



JINHUI

Holdings Company LIMITED

(Stock Code: 137)



INTERIM REPORT

2006

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*
Ng Kam Wah Thomas, *Managing Director*
Ng Ki Hung Frankie
Ho Suk Lin

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*
Cui Jianhua
William Yau

REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*
Tsui Che Yin Frank
William Yau

QUALIFIED ACCOUNTANT

Ho Suk Lin

COMPANY SECRETARY

Ho Suk Lin

AUDITORS

Moore Rowland Mazars

SHARE REGISTRAR

Standard Registrars Limited
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REGISTERED OFFICE

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WEBSITE

www.jinhuiship.com

SHARE LISTING

The Company's shares are listed on the Hong Kong Stock Exchange (stock code: 137).

HIGHLIGHTS FOR THE FIRST HALF OF 2006:

- Turnover decreased 32% to HK\$717.4 million
- Net profit attributable to shareholders amounted to HK\$122.4 million
- Basic earnings per share: HK\$0.229
- Gearing ratio as at 30 June 2006: 9%

The board of directors (the “Board” or the “Directors”) of **Jinhui Holdings Company Limited (the “Company”)** is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 together with comparative figures for the corresponding period of 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	717,400	1,048,799
Gain on disposal of motor vessels	3	193,866	–
Cancellation fee income	4	–	156,000
Other operating income		21,177	38,758
Shipping related expenses		(366,436)	(453,832)
Cost of trading goods sold		(147,539)	(113,173)
Depreciation and amortization		(55,608)	(41,015)
Staff costs		(41,094)	(27,907)
Other operating expenses		(48,639)	(29,411)
Profit from operations	2	273,127	578,219
Interest income		7,514	7,290
Interest expenses		(36,174)	(13,471)
Profit before taxation		244,467	572,038
Taxation	5	(922)	(1,088)
Net profit for the period		243,545	570,950
Attributable to:			
Shareholders of the Company		122,405	338,346
Minority interests		121,140	232,604
		243,545	570,950
Dividend	6	–	101,356
Earnings per share for net profit attributable to shareholders of the Company during the period			
– Basic	7	HK\$0.229	HK\$0.639
– Diluted		HK\$0.229	HK\$0.631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to shareholders of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other asset revaluation reserve (Unaudited) HK\$'000	Reserve for available-for-sale financial assets (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2005	52,624	288,733	2,023	4,578	-	-	372,265	720,223	398,695	1,118,918
Net profit for the period	-	-	-	-	-	-	338,346	338,346	232,604	570,950
2004 final dividend	-	-	-	-	-	-	(63,713)	(63,713)	-	(63,713)
Dividend to minority interests	-	-	-	-	-	-	-	-	(63,545)	(63,545)
Shares issued upon exercise of share options	575	8,622	-	-	-	-	-	9,197	-	9,197
Expenses for shares issued upon exercise of share options	-	(31)	-	-	-	-	-	(31)	-	(31)
Employee share option benefits	-	-	-	-	-	6,604	-	6,604	3,452	10,056
At 30 June 2005	53,199	297,324	2,023	4,578	-	6,604	646,898	1,010,626	571,206	1,581,832
At 1 January 2006	53,394	300,209	2,023	7,616	1,681	12,671	734,058	1,111,652	726,328	1,837,980
Release on disposal of motor vessels	-	-	-	(4,578)	-	-	-	(4,578)	-	(4,578)
Gain on revaluation of available-for-sale financial assets	-	-	-	-	396	-	-	396	-	396
Net income recognized directly in equity	-	-	-	(4,578)	396	-	-	(4,182)	-	(4,182)
Net profit for the period	-	-	-	-	-	-	122,405	122,405	121,140	243,545
Total recognized income	-	-	-	(4,578)	396	-	122,405	118,223	121,140	239,363
Dividend to minority interests	-	-	-	-	-	-	-	-	(23,500)	(23,500)
Employee share option benefits	-	-	-	-	-	12,792	-	12,792	9,386	22,178
At 30 June 2006	53,394	300,209	2,023	3,038	2,077	25,463	856,463	1,242,667	833,354	2,076,021

