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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Jinhui Holdings Company Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**JINHUI HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 137

**DISCLOSEABLE TRANSACTION**

**ACQUISITION OF A VESSEL**

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24 August 2006

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context indicates otherwise:*

“Acquisition”	the acquisition of the Vessel under the Agreement;
“Agreement”	the memorandum of agreement dated 2 August 2006 between the Purchaser and the Vendor in respect of the acquisition of the Vessel;
“associates”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Jinhui Holdings Company Limited;
“Directors”	the directors of the Company;
“Fairline”	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company holding approximately 59.61 per cent. of the issued share capital and voting rights in general meetings of the Company as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 50.21 per cent. owned subsidiary of the Company as at the Latest Practicable Date whose shares are listed on the Oslo Stock Exchange, Norway;
“Latest Practicable Date”	21 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Goldbeam Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping, or its nominee;

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Ratu Shipping Co., S.A.;
“Vessel”	a deadweight 48,220 metric tons bulk carrier named “Arran Trader” built in 2000 by Oshima Shipbuilding Co., Ltd. incorporated in Japan and is presently registered in Manila;
“Yee Lee Technology”	Yee Lee Technology Company Limited, a company incorporated in the British Virgin Islands and a 75 per cent. owned subsidiary of the Company;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong; and
“US\$”	United States Dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00 = HK\$7.80.



## JINHUI HOLDINGS COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 137

*Directors:*

Ng Siu Fai (*Chairman*)  
Ng Kam Wah Thomas (*Managing Director*)  
Ng Ki Hung Frankie  
Ho Suk Lin  
Cui Jianhua \*  
Tsui Che Yin Frank \*  
William Yau \*

*Registered office:*

26th Floor  
Yardley Commercial Building  
1-6 Connaught Road West  
Hong Kong

\* *Independent Non-executive Director*

24 August 2006

*To the Shareholders and,  
for information only, the holders of options,*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION ACQUISITION OF A VESSEL**

#### **INTRODUCTION**

The Directors refer to the announcement of the Company dated 2 August 2006 in relation to the Acquisition of the Vessel pursuant to the Agreement dated 2 August 2006 entered into between the Purchaser and the Vendor.

The purpose of this circular is to give you further information in relation to the Acquisition.

#### **THE AGREEMENT**

##### **Purchaser**

The Purchaser is a ship chartering company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 50.21 per cent. owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **Vendor**

The Vendor is a private company owning about twenty bulk carriers, whose headquarter is based in Japan. The principal business activities of the Vendor and its ultimate beneficial owners are the owning and operating of shipping vessels. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Vessel is currently under a time charter party arrangement entered into on 27 July 2006 with the Purchaser at market rate. The Group has not acquired or disposed of any other vessel with the Vendor or its ultimate beneficial owners during the last twelve months from date of the Agreement.

### **The Acquisition**

Pursuant to the Agreement dated 2 August 2006, the Vendor has agreed to sell and deliver the Vessel to the Purchaser or its nominee, and the Purchaser has agreed to purchase and take delivery of the Vessel from the Vendor. The Vessel is a deadweight 48,220 metric tons bulk carrier built in 2000 by Oshima Shipbuilding Co., Ltd. incorporated in Japan. The Vessel is proposed to be used for chartering out to gain operating income by the Purchaser or its nominee after delivery. After the Acquisition, the Group's property, plant and equipment will increase by the amount of purchase price of the Vessel, the current assets will decrease by the amount of purchase price funded from internal resources and the liabilities will increase by the amount of purchase price funded by bank financing.

### **Consideration**

The purchase price for the Vessel is US\$26,000,000 (approximately HK\$202,800,000) and is payable on delivery of the Vessel.

The purchase price for the Vessel will be payable by cash in United States Dollars. It is currently expected that the purchase price will be funded as to US\$18,200,000 (approximately HK\$141,960,000) by bank financing, with the remaining balance of US\$7,800,000 (approximately HK\$60,840,000) funded by internal resources of the Group. The purchase price was determined by reference to current market values of similar type of vessels based on information from our shipbrokers and on the basis of arm's length negotiations.

### **Delivery**

The Agreement provides that the delivery of the Vessel after the end of the time charter party arrangement which is expected to take place sometime between 15 July to 15 October 2008. Pursuant to the terms of the Agreement, if there is any delay in delivery of the Vessel, the Purchaser has the right to rescind the Agreement.

