JINHUI

JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

ANNOUNCEMENT
RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2004 AND PRELIMINARY ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2004 OF JINHUI SHIPPING AND TRANSPORTATION LIMITED

The information set out under the section headed "JINHUI SHIPPING – RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2004 AND PRELIMINARY ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2004" is a reproduction of an announcement released on 21 February 2005 through Oslo Stock Exchange by Jinhui Shipping and Transportation Limited ("Jinhui Shipping" or defined as the "Company" below), an approximately 59.61% owned subsidiary of Jinhui Holdings Company Limited, in accordance with the regulations of the Oslo Stock Exchange. This announcement is issued by Jinhui Holdings Company Limited pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities by The Stock Exchange of Hong Kong Limited.

JINHUI SHIPPING – RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2004 AND PRELIMINARY ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2004

"The Board of Directors of **Jinhui Shipping and Transportation Limited (the "Company")** is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the quarter and year ended 31 December 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT (PRELIMINARY)

	3 months ended 31/12/2004 (Unaudited) *US$'000*	3 months ended 31/12/2003 (Unaudited) *US$'000*	**Year ended 31/12/2004 (Unaudited)** *US$'000*	Year ended 31/12/2003 (Audited) *US$'000*	Year ended 31/12/2002 (Audited) *US$'000*
Turnover	**58,074**	33,410	**216,410**	103,724	70,139
Other operating income	**3,063**	1,702	**10,639**	6,198	6,652
Gain on disposal of motor vessels	**16,308**	–	**16,308**	–	–
Reversal of impairment loss of motor vessels	**–**	7,870	**–**	14,522	–
Voyage related expenses	**(26,888)**	(27,368)	**(112,513)**	(93,247)	(60,258)
Gains (Losses), including provisions written back (made) for unrealized losses, on forward freight agreements	**1,527**	–	**(62,942)**	–	–
Staff costs	**(1,223)**	(1,209)	**(3,758)**	(2,898)	(2,484)
Other operating expenses	**(815)**	(889)	**(3,000)**	(3,131)	(4,773)
Other net income (expenses)	**525**	(2,184)	**684**	(3,720)	(10,663)
Depreciation and amortization	**(2,183)**	(2,091)	**(9,145)**	(7,986)	(8,462)
Profit (Loss) from operations	**48,388**	9,241	**52,683**	13,462	(9,849)
Interest income	**152**	101	**384**	527	767
Interest expenses	**(931)**	(586)	**(2,647)**	(2,345)	(2,511)
Profit (Loss) before taxation	**47,609**	8,756	**50,420**	11,644	(11,593)
Taxation	**–**	–	**–**	–	–
Profit (Loss) from ordinary activities after taxation	**47,609**	8,756	**50,420**	11,644	(11,593)
Minority interests	**–**	–	**–**	3	16
Net profit (loss) for the period/year	**47,609**	8,756	**50,420**	11,647	(11,577)
Dividends	**15,128**	–	**15,128**	–	–
Basic earnings (loss) per share *(US$)*	**0.5508**	0.0890	**0.5345**	0.1183	(0.1176)

CONDENSED CONSOLIDATED BALANCE SHEET (PRELIMINARY)

	31/12/2004 (Unaudited) *US$'000*	31/12/2003 (Audited) *US$'000*
Fixed assets	**150,301**	172,839
Other investments	**3,570**	3,895
Other non-current assets	**562**	583
Current assets	**81,766**	30,435
Total assets	**236,199**	207,752
Capital and reserves	**121,045**	98,621
Non-current liabilities	**52,593**	81,684
Current liabilities	**62,561**	27,447
Total equity and liabilities	**236,199**	207,752

SEGMENTAL INFORMATION (PRELIMINARY)

