Articles of Association and, in line with code provision A.4.2, it will propose amendments to the Articles of Association at the forthcoming annual general meeting to provide that all directors other than the Chairman and Managing Director shall be subject to retirement by rotation. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and there should be planned and orderly succession for these offices. Any director holding the office as Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting.

Code provision A.4.1 Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to the retirement provisions after the approval of the proposed amendments to the Articles of Association of the Company as described above. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

Code provisions B.1.1 to B.1.5 Under code provisions B.1.1 to B.1.5 of the Code, the Company should establish a remuneration committee with, inter alia, specific written terms of reference and a majority of the members should be independent non-executive directors.

The Company has established a remuneration committee on 25 August 2005 in accordance with code provisions B.1.1 to B.1.5 as set out in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied throughout the year with the required standard as set out therein.

AUDIT COMMITTEE

The audit committee comprises of three Independent Non-executive Directors. 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. The Group's audited result for the year ended 31 December 2005 have been reviewed by the Audit Committee.

BOARD OF DIRECTORS

As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2005 containing all the detailed information will be despatched to shareholders and available on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk in due course.

By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

Hong Kong, 30 March 2006

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