
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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

TWO DISCLOSEABLE TRANSACTIONS

DISPOSAL OF TWO VESSELS

6 May 2006

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DEFINITIONS

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

“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;
“Disposals”	the disposal of the First Vessel and the Second Vessel under the First Memorandum and the Second Memorandum;
“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 55.36 per cent. of the issued share capital and voting rights in general meetings of the Company as at the Latest Practicable Date;
“First Disposal”	the disposal of the First Vessel under the First Memorandum;
“First Memorandum”	the memorandum of agreement dated 13 April 2006 between the First Vendor and the First Purchaser in respect of the disposal of the First Vessel;
“First Purchaser”	SK Shipping (Singapore) Pte. Ltd.;
“First Vendor”	Jinda Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping;
“First Vessel”	the motor vessel “Jin Da” registered in Panama;
“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”	2 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Second Disposal”	the disposal of the Second Vessel under the Second Memorandum;
“Second Memorandum”	the memorandum of agreement dated 21 April 2006 between the Second Vendor and the Second Purchaser in respect of the disposal of the Second Vessel;
“Second Purchaser”	Vergina Maritime Company;
“Second Vendor”	Jinshun Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping;
“Second Vessel”	the motor vessel “Jin Shun” registered in Panama;
“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)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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)

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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*

6 May 2006

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

Dear Sir or Madam,

TWO DISCLOSEABLE TRANSACTIONS DISPOSAL OF TWO VESSELS

INTRODUCTION

The Directors refer to the announcement of the Company dated 13 April 2006 in relation to the First Memorandum entered into between the First Vendor and the First Purchaser on 13 April 2006 for the disposal of the First Vessel “Jin Da” at a consideration of US\$9,800,000 (approximately HK\$76,440,000).

The Directors also refer to another announcement of the Company dated 21 April 2006 in relation to the Second Memorandum entered into between the Second Vendor and the Second Purchaser on 21 April 2006 for the disposal of the Second Vessel “Jin Shun” at a consideration of US\$7,550,000 (approximately HK\$58,890,000).

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

LETTER FROM THE BOARD

THE VENDORS

Both the First Vendor and the Second Vendor are wholly-owned subsidiaries of Jinhui Shipping, which are in turn approximately 50.21 per cent. owned subsidiaries of the Company.

THE PURCHASERS

The First Purchaser is a private shipping company, wholly-owned by SK Shipping Co. Ltd. headquartered in Korea with a fleet size of around 50 vessels, operating out of offices in Korea, the United Kingdom, Singapore, Japan and China. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the First Purchaser 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 Second Purchaser is a private ship owning company incorporated in the Marshall Islands. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Second Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

To the best of the Board's knowledge, information and belief, the First Purchaser and the Second Purchaser are not related to each other.

THE DISPOSALS

Under the First Memorandum, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$9,800,000 (approximately HK\$76,440,000) payable by two instalments. An initial deposit of US\$980,000 (approximately HK\$7,644,000) was paid by the First Purchaser on 20 April 2006 to a bank account in the joint names of the First Vendor and the First Purchaser and will be released on delivery of the First Vessel (see below). The balance of the consideration for the First Vessel will be payable on the delivery of the First Vessel which will take place after the completion of an existing shipment (which commenced on 13 April 2006 from China to USA or to any other final discharging port), at the First Vendor's option.

Under the Second Memorandum, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$7,550,000 (approximately HK\$58,890,000) payable by two instalments. An initial deposit of US\$755,000 (approximately HK\$5,889,000) was paid by the Second Purchaser on 27 April 2006 to a bank account in the joint names of the Second Vendor and the Second Purchaser and will be released on delivery of the Second Vessel (see below). The balance of the consideration for the Second Vessel will be payable on the delivery of the Second Vessel which will take place between the period from 2 May 2006 to 30 June 2006, at the Second Vendor's option.

