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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a 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 document and the accompanying form of proxy 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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This explanatory statement contains all the information required pursuant to rule 10.06(1)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to be given to shareholders of the Company.



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting of Jinhui Holdings Company Limited to be held on 27 May 2002 at 9: 30 a.m. at which the above proposals will be considered is set out on pages 6 to 9 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so desire.

LETTER FROM THE CHAIRMAN



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:

Mr. Ng Siu Fai (*Chairman and Managing Director*)
Mr. Ng Kam Wah Thomas
Mr. Ng Ki Hung Frankie
Mr. Ho Kin Lung
Ms. Ho Suk Lin
Mr. So Wing Hung Peter*
Mr. Cui Jian Hua#
Mr. Tsui Che Yin Frank#

Registered office:

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

* *Non-executive director*

Independent non-executive director

18 April 2002

To the shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

INTRODUCTION

The purpose of this letter is to seek your approval of the ordinary resolutions to be proposed at the forthcoming annual general meeting (“Annual General Meeting”) to be held on Monday, 27 May 2002, to enable the board of directors (“Directors”) of Jinhui Holdings Company Limited (the “Company”) to exercise the powers of the Company to issue new shares of the Company up to 20% of the issued share capital of the Company and to repurchase the Company’s shares of HK\$0.10 each (“Shares”) in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) to regulate the repurchases by companies with a primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of their own shares on the Stock Exchange (“Share Repurchase Rules”) and to increase the number of shares which the Directors may issue under their general mandate by the number of shares repurchased.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO ISSUE NEW SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to issue new Shares up to 20% of the issued share capital and subject to the criteria set out in resolution 4 as appeared in the notice of the Annual General Meeting as set out on pages 6 to 9 (the “Notice”).

In addition, the general mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in paragraph (d) of resolution 4 as set out in the Notice.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all the powers of the Company to purchase Shares subject to the criteria set out in this document. Shareholders should note that the authority relates only to purchases made on the Stock Exchange and otherwise in accordance with the Listing Rules.

In addition, the general mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in paragraph (c) of resolution 5 set out in the Notice.

EXERCISE OF THE REPURCHASE MANDATE

Whilst the Directors do not presently intend to repurchase any Shares, they believe that the flexibility afforded by the mandate granted to them if resolution 5 set out in the Notice (the “Repurchase Mandate”) is passed would be beneficial to the Company.

It is proposed that the maximum number of Shares which may be repurchased pursuant to the Repurchase Mandate will be 10% of the total nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution. Based on 526,242,488 Shares in issue as at 18 April 2002 (the “Latest Practicable Date”), exercise in full of the Repurchase Mandate could result in up to 52,624,248 Shares being repurchased by the Company in the course of the period prior to the next annual general meeting of the Company or such earlier date as referred to in paragraph (c) of resolution 5 set out in the Notice.

REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share.

LETTER FROM THE CHAIRMAN

FUNDING OF REPURCHASES

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association of the Company and the Companies Ordinance. Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company permitted to be utilised in this connection, including profits otherwise available for distribution.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited financial statements dated 31 December 2001) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company or its subsidiaries or have undertaken not to do so if the Repurchase Mandate is exercised.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to repurchase Shares in accordance with the Repurchase Mandate and the Listing Rules and the applicable laws of Hong Kong.

SHARES REPURCHASES MADE BY THE COMPANY

No repurchases of Shares (whether on the Stock Exchange or otherwise) have been made by the Company or its subsidiary companies during the six months prior to the Latest Practicable Date.

TAKEOVER CODES CONSEQUENCES

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers ("Takeover Codes"). As a result, a shareholder, or group of shareholders acting in concert depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Codes. A waiver of this provision would not normally be given except in extraordinary circumstances.

LETTER FROM THE CHAIRMAN

To the best of the knowledge and belief of the Company, Fairline Consultants Limited (“Fairline”), the controlling shareholder of the Company, holds approximately 57.74% of the issued share capital of the Company as at the Latest Practicable Date. In the event that the Directors should exercise in full the power of repurchase the shares which is proposed to be granted pursuant to generate mandate on share repurchase, the shareholdings of Fairline would be increased to approximately 64.16% of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under the Hong Kong Codes on Takeovers and Mergers.

MARKET PRICES

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest traded prices for Shares recorded on the Stock Exchange were as follows:

Year	Month	Highest HK\$	Lowest HK\$	
2001	April	0.230	0.214	
	May	0.270	0.214	
	June	0.315	0.228	
	July	0.240	0.215	
	August	0.222	0.190	
	September	0.201	0.137	
	October	0.182	0.133	
	November	0.182	0.170	
	December	0.206	0.171	
	2002	January	0.244	0.200
		February	0.240	0.220
		March	0.230	0.205

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting proposed to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 May 2002 at 9:30 a.m. is set out on pages 6 to 9. At the Annual General Meeting, resolutions numbered 4 to 6 will be proposed to renew the general mandate for the repurchase of shares and the general mandate to allot, issue and deal with additional Shares.

A form of proxy for use at the Annual General Meeting is enclosed with the annual report of the Company despatched with this document. Whether or not you are able to attend the meeting, please complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong as soon as possible and, in any event so as to be received not later than 9:30 a.m. on 25 May 2002. Completion and return of the form of proxy will not prevent you from attending and voting at the meeting or at any adjourned meeting if you so wish.

LETTER FROM THE CHAIRMAN

RECOMMENDATIONS

The Directors believe the general mandates to repurchase Shares and to issue new Shares are in the interests of the Company and shareholders of the Company and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
for and on behalf of the Board
Ng Siu Fai
Chairman

NOTICE OF ANNUAL GENERAL MEETING



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 May 2002 at 9:30 a.m. for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2001.
2. To re-elect Directors and fix their remuneration.
3. To re-appoint Messrs. Moores Rowland as Auditors for the ensuing year and authorize the Directors to fix their remuneration.
4. To consider and, if thought fit, to pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (c) and pursuant to section 57B of the Companies Ordinance, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiary companies of shares or rights to acquire shares of the Company; or (iii) the exercise of the subscription or conversion rights attaching to any warrants issued by the Company or any securities which are

NOTICE OF ANNUAL GENERAL MEETING

convertible into ordinary shares of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors in paragraph (a) above shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the shareholders on the register on a fixed record date in proportion to their shareholdings as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

5. To consider and, if thought fit, to pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/ or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital repurchased by the Company pursuant to paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors in paragraph (a) above shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

6. To consider and, if thought fit, to pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

conditional upon Resolution No. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution No. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution No. 4 above, provided that the amount of share capital repurchased by the Company shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

7. To transact such other business as may properly be transacted at an Annual General Meeting.

By Order of the Board
Ho Suk Lin
Company Secretary

Hong Kong, 8 April 2002

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the registered office of the Company at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.
3. The register of members of the Company will be closed from 23 May 2002 to 27 May 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting at the meeting, shareholders should ensure that they are registered as members of the Company on 22 May 2002.
4. An explanatory statement containing further details on resolutions 4 to 6 above will be sent to members together with the annual report.