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## IMPORTANT

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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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## **JINHUI HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

### **DISCLOSEABLE TRANSACTION REGARDING THE ACQUISITION OF A SINGLE SCREW MOTOR BULK CARRIER**

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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 by Jinsheng from the Seller
“Board”	the board of Directors
“Builder”	Tsuneishi Corporation, a company incorporated in Japan
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Jinhui Holdings Company Limited, a limited liability company incorporated in Hong Kong under the Companies Ordinance, the shares of which are listed on the Stock Exchange
“Contract”	the contract dated 30 June 2003 entered into between Jinsheng and the Seller for the sale of the Vessel
“Directors”	the directors of the Company
“Fairline”	Fairline Consultants Limited, a limited liability company incorporated in the British Virgin Islands, which is the controlling shareholder of the Company holding approximately 57.74 per cent. of the issued share capital and voting right in general meeting of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee executed by Jinhui Shipping on 30 June 2003 in favour of the Seller
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Oslo Stock Exchange and an approximately 50.9 per cent. owned subsidiary of the Company and the intermediate holding company of Jinsheng
“Jinsheng”	Jinsheng Marine Inc., a limited liability company incorporated in the Republic of Panama and a wholly-owned subsidiary of Jinhui Shipping

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## DEFINITIONS

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“JST Share(s)”	share(s) of US\$0.05 each in the share capital of Jinhui Shipping
“Latest Practicable Date”	18 July 2003, 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
“Pantow”	Pantow Profits Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Seller”	Mitsubishi Corporation, a company incorporated in Japan and listed on Tokyo Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America, for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00 = HK\$7.80
“Vessel”	the deadweight 76,300 metric tons type single screw motor bulk carrier to be acquired by Jinsheng under the Contract
“Yee Lee Technology”	Yee Lee Technology Company Limited, a limited liability company incorporated in the British Virgin Islands and a 75 per cent. owned subsidiary of the Company



## JINHUI HOLDINGS COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

*Directors:*

Ng Siu Fai (*Chairman and Managing Director*)  
Ng Kam Wah Thomas  
Ng Ki Hung Frankie  
Ho Kin Lung  
Ho Suk Lin  
So Wing Hung Peter\*  
Cui Jian Hua\*\*  
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*

22 July 2003

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION REGARDING THE ACQUISITION OF A SINGLE SCREW MOTOR BULK CARRIER**

#### **INTRODUCTION**

The Directors announced on 4 July 2003 that the Contract was entered into on 30 June 2003 between Jinsheng and the Seller and the Guarantee was also executed on 30 June 2003 by Jinhui Shipping. The purpose of this circular is to give you further information in relation to the Acquisition.

#### **THE CONTRACT**

##### **Purchaser**

Jinsheng, a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 50.9 per cent. owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **Vendor**

The Seller is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

### **The Acquisition**

Pursuant to the Contract, the Seller has agreed to purchase from the Builder the Vessel, which will be built at the Builder's shipyard in Japan, and to sell and deliver the Vessel to Jinsheng in Japan and Jinsheng has agreed to purchase and take delivery of the Vessel from the Seller. The Vessel is proposed to be used for chartering out to gain hire or freight income by Jinsheng after delivery. It is a commercial practice for shipbuilders in Japan, who may not be familiar with the overseas buyers, to deal businesses through international trading firms such as the Seller. The Builder and its beneficial owners are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

### **Consideration**

Subject to certain provisions for adjustment to reduce the purchase price of the Vessel contained in the Contract relating to, amongst other things, delay in the delivery of the Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Vessel is US\$21,970,000 (equivalent to HK\$171,366,000) payable by three instalments. The adjustment in this respect, if any, will not be material as compared to the agreed purchase price.

The first instalment in the sum of US\$2,197,000 (equivalent to HK\$17,136,600) was paid on 7 July 2003. The second instalment payable under the Contract of US\$1,098,500 (equivalent to HK\$8,568,300) will be payable upon launching of the Vessel which is expected to be around September 2005. The last instalment is to be paid upon delivery of the Vessel on or before 20 December 2005.

