

09:19 JINHUI HOLDINGS<00137> - Announcement & Resumption (2)

registered by Jinhe Marine in Hong Kong.

GUARANTEE

Jinhui Shipping, the intermediate holding company of Jinhe Marine, executed on 16 August 2004 a guarantee in favour of the Contractor pursuant to which Jinhui Shipping agrees to provide a guarantee, as security for performance by Jinhe Marine of its obligations and liabilities under the Agreement, including the payment obligations of the consideration price of US\$31,500,000.

REASONS FOR THE ACQUISITION

The principal businesses of the Group include international ship chartering, ship owning and trading. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate. Despite the sharp fall in the Baltic Dry Index (an index reflecting the performance of charter hire for bulk carriers) since March 2004, the Baltic Dry Index have shown strong signs of recovery beginning in July 2004, and the Board is of the view that it is a right opportunity to acquire another vessel in view of the recovery and the improvement in the shipping market. The Group currently owns ten dry bulk vessels, two of which have been sold pursuant to two memoranda of agreement and are scheduled for delivery later in 2004. After the Acquisition, the Group will have an additional six dry bulk vessels under construction, of which three will be delivered in 2005, one in 2006 and the other two will be delivered in 2007. The Board believes the steady increase in the freight rates will continue and decides to acquire one more motor vessel to expand its fleet of owned vessels instead of charter-in vessels in order to generate more operating income and to maximize the returns for the Group in the future.

The Group has been a customer of the Contractor since 1997 and

had previously acquired and took delivery of seven motor vessels from the Contractor in the past few years. In addition, the Group had entered into two separate contracts with the Contractor on 12 August 2003 and 9 January 2004 for the acquisition of another two motor vessels from the Contractor. Each of the aforementioned agreements are separate and not inter-conditional of each other.

Given the reliability of the Contractor and the recovery in the shipping market, the Board decided to enter into negotiations with the Contractor for the Acquisition. The Group and the Contractor began the negotiations for the Acquisition in July 2004. The terms and conditions of the Agreement have been agreed on normal commercial terms following arm's length negotiations. The Board considers such terms and conditions to be fair and reasonable and in the best interests of the Company and its shareholders as a whole.

In addition, the Group had, during this year, acquired a vessel from Super Venture International Limited, and another vessel from Xing Long Maritime S.A., a wholly owned subsidiary of Orix Corporation, as disclosed in the Company's announcement dated 11 March 2004 and 13 April 2004 respectively.

GENERAL

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company and is subject to shareholders' approval in accordance with the Listing Rules. A circular containing, amongst other things, further information relating to the Acquisition will be despatched to the shareholders of the Company as soon as reasonably practicable.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions of the following meanings were used:

"Acquisition" the acquisition of the Vessel under the Agreement;

"Agreement" the contract dated 16 August 2004 between Jinhe Marine and the Contractor in respect of the Acquisition;

"Board" the board of Directors;

"Company" Jinhui Holdings Company Limited;

"Contractor" Sumitomo Corporation, a corporation organised and existing under the laws of Japan;

"Directors" the directors of the Company;

"Group" the Company and its subsidiaries;

"HK\$" Hong Kong Dollars, the lawful currency of Hong Kong;

"Hong Kong" Hong Kong Special Administrative Region of the People's Republic of China;