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

	3 months ended 31/12/2004 (Unaudited) *US$'000*	3 months ended 31/12/2003 (Unaudited) *US$'000*	**Year ended 31/12/2004 (Unaudited) *US$'000***	Year ended 31/12/2003 (Audited) *US$'000*	Year ended 31/12/2002 (Audited) *US$'000*
Segment turnover					
Chartering freight and hire	**58,074**	33,410	**216,410**	103,724	69,698
Investments in China	**–**	–	**–**	–	441
	58,074	33,410	**216,410**	103,724	70,139
Segment profit (loss) from operations					
Chartering freight and hire	**46,252**	11,480	**49,299**	17,165	373
Investments in China	**348**	11	**1,640**	195	756
Other operations	**1,788**	(2,250)	**1,744**	(3,898)	(10,978)
	48,388	9,241	**52,683**	13,462	(9,849)

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of US$0.18 (2003: nil) per share for the year ended 31 December 2004 and such dividend, if approved by the members at the forthcoming annual general meeting, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Norwegian Verdipapirsentralen (the Norwegian Registry of Securities) at the close of business on 7 April 2005. The ex dividend date is 5 April 2005 and the dividend will be paid on or about 3 May 2005.

REVIEW OF OPERATIONS

Year 2004. The shipping market of year 2004 was characterized by a tight demand and supply balance and a high level of volatility. The dry bulk market in 2004 was mainly driven by strong growth in mineral trades as a result of booming activity in China. The freight rates were at very firm level as compared to historical rates though there was a drastic drop during mid of the year.

The consolidated turnover of the Group for the year 2004 amounted to US$216,410,000, representing an increase of 109% over year 2003. Although partly offset by the losses on forward freight agreements ("FFAs"), the overall net profit of the Group for the year 2004 soared to a record high of US$50,420,000, representing an increase of 333% over net profit of US$11,647,000 last year. Basic earnings per share for the year was US$0.5345 as compared with basic earnings per share of US$0.1183 last 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 2004 were greatly stated below their current market values. Based on the valuation made by an independent professional valuer, the market values of the Group's eight owned vessels as at 31 December 2004 were US$201,500,000 as compared to their net book values of US$118,690,000. In addition, the market values of the Group's six newbuildings under construction as at 31 December 2004 were valued by the independent professional valuer at US$229,000,000 as compared to the total contract prices of US$164,520,000.

Fourth Quarter 2004. The freight rates during the fourth quarter of 2004 were in a truly volatile style. At the beginning of the quarter, the Baltic Dry Index escalated continuously by around 2,100 points to reach record high of 6,208 on 6 December 2004; then brought about a swift change of direction and a significant drop to 4,598 at the end of 2004.

The Group's consolidated turnover for the quarter amounted to US$58,074,000; representing an increase of 74% over last corresponding period. The Group's overall results for the quarter recorded a net profit of US$47,609,000 as compared with a net profit of US$8,756,000 for last corresponding period. Basic earnings per share was US$0.5508 for the quarter as compared with basic earnings per share of US$0.0890 for last corresponding period. The profit for the quarter was partly contributed by the net gain of US$16,308,000 on completion of the disposal of two motor vessels "Jin Tai" and "Jin Kang" during the quarter.

As announced previously, the Group suffered from the realized losses incurred from, and the provisions made for the unrealized losses from, the FFAs entered into by the Group since January 2004. The majority of the FFAs entered into by the Group have been squared off during mid of 2004 and hence the Group's losses under such squared off FFAs have been crystallized. All the FFAs entered into by the Group were transacted through professional brokers in England. Though there was an overall rise in the freight rates during the quarter, the provisions written back for FFAs outstanding as at 31 December 2004 amounted to US$1,527,000 only.

The Board announced on 2 February 2005 that the Group would not enter into new open position in the trading of FFAs until further notice. The international shipping markets, while enjoying favourable performance by historical standards, is also becoming extremely volatile. As a result, FFAs now have a low correlation with the actual physical market and the trading of FFAs for hedging purpose can no longer be achieved. The Board believed by terminating the use of FFAs in the prevailing market conditions, unnecessary business risks will be eliminated, thus allowing the management to focus on the core business and achieve a more secure and predictable revenue stream. Should the correlation between FFAs and the physical shipping market normalize to a level where the Company consider the use of FFAs for hedging purpose to be beneficial to the core shipping business, the Board will inform the market immediately before entering into new open position in FFAs. The Company will subsequently inform the public, details of any new FFAs entered into by the Group in the future should they arise.