### **GUARANTEE**

Jinhui Shipping, the intermediate holding company of the Purchaser, will guarantee the performance of the obligations of the Purchaser under the Agreement in favour of the Vendor.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The Vessel is a Handymax vessel. The Acquisition will enable the Group, as previously announced by the Company, to concentrate on maintaining a fleet of Handymax vessels that are of better equipped loading facilities, and will further complement our owned young and modern fleet of vessels to serve the growing needs of our customers. As at the Latest Practicable Date, the Group owns nine dry bulk vessels. After the Acquisition and the acquisition of another vessel as announced by the Company on 8 August 2006, the Group will have additional seven newly built vessels and three second hand vessels for delivery going forward, where two of which will be delivered in 2006, four in 2007, three in 2008 and one in 2009.

The terms and conditions of the Agreement have been agreed on normal commercial terms following arm's length negotiations. The Company considers that such terms and conditions are fair and reasonable and it is an opportune moment during recent market situations to further expand its fleet of vessels in order to generate more operating income for the Group and hence further increase Shareholders' value.

### GENERAL

Under the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company.

Your attention is also drawn to the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Jinhui Holdings Company Limited**  
**Ng Siu Fai**  
*Chairman*

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Type of interests	No. of Shares	Percentage of total issued Shares
Ng Siu Fai	Personal interests (Option) <i>Note 2</i>	31,570,000	6.02%
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%
	Family interests	10,770,000	2.05%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Kam Wah Thomas	Personal interests (Option) <i>Note 2</i>	21,050,000	4.01%
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Ki Hung Frankie	Personal interests (Option) <i>Note 3</i>	3,000,000	0.57%
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ho Suk Lin	Personal interests (Option) <i>Note 3</i>	5,000,000	0.95%
Cui Jianhua	Personal interests (Option) <i>Note 3</i>	1,000,000	0.19%
Tsui Che Yin Frank	Personal interests (Option) <i>Note 3</i>	1,000,000	0.19%
William Yau	Personal interests (Option) <i>Note 3</i>	500,000	0.10%



*Note 1:* 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 which is the legal and beneficial owner of 312,829,280 Shares (representing 59.61 per cent. of the total issued Shares). 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.

*Note 2:* Further details relating to the options granted to each of Mr Ng Siu Fai and Mr Ng Kam Wah Thomas are as follows:

Date of grant:	23 December 2004 (approved at the extraordinary general meeting of the Company on 27 January 2005)
Exercisable period:	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
Consideration paid for options:	HK\$1.00
Subscription price:	HK\$1.60 per Share
Other conditions:	the Group having recorded an audited consolidated net profit of not less than HK\$400 million for the financial year of 2005 (which had been achieved)

*Note 3:* Further details relating to the options granted to each of Mr Ng Ki Hung Frankie, Ms Ho Suk Lin, Mr Cui Jianhua, Mr Tsui Che Yin Frank and Mr William Yau are as follows:

Date of grant:	23 December 2004
Exercisable period:	23 December 2004 to 22 December 2009
Consideration paid for options:	HK\$1.00
Subscription price:	HK\$1.60 per Share

*Note 4:* Further details relating to the options granted to each of Mr Ng Siu Fai, Mr Ng Kam Wah Thomas and Mr Ng Ki Hung Frankie are as follows:

Date of grant:	29 June 2006
Exercisable period:	29 June 2006 to 28 June 2016
Consideration paid for options:	HK\$1.00
Subscription price:	HK\$1.57 per Share

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests in any securities and short positions of the Company or any of its associated corporations as defined in the SFO.

- (b) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).

- (c) As at the Latest Practicable Date, none of the Directors or their respective associates has any interests in any company or business which competes or may compete with the businesses of the Group.

### SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholders	No. of Shares	No. of Shares (Option)	Percentage of total issued Shares
Fairline	312,829,280	–	59.61%
Wong Yee Man Gloria	323,599,280 *	–	61.66%
	–	34,754,000 **	6.63%

Name of shareholder	No. of shares in Yee Lee Technology	Percentage of total issued shares in Yee Lee Technology
Asiawide Profits Limited	1,000,000	25.00%

\* *The interest in Shares includes 10,770,000 Shares in which Ms Wong Yee Man Gloria is interested as a beneficial owner and 312,829,280 Shares 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 held by her spouse, Mr Ng Siu Fai (as disclosed hereinabove).*

### LITIGATION

As at the Latest Practicable Date, Goldbeam Shipping Inc. (“Goldbeam”) an approximately 50.21 per cent. owned subsidiary of the Company, is claiming around US\$769,000 and costs against a charterer of a vessel for detention of the vessel at discharge port. An arbitrator has been appointed and the arbitration proceedings in London, England are underway.

Save as disclosed herein, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

**GENERAL**

- (a) The secretary and the qualified accountant of the Company is Ms Ho Suk Lin, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong.
- (c) The principal share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.