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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 November 2005

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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 Contract;
“Board”	the board of Directors;
“Builder”	Oshima Shipbuilding Co., Ltd., a company incorporated in Japan;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Jinhui Holdings Company Limited;
“Contract”	the contract dated 2 November 2005 between Jinyuan and the Contractor in respect of the Acquisition;
“Contractor”	Sumitomo Corporation, a company incorporated in Japan;
“Directors”	the directors of the Company;
“Fairline”	Fairline Consultants Limited, a company incorporated in the British Virgin Islands, which is the controlling shareholder of the Company holding approximately 59.22 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;
“Jinyuan”	Jinyuan Marine Inc., a wholly owned subsidiary of Jinhui Shipping;
“Latest Practicable Date”	21 November 2005, 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;

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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)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vessel”	a deadweight 55,300 metric tons bulk carrier;
“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;
“JPY”	Japanese Yen, the lawful currency of Japan, and for the purpose of illustration only, translated into HK\$ at the rate of JPY1 = HK\$0.06635; and
“US\$”	United States dollars, the lawful currency of the United States of America.

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## LETTER FROM THE BOARD

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# 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 November 2005

*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 3 November 2005 in relation to the Contract entered into on 2 November 2005 between Jinyuan and the Contractor for the construction and sale of the Vessel at a consideration of JPY3,350,000,000 (approximately HK\$222,272,500).

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

#### **THE ACQUISITION**

Under the Contract, the Contractor has agreed to procure the Builder to build, launch, equip and complete at the Builder's shipyard in Japan and to sell and deliver the Vessel to Jinyuan in Japan and Jinyuan has agreed to purchase and take delivery of the Vessel from the Contractor. The Vessel is a deadweight 55,300 metric tons bulk carrier and proposed to be used for chartering out to gain operating income by Jinyuan after delivery.

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## LETTER FROM THE BOARD

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The Contractor is a trading firm listed on five stock exchanges in Tokyo, Osaka, Nagoya, Fukuoka and Frankfurt, and to the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Contractor is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The Contract was also signed by the Builder for the purpose of an undertaking on its part to duly perform all the terms and conditions stipulated in the Contract to be performed by a shipbuilder including the undertaking to remedy Jinyuan 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.

The Builder began its business in shipbuilding in June 1974 and launched its first ship in 1975 and specializes in the fabrication of bulk carriers, especially dry cargo carriers. To date the Builder has built over 400 bulk carriers, delivering around 25 annually to shipowners all over the world. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Builder and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

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 JPY3,350,000,000 (approximately HK\$222,272,500) payable by four instalments. The first instalment in the sum of JPY335,000,000 (approximately HK\$22,227,250) was paid on 8 November 2005. The second instalment in the sum of JPY335,000,000 (approximately HK\$22,227,250) will be payable on 14 February 2007. The third instalment in the sum of JPY335,000,000 (approximately HK\$22,227,250) will be payable upon launching of the Vessel which is expected to be around May 2007. The last instalment of JPY2,345,000,000 (approximately HK\$155,590,750) will be payable upon delivery of the Vessel on or before 29 June 2007.

The purchase price for the Vessel will be payable by cash in Japanese Yen which will be funded by the internal resources and bank loans of the Group. The purchase price was determined by reference to current market values of similar type of vessels and on the basis of arm's length negotiations.

The Contract provides that the expected time for delivery of the Vessel will take place in Japan on or before 29 June 2007 which continues for a period of 180 days from the thirty-first day after the agreed delivery date by all the parties involved, then after such period has expired, Jinyuan may at its option rescind the Contract. The Contractor shall thereupon promptly refund to Jinyuan in Japanese Yen the full amount of all sums received by the Contractor together with interest accrued thereon at an agreed rate from the date of receipt by the Contractor of such amount to the date of full payment to Jinyuan of such amount.

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## LETTER FROM THE BOARD

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### GUARANTEE

Jinhui Shipping, the intermediate holding company of