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,018,059	2,319,229
Investment properties		45,500	35,000
Goodwill		39,040	39,040
Available-for-sale financial assets		37,334	36,938
Other non-current assets		29,689	28,827
		2,169,622	2,459,034
Current assets			
Inventories		18,563	16,649
Trade and other receivables	8	216,726	225,720
Financial assets at fair value through profit or loss	10	244,941	99,788
Pledged deposits		9,517	19,610
Bank balances and cash		595,170	395,614
		1,084,917	757,381
Current liabilities			
Trade and other payables	9	143,563	185,031
Financial liabilities at fair value through profit or loss	10	52,850	30,323
Taxation		609	3,278
Secured bank loans and other borrowings		142,432	154,598
Secured bank overdraft		4	–
		339,458	373,230
Net current assets		745,459	384,151
Total assets less current liabilities		2,915,081	2,843,185

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Non-current liabilities		
Secured bank loans	839,060	1,005,205
Net assets	2,076,021	1,837,980

EQUITY

Equity attributable to shareholders of the Company

Issued capital	53,394	53,394
Reserves	1,189,273	1,058,258
	1,242,667	1,111,652
Minority interests	833,354	726,328
Total equity	2,076,021	1,837,980

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	15,801	389,767
Net cash from (used in) investing activities	395,538	(970,956)
Net cash (used in) from financing activities	(211,787)	373,079
Net increase (decrease) in cash and cash equivalents	199,552	(208,110)
Cash and cash equivalents at 1 January	395,614	452,521
Cash and cash equivalents at 30 June	595,166	244,411
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	595,170	244,411
Secured bank overdraft	(4)	—
	595,166	244,411

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by our auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standard 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). An unmodified review conclusion has been issued by the auditors.

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005 except for the adoption of new/revised Hong Kong Financial Reporting Standards and HKASs (“New Standards”) that are effective for accounting periods beginning on or after 1 January 2006. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards will not have material impact on the Group’s financial statements.

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	
	Six months ended 30 June 2006 (Unaudited) HK\$’000	2005 (Unaudited) HK\$’000	Six months ended 30 June 2006 (Unaudited) HK\$’000	2005 (Unaudited) HK\$’000
Chartering freight and hire	554,223	919,419	294,360	576,605
Trading	163,177	129,380	5,319	6,214
Other operations	–	–	(26,552)	(4,600)
	717,400	1,048,799	273,127	578,219

The Group’s chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, about 81% (2005: 90%) and 11% (2005: 5%) of the Group’s trading business was carried out in Hong Kong and China respectively.

3. Gain on disposal of motor vessels

The amount represented the gain on the completion of the disposal of four motor vessels “Jin Da”, “Jin Shun”, “Jin Yang” and “Jin Sheng” during the six months ended 30 June 2006.

4. Cancellation fee income

The amount for period ended 30 June 2005 represented a fee of approximately HK\$156,000,000 received by Goldbeam Shipping Inc. ("GSI"), a wholly-owned subsidiary of Jinhui Shipping (as defined hereinafter), 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.

5. Taxation

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current period	(922)	(1,068)
Under provision in prior periods	—	(20)
	<hr/>	<hr/>
	(922)	(1,088)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period ended 30 June 2006. 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. Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: HK\$0.19 per share).

7. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK\$122,405,000 (2005: HK\$338,346,000) and the weighted average number of 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders of the Company for the period of HK\$122,405,000 (2005: HK\$338,346,000). The weighted average number of ordinary shares used in the calculation is 533,940,480 (2005: 529,307,541) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of nil (2005: 6,714,549) ordinary share assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

8. Trade and other receivables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Trade receivables	110,666	118,919
Prepayments, deposits and other receivables	106,060	106,801
	216,726	225,720

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

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	82,661	98,447
91 – 180 days	20,032	17,452
181 – 365 days	6,460	1,964
Over 365 days	1,513	1,056
	110,666	118,919

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment. 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.