The consideration of the First Vessel and the Second Vessel were determined by reference to the prevailing market values, driven by supply and demand and based on arm's length negotiations with the First Purchaser and the Second Purchaser. The net book values of the First Vessel and the Second Vessel as at 31 December 2005 were approximately HK\$48,602,000 and HK\$37,281,000 respectively.

LETTER FROM THE BOARD

THE VESSELS

The First Vessel is a dry bulk carrier of deadweight 41,346 metric tons, built in 1986 and registered in Panama.

The Second Vessel is a dry bulk carrier of deadweight 39,728 metric tons, built in 1984 and registered in Panama.

Each of the First Vendor and the Second Vendor is a special purpose holding company whose only fixed asset is the First Vessel and the Second Vessel respectively. The net profit both before and after taxation and extraordinary items attributable to the First Vendor for the two financial years ended 31 December 2005 are approximately HK\$31,892,000 and HK\$38,075,000 respectively. The net profit both before and after taxation and extraordinary items attributable to the Second Vendor for the two financial years ended 31 December 2005 are approximately HK\$26,258,000 and HK\$20,178,000 respectively.

USE OF PAYMENT RECEIVED

The Group intends to use the net sale proceeds received pursuant to the First Memorandum and the Second Memorandum to increase the working capital of the Group.

REASONS FOR THE DISPOSALS

The Group's principal activities 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. The Directors believe that the Disposals are good opportunity to realize the book gains arising from the disposals of the First Vessel and the Second Vessel, and will enable the Group to enhance its working capital position and maintain a younger fleet profile. Taking into account completion of the Disposals and the disposal of two motor vessels "Jin Yang" and "Jin Sheng" as announced by the Company on 27 April 2006, the Group will own ten dry bulk vessels with further five newly built vessels and one 2004-built second hand vessel contracted for delivery in 2007 and 2008, and the Board believes that the Disposals will not have any material adverse effect on the operations of the Group.

The terms and conditions of the First Memorandum and the Second Memorandum have been agreed on normal commercial terms following arm's length negotiations with reference to the prevailing market values. 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.

The First Vessel and the Second Vessel were acquired by the Group in April 1994 and March 1994 respectively. Given the immense rises in the market value of dry bulk carriers in recent years, the net book values of the First Vessel and the Second Vessel are substantially stated below their prevailing market values. Therefore, based on the net book values of the First Vessel and the Second Vessel as at 31 December 2005 as described above, the Group would realize book gains, after minority interests, of approximately HK\$15.6 million on the disposal of the First Vessel, and approximately HK\$10.9 million on the disposal of the Second Vessel. However, the actual book gains which the Group would realize upon completion of the Disposals will depend on the actual book values of the First Vessel and the

LETTER FROM THE BOARD

Second Vessel as at their respective dates of the delivery in accordance with the Group's depreciation policy for its vessels as shown in the Company's annual report. After the Disposals, the Group's property, plant and equipment will decrease by the book values of the First Vessel and the Second Vessel, the current assets will increase by the amount of net sale proceeds received from the Disposals.

GENERAL

Under the Listing Rules, each of the First Disposal and the Second Disposal constitutes a discloseable transaction for the Company. The First Disposal and the Second Disposal are not inter-conditional.

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	5.91%
	Family interests	10,770,000	2.02%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Kam Wah Thomas	Personal interests (Option) <i>Note 2</i>	21,050,000	3.94%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ng Ki Hung Frankie	Personal interests (Option) <i>Note 3</i>	3,000,000	0.56%
	Other interests	<i>Note 1</i>	<i>Note 1</i>
Ho Suk Lin	Personal interests (Option) <i>Note 3</i>	5,000,000	0.94%
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	0.09%

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 295,607,280 Shares (representing 55.36 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

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	295,607,280	–	55.36%
Wong Yee Man Gloria	306,377,280 *	–	57.38%
	–	31,570,000 **	5.91%

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 295,607,280 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 31,570,000 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.