The purchase price for the Vessel will be payable by cash in United States Dollars. The first and second instalments are expected to be funded by the Group's internal resources. The last instalment is expected to be funded by the Group's internal resources and bank loans for the amount of US\$1,098,500 (equivalent to HK\$8,568,300) and US\$17,576,000 (equivalent to HK\$137,092,800) respectively. The purchase price was determined by reference to current market value of similar type of vessels and on the basis of arm's length negotiations.

### **Condition Subsequent**

According to the Contract, if the construction permit for the Vessel shall not have been issued by the relevant authority in Japan within 90 days prior to keel-laying of the Vessel, which is expected to be around the fourth quarter of 2004, then the Contract shall, unless otherwise mutually agreed in writing by the parties, automatically become null and void. The Seller shall immediately refund to Jinsheng in United States Dollars the full amount received from Jinsheng without any interest. If the Contract becomes null and void, a further announcement will be issued by the Company in this respect.

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## LETTER FROM THE BOARD

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### **Delivery**

The Contract provides for the delivery of the Vessel on or before 20 December 2005 to Jinsheng in Japan. If there is delay in delivery of the Vessel which continues for a period of 90 days from the thirty-first day after the agreed delivery date by all the parties involved, and after such period has expired, Jinsheng may at its option rescind the Contract. The Seller shall thereupon promptly refund to Jinsheng in United States Dollars the full amount of all sums received by the Seller together with interest accrued thereon at an agreed rate from the date of receipt by the Seller of such amount to the date of full payment to Jinsheng of such amount.

### **Undertaking by the Builder**

Pursuant to the Contract, the Seller has also agreed to assign the Builder's warranty of quality to Jinsheng with the Builder's consent upon delivery of the Vessel including the undertaking by the Builder to remedy Jinsheng at first priority and free of charge for any defects in the Vessel which are due to defective material, defective construction and/or bad workmanship on the part of the Builder and/or its sub-contractors within a period of twelve months after the date of delivery of the Vessel.

### **Guarantee by Jinhui Shipping**

Jinhui Shipping executed on 30 June 2003 the Guarantee in favour of the Seller pursuant to which it agrees to guarantee the due and faithful performance and fulfillment by Jinsheng including prompt payment when due of the price of the Vessel in accordance with the terms of the Contract.

### **REASONS FOR THE ACQUISITION**

The Group's principal activities include international ship chartering, ship owning, trading and transportation.

The freight rates of the shipping market have been picked up steadily with the Baltic Dry Index opened at 1,738 at the beginning of 2003 and closed at 2,125 as at 30 June 2003, a rise by 387 points over the past six months. The Company considers that the purchase price of the Vessel is 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. In addition, as a result of the Acquisition, there is no adverse effect on the assets and liabilities of the Group.

### **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  
**Ng Siu Fai**  
*Chairman and Managing Director*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 of the Directors and chief executive of the Company in the Shares, underlying shares and debentures and short positions of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

<b>Name</b>	<b>Type of Interests</b>	<b>No. of Shares</b>	<b>No. of JST Shares</b>
Ng Siu Fai	Other interests	<i>Note</i>	<i>Note</i>
Ng Kam Wah Thomas	Other interests	<i>Note</i>	<i>Note</i>
Ng Ki Hung Frankie	Other interests	<i>Note</i>	<i>Note</i>
So Wing Hung Peter	Family interests	250,000	15,000

*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 which is the legal and beneficial owner of 30,385,628 Shares and 494,049 JST Shares. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest 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 had a service contract with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).



**SUBSTANTIAL SHAREHOLDER**

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, had 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 were, 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:

<b>Name of Shareholder</b>	<b>No. of Shares</b>
Fairline	30,385,628

<b>Name of shareholder</b>	<b>No. of JST Shares</b>
The Company	50,100,000

<b>Name of shareholder</b>	<b>No. of shares of Yee Lee Technology</b>
Pantow	3,000,000
Asiawide Profits Limited	1,000,000

**LITIGATION**

As at the Latest Practicable Date, 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.

**GENERAL**

- (a) The secretary of the Company is Ms. Ho Suk Lin, a fellow member of the Hong Kong Society of 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.