9. Trade and other payables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Trade payables	20,933	23,975
Accrued charges and other payables	122,630	161,056
	143,563	185,031

The aging analysis of trade payables is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	9,729	14,308
91 – 180 days	1,486	1,256
181 – 365 days	1,317	84
Over 365 days	8,401	8,327
	20,933	23,975

10. Financial assets/financial liabilities at fair value through profit or loss

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Analysis of financial assets at fair value through profit or loss:		
<i>Held for trading or not qualifying as hedges</i>		
Equity securities	23,407	49,801
Debt securities	64,721	15,400
Equity linked investments	120,495	–
Bank deposits with embedded derivatives	14,905	–
Derivative financial instruments		
Interest rate swaps	9,964	6,008
Forward foreign exchange contracts and options	1,210	1,158
Securities derivatives	–	6
Forward freight agreements (Note *)	10,239	27,415
	244,941	99,788

Analysis of financial liabilities at fair value through profit or loss:

Held for trading or not qualifying as hedges

Derivative financial instruments		
Interest rate swaps	1,053	942
Forward foreign exchange contracts and options	46,437	11,646
Forward freight agreements (Note *)	5,360	17,735
	52,850	30,323

Note *: As at 30 June 2006, all the forward freight agreements were squared off and the unrealized gains or losses thereon had been fully taken up in the income statements in prior years.

11. Comparative figures

Certain comparative figures have been restated to conform to current period's presentation.

INTERIM RESULTS

The consolidated turnover of the Group for the period was HK\$717,400,000, representing a decrease of 32% as compared to that of last corresponding period. The Group's net profit attributable to shareholders of the Company for the period amounted to HK\$122,405,000 whereas a net profit of HK\$338,346,000 was recorded for last corresponding period. Basic earnings per share was HK\$0.229 for the period as against basic earnings per share of HK\$0.639 for last corresponding period.

The profit for the period was partly attributed to the gain of HK\$193,866,000 on the completion of the disposal of four motor vessels by the Group whereas the profit for last corresponding period was partly attributed to the 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.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: HK\$0.19 per share).

BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 50.21% owned subsidiary of the Company whose shares are listed on the Oslo Stock Exchange.

After a slow start at the beginning of the year, the chartering market rose steadily, simply due to the demand for tonnage has consistently outstripped supply. The Baltic Dry Index dropped around 400 points to 2,033 in late January 2006 and then picked up steadily to close at 2,964 by the end of June 2006.

The Group's shipping turnover for the period amounted to HK\$554,223,000; representing a decrease of 40% over last corresponding period. During the period, the Group's revenue was affected by comparatively low freight rates and the Group's profit was partly offset by the operating loss of two Capesize vessels chartered-in by the Group since mid 2005 at comparatively high costs at the then prevailing market conditions.

The average daily time charter equivalent rates of the Group's fleet were as follows:

	2006 first half	2005 first half	2005
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Capesize	34,557	61,600	44,806
Panamax	19,381	34,108	28,400
Handymax	18,341	26,468	24,174
Handysize	10,347	18,406	14,811
In average	19,445	30,688	26,375

As an ongoing effort to maintain a young modern fleet and putting its focus on the ownership of a sizeable Handymax fleet, the Group entered into agreements during the period to dispose of five motor vessels comprising two Handysizes and one Handymax built in the 1980s and two modern Panamaxes, at a total consideration of US\$102,050,000 (approximately HK\$795,990,000), of which four have been delivered to the respective purchasers during the period and realized a gain of HK\$193,866,000. On completion of the disposal of the fifth vessel, the Group expects to realize a further gain of around HK\$15,600,000 in the second half of 2006.