Subsequent to the year ended 31 December 2004, an amount of US$20 million was received by the Group on 14 February 2005 pursuant to an agreement made by the Group on 31 August 2004 whereby one of the Group's wholly-owned subsidiaries, as charterer, agreed to early terminate a charter party in respect of a chartered-in Capesize vessel. This income will be accounted for in the Group's results for the first quarter of 2005. One of the newbuildings, namely motor vessel "Jin Hai" of DWT 55,500 metric tons, was delivered to the Group on 18 February 2005 as scheduled.

FINANCIAL REVIEW

After the completion of the disposal of two motor vessels during the quarter and as at 31 December 2004, the Group's securities, bank balances and cash increased to US$60,978,000 (2003: US$16,347,000) and the Group's bank borrowings decreased to US$58,209,000 (2003: US$92,555,000). The Group was in a net cash position (total of securities, cash and cash equivalent net of total interest bearing debts) of US$2,769,000 as at 31 December 2004 as compared to the net debts (total interest bearing debts net of securities, cash and cash equivalents) of US$76,208,000 or gearing ratio, as calculated on the basis of net debts over shareholders' equity, of 77% as at 31 December 2003. The bank borrowings on financing the acquisitions of vessels were committed on a floating rate basis and were denominated in United States Dollars. The Group hedged the interest rate exposures by entering into interest rate swaps during January 2004 and June 2004 respectively as follows:

– US$30 million over three years through cap at 2.5% with a knock out at 4%; and

– US$50 million over five years through cap at 4.3% with a knock out at 6.5%.

Out of the Group's capital expenditures totalling US$24,123,000 for year 2004 (2003: US$3,643,000), US$23,601,000 (2003: US$3,611,000) was spent on the constructions of the Group's newbuildings.

As at 31 December 2004, the Group has committed to acquire six newbuildings at total purchase prices of US$164,520,000; of which three will be delivered in 2005, one in 2006 and two in 2007; and the total amount contracted but not provided for, net of deposits paid, was US$138,051,000.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (new "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for year ended 31 December 2004. However, the Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of HKFRS 2 "Share-based Payment" arising from the grant of options to subscribe shares of Jinhui Holdings Company Limited, the Company's holding company, by Jinhui Holdings Company Limited to certain officers and employees of the Group including Directors on 23 December 2004, would not have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

OUTLOOK

As at date of this announcement, the total capacity of the Group's fleet is around DWT 1.3 million metric tons comprising nine owned vessels and twelve chartered-in vessels. Subsequent to the year ended 31 December 2004, the freight rates maintain at very firm level with the Baltic Dry Index reaching around 4,600 in mid February 2005.

At this point of time, the Board expects that the market will continue to be volatile in 2005 but the fundamentals in dry bulk shipping remain favourable with the strong demand of vessels in the next few years. The major downside risk of the shipping market still remains as there might be sudden downturn of the Chinese economy. The Board remains cautious on this particular point because there could be a various mix of factors that could trigger such downturn which includes further tightening economic measures from the Chinese government; a combination of Renminbi appreciation plus interest rate hike; a slow down on the US economy and high oil prices.

Going forward, the Board would continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate; maintain a balance in its employment mix by engaging part of its fleet in longer term charters to ensure certainty in future earnings for the Group; and adopt more stringent risk management procedures."

The principal accounting policies and methods of computation used in the preparation of the above unaudited consolidated results of Jinhui Shipping and its subsidiaries are in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants.

As at the date of this announcement, the executive directors of Jinhui Holdings Company Limited are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; the non-executive director is Ho Kin Lung; and the independent non-executive directors are Cui Jian Hua, Tsui Che Yin Frank and William Yau.

By Order of the Board
Ng Siu Fai
Chairman

Hong Kong, 21 February 2005

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