
IMPORTANT

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 REGARDING THE ACQUISITION OF A BULK CARRIER

4 May 2004

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DEFINITIONS

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

“Acquisition”	the acquisition of the Vessel by Jinyang from the Seller
“Agreement”	the memorandum of agreement entered into on 13 April 2004 between Jinyang, as buyer, and the Seller, as seller, for the sale and purchase of the Vessel
“Board”	the board of Directors
“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
“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
“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 Jinyang
“Jinyang”	Jinyang Marine Inc., a limited liability company incorporated in the Republic of Panama and a wholly-owned subsidiary of Jinhui Shipping
“JST Share(s)”	share(s) of US\$0.05 each in the share capital of Jinhui Shipping

DEFINITIONS

“Latest Practicable Date”	28 April 2004, 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”	Xing Long Maritime S.A.
“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 76,500 metric tons type bulk carrier to be acquired by Jinyang under the Agreement
“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

LETTER FROM THE BOARD



JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:

Ng Siu Fai (*Chairman*)
Ng Kam Wah Thomas (*Managing Director*)
Ng Ki Hung Frankie
Ho Suk Lin
Ho Kin Lung *
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*

4 May 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION REGARDING THE ACQUISITION OF A BULK CARRIER

INTRODUCTION

The Directors refer to the announcement of the Company dated 13 April 2004 in relation to the Agreement entered into on 13 April 2004 between Jinyang, a wholly-owned subsidiary of Jinhui Shipping, and the Seller to acquire the Vessel, a deadweight 76,500 metric tons type bulk carrier, which will be built and delivered in Japan, at a purchase price of US\$37,250,000 (approximately HK\$290,550,000). The purpose of this circular is to give you further information in relation to the Acquisition.

LETTER FROM THE BOARD

THE AGREEMENT

Buyer

Jinyang, a wholly-owned subsidiary of Jinhui Shipping, a company listed on the Oslo Stock Exchange, which is in turn an approximately 50.9 per cent. owned subsidiary of the Company.

Seller

The Seller is a wholly-owned subsidiary of ORIX Corporation, a listed company on the stock exchanges of Tokyo, Nagoya and Osaka. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ORIX Corporation together with its subsidiaries and substantial shareholders are not connected persons with the Company (as defined by the Listing Rules) and are third parties independent of the Company and connected persons of the Company (as defined by the Listing Rules).

The Acquisition

Pursuant to the Agreement, the Seller agreed to sell and expected to deliver to Jinyang the Vessel in Japan during the period from 1 March 2005 to 30 April 2005. The Vessel is proposed to be used for chartering out to gain operating income by Jinyang after delivery. The usage of this Vessel is to load dry bulk cargoes including but not limited to coal, minerals and agricultural products.

Consideration

The purchase price of the Vessel contained in the Agreement is US\$37,250,000 (approximately HK\$290,550,000) payable by three instalments.

The first instalment in the sum of US\$7,450,000 (approximately HK\$58,110,000) was paid on 15 April 2004 by Jinyang to the Seller's designated bank account. The second instalment in the sum of US\$3,725,000 (approximately HK\$29,055,000) will be payable on 28 September 2004. The last instalment will be payable upon delivery of the Vessel which is expected to be on a date during the period from 1 March 2005 to 30 April 2005.

The purchase price for the Vessel will be payable by cash in United States Dollars. The first two instalments are expected to be funded by the internal resources of Jinhui Shipping and its subsidiaries. The last instalment is expected to be funded by bank loans and internal resources. The purchase price was determined by reference to current market values provided by shipping brokers from around early March 2004 to the date of signing of the Agreement of similar type of vessels and on the basis of arm's length negotiations. The Directors are of the view that the purchase price is fair and reasonable.

LETTER FROM THE BOARD

Delivery

The Agreement provides that the expected time of delivery of the Vessel will take place in Japan during the period from 1 March 2005 to 30 April 2005. Subject to the terms of the Agreement, if there is any delay in the delivery of the Vessel, Jinyang may at its option cancel the Agreement and the full amount of all sums paid by Jinyang together with interest accrued thereon at an agreed rate of 3 per cent. per annum shall be returned to Jinyang immediately.

Guarantees

Jinhui Shipping, the intermediate holding company of Jinyang, executed on 13 April 2004 a guarantee in favour of the Seller pursuant to which it agrees to guarantee the due and faithful performance by Jinyang of all its liabilities and responsibilities under the Agreement. ORIX Maritime Corporation, the intermediate holding company of the Seller, also executed on 13 April 2004 a guarantee in favour of Jinyang pursuant to which it agrees to guarantee the due and faithful performance by the Seller of all its liabilities and responsibilities under the Agreement.

REASONS FOR THE ACQUISITION

The principal activities of the Group include international ship chartering, ship owning and trading. The Group currently owns ten dry bulk vessels. After the Acquisition, the Group has altogether five dry bulk vessels under construction; of which three will be delivered in 2005 and the other two will be delivered in 2007. The freight rates of the shipping market have increased rapidly with the Baltic Dry Index (an index reflects the performance of charter hire for bulk carriers) rose by 1,829 points over the past six months to close at 4,822 as at 31 March 2004. The Directors consider that the purchase price of the Vessel is fair and reasonable. In view of the rapid economic growth in Asian countries especially China, the Directors expect that the outlook of the dry bulk market remains strong and it is an opportune moment to further expand its fleet of owned vessels instead of charter-in vessels in order to generate more operating income and to maximize the returns for the Group in future. In addition, as a result of the Acquisition, the Directors believe that there is no adverse effect on the assets and liabilities of the Group.

GENERAL

The Acquisition constitutes a discloseable transaction under Rule 14.06 of the Listing Rules.

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

Yours faithfully,
By Order of the Board
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 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:

Name	Type of Interests	The Company		Jinhui Shipping	
		No. of Shares	% of total shares issued	No. of JST Shares	% of total shares issued
Ng Siu Fai	Family interests	2,134,000	4.06	–	–
	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Kam Wah Thomas	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
Ng Ki Hung Frankie	Interests other than personal, family and corporation	<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>
So Wing Hung Peter	Family interests	218,000	0.41	15,000	0.02

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 that represented 57.74% of the total issued shares of the Company and 494,049 JST Shares that represented 0.50% of the total issued shares of Jinhui Shipping. 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:

Name of Shareholder	No. of Shares	% of total shares issued
Fairline	30,385,628	57.74

Name of shareholder	No. of JST Shares	% of total shares issued
The Company	50,100,000	50.90

Name of shareholder	No. of shares of Yee Lee Technology	% of total shares issued
Pantow	3,000,000	75.00
Asiawide Profits Limited	1,000,000	25.00

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 and the qualified accountant of the Company is Ms. Ho Suk Lin, a fellow member of both 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 registrars 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.