During the period, the Group has committed to purchase three additional Handymax newbuildings and one 2004-built Capesize vessel at total purchase prices of US\$60,000,000 and JPY10,290,000,000 (approximately HK\$1,162,009,000 in total). In addition, one newly built Panamax contracted by the Group in 2004 at purchase price of US\$31,500,000 (approximately HK\$245,700,000) had also been delivered to the Group during the period.

As at 30 June 2006, the Group had committed to acquire seven motor vessels comprising six Handymax newbuildings and one second hand Capesize vessel at total purchase prices of US\$98,500,000 and JPY13,640,000,000 (approximately HK\$1,688,250,000 in total); of which four will be delivered in 2007, two in 2008 and one in 2009; and the total amounts contracted but not provided for, net of deposits paid, were US\$88,650,000 and JPY12,276,000,000 (approximately HK\$1,519,425,000 in total).

Trading and other operations. 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\$163,177,000, representing an increase of 26% as compared to that of last corresponding period. Despite an increase in turnover, the profit margin dropped due to the increase in costs of purchase of raw materials. As a result, the Group's trading business recorded an operating profit of HK\$5,319,000 as compared to an operating profit of HK\$6,214,000 for last corresponding period.

The Group's other operations recorded an operating loss of HK\$26,552,000 as compared to an operating loss of HK\$4,600,000 for last corresponding period. The loss for the period was primarily due to the net loss on the investment in financial derivatives relating to forward foreign exchange contracts and options.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the period, upon receiving the net sale proceeds on completion of the disposal of four motor vessels and offset by cash used to partially finance the delivery of one additional vessel, the total of the Group's equity and debt securities, equity linked investments, bank balances and cash increased to HK\$803,793,000 as at 30 June 2006 (31/12/2005: HK\$460,815,000). The Group's bank and other borrowings decreased to HK\$981,496,000 as at 30 June 2006 (31/12/2005: HK\$1,159,803,000), of which 15%, 8%, 27% and 50% 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, equity linked investments, cash and cash equivalents) over total equity, was 9% (31/12/2005: 38%). All the bank and other borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash, marketable equity and debt securities, and equity linked investments 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 30 June 2006, the Group's credit facilities were secured by certain of the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$1,847,723,000 (31/12/2005: HK\$2,079,281,000), financial assets at fair value through profit or loss with market value of HK\$86,191,000 (31/12/2005: nil) and bank deposits of HK\$9,517,000 (31/12/2005: HK\$19,610,000). Shares of eight (31/12/2005: ten) ship owning companies of the Group, were also pledged together with the assignment of chartering income of nine (31/12/2005: ten) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK\$295,083,000 for the period ended 30 June 2006 (year ended 31/12/2005: HK\$1,173,839,000), approximately HK\$280,973,000 (year ended 31/12/2005: HK\$1,171,864,000) was spent on the construction of the Group's vessels.

As at 30 June 2006, there were outstanding capital commitments relating to the newbuildings and acquisition of seven (31/12/2005: four) dry bulk carriers at a total purchase price of approximately HK\$1,688,250,000 (31/12/2005: HK\$766,738,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$1,519,425,000 (31/12/2005: HK\$665,494,000).

Contingent liabilities. As at 30 June 2006, except for guarantee amounting to approximately HK\$78,000,000 (31/12/2005: 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.

EMPLOYEES

As at 30 June 2006, the Group had 106 full-time employees and 250 crew (31/12/2005: 107 full-time employees and 330 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.

POST BALANCE SHEET EVENTS

On 24 July 2006, the Group completed the disposal of motor vessel "Jin Bi" at a consideration of US\$6,500,000 (approximately HK\$50,700,000) and realized a gain of around HK\$15,600,000.

During July 2006, the Company repurchased 6,680,000 shares of the Company at an aggregate price of HK\$10,981,580 before expenses, which were subsequently cancelled.

During July and August 2006, the Group entered into four agreements to acquire one Handymax newbuilding and three second hand Handymax vessels at a total purchase price of US\$138,900,000 (approximately HK\$1,083,420,000).

OUTLOOK

As at date of this report, the total capacity of the Group's fleet is around deadweight 1.4 million metric tons comprising nine owned vessels and ten chartered-in vessels, and approximately 86% of the Group's revenue days in 2006 have been covered. In addition, the Group will have additional seven newly built vessels and four second hand vessels for delivery going forward, where three of which will be delivered in 2006, four in 2007, three in 2008 and one in 2009.

Recently, the freight rates have increased significantly, especially the freight rates for Capesize tonnage and Handymax tonnage which are mainly driven by increasing iron ore imports to China and Western Europe, as well as the export of cement out of China respectively. Subsequent to the period ended 30 June 2006, the Baltic Dry Index further increased to around 3,880 by early September 2006. In light of the recent market conditions, future cargo volumes and trade patterns, we believe that there would be a firmer market for the rest of 2006.

Though a prolonged period of refining disruption and oil price fluctuation could significantly affect business confidence, we remain cautiously optimistic that 2006 will be another reasonable year for the dry bulk market.

In addition, the Board expects that the Group's trading business will continue to contribute steady returns to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company has repurchased 2,471,000 shares of the Company at an aggregate price of HK\$3,984,734.60 before expenses, which were subsequently cancelled in July 2006. The nominal value of the cancelled shares of HK\$247,100 was credited to capital redemption reserve and the aggregate price was paid out from the retained profits. Details of the repurchase are as follows:

Month of the repurchase	Total number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid (before expenses) HK\$
June 2006	2,471,000	1.64	1.59	3,984,734.60

The Directors considered that the repurchase would increase the net asset value per share of the Company.

Save as disclosed above, 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 2006.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 November 2004 (the "Share Option Scheme"). Under the Share Option Scheme, the Company may grant share options to acquire shares of the Company to the directors, officers and employees of the Group and other persons selected by the Board who have contributed or will contribute to the Group. The purpose of granting the share options is to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group.

Details of the grant of share options and a summary of the movements of the outstanding share options including the interests of the directors and chief executives of the Company during the six months ended 30 June 2006 under the Share Option Scheme were as follows:

Name	Date of grant	Closing price per share at date of grant of options HK\$	Exercise price per share HK\$	Period during which options exercisable	Number of options		
					As at 1 January 2006	Granted during the period	As at 30 June 2006
A. Directors							
Ng Siu Fai	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 (Note 2)	31,570,000	–	31,570,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ng Kam Wah Thomas	23 December 2004	1.53	1.60	31 March 2006 to 22 December 2014 (Note 2)	21,050,000	–	21,050,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ng Ki Hung Frankie	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	3,000,000	–	3,000,000
	29 June 2006	1.57	1.57	29 June 2006 to 28 June 2016	–	3,184,000	3,184,000
Ho Suk Lin	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	5,000,000	–	5,000,000
Cui Jianhua	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
Tsui Che Yin Frank	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,000,000	–	1,000,000
William Yau	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	500,000	–	500,000
Sub-total					63,120,000	9,552,000	72,672,000

Name	Date of grant	Closing price per share at date of grant of options HK\$	Exercise price per share HK\$	Period during which options exercisable	Number of options		
					As at 1 January 2006	Granted during the period	As at 30 June 2006
B. Other employees							
With vesting schedules	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009 (Note 3)	4,150,000	-	4,150,000
Without vesting schedule	23 December 2004	1.53	1.60	23 December 2004 to 22 December 2009	1,824,000	-	1,824,000
Sub-total					5,974,000	-	5,974,000
TOTAL					69,094,000	9,552,000	78,646,000

Notes:

1. *During the period ended 30 June 2006, no share option was exercised, cancelled and lapsed.*
2. *The grant of share options to each of Messrs. Ng Siu Fai and Ng Kam Wah Thomas had been approved by the shareholders of the Company at the extraordinary general meeting of the Company on 27 January 2005 and are subject to certain conditions including a performance target, whereby the share options became exercisable upon the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year 2005. These share options may be exercised during the period commencing on 31 March 2006 (the business day immediately after the day of the issue and publication of the audited consolidated results of the Group for the financial year of 2005) to 22 December 2014 or the date on which the share options shall lapse in accordance with the terms of the Share Option Scheme, whichever is the earlier.*
3. *These share options were granted to employees of the Group, other than Directors, under vesting schedules, which began in January 2005 with monthly exercisable limit of about 10% of the share options granted.*
4. *The closing price per share of the Company as at 30 June 2006 was HK\$1.62.*
5. *All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.*

The weighted average value per option granted during the period ended 30 June 2006 by the Company was approximately HK\$0.36 that are estimated at the date of grant of 29 June 2006 based on Black-Scholes option pricing model using the following assumptions:

Closing price per share at the option grant date	HK\$1.57
Exercise price per share	HK\$1.57
Risk-free interest rate per annum based on Federal Funds Rate	5.25%
Expected stock price volatility	49.656%
Expected option life	1 year

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the share options of the Company have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options of the Company.

The total expense recognized in the Group's consolidated income statement for the period ended 30 June 2006 in respect of the grant of 9,552,000 options during the period is HK\$3,436,000.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 30 June 2006, the Directors had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

(i) Interests in shares of the Company

Name	Type of interests	Number of shares in the Company	Percentage of total issued shares of the Company
Ng Siu Fai	Family interests	10,770,000	2.02%
	Other interests	Note	Note
Ng Kam Wah Thomas	Other interests	Note	Note
Ng Ki Hung Frankie	Other interests	Note	Note

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline Consultants Limited which is the legal and beneficial owner of 312,829,280 shares of the Company (representing 58.59% of the total issued shares of the Company) as at 30 June 2006. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline Consultants Limited.

(ii) Interests in share options of the Company

The interests of the Directors in the share options of the Company are stated in detail in the preceding section of Share Options Scheme.

Save as disclosed above, as at 30 June 2006, none of the Directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any Director or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor chief executive of the Company or any of their spouses or children under the age of 18 had any interests in, or had been granted, any right to subscribe for the shares in or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, in accordance with the register kept under Section 336 of the SFO, the following persons (other than the Directors or chief executive of the Company) had interests representing 5% or more of the issued share capital of the Company:

Name of shareholders	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	312,829,280	–	58.59%
Wong Yee Man Gloria	323,599,280 (Note 1)	–	60.61%
	–	34,754,000 (Note 2)	6.51%

Notes:

- The interest in shares includes 10,770,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 312,829,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).*
- Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).*

Save as disclosed herein, as at 30 June 2006, the Company has not been notified of any person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2006, with deviations from code provisions A.2.1, A.4.1 and A.4.2 in respect of the roles of chairman and chief executive officer, the service term and rotation of directors.

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 duty for overseeing all 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 Articles of Association of the Company before 26 June 2006, 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 reviewed the Articles of Association and proposed amendments to the Articles of Association at the annual general meeting of the Company so as to provide that all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation, and such amendments were duly passed by the shareholders of the Company at the annual general meeting of the Company held on 26 June 2006. 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. After the approval of the amendments to the Articles of Association of the Company by shareholders of the Company at the annual general meeting of the Company held on 26 June 2006, all Directors, other than the Chairman and the Managing Director (who are ordinarily executive directors), of the Company will be subject to retirement provisions. 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.

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 with the required standard as set out therein throughout the six months ended 30 June 2006.

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 including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006.

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

Hong Kong, 6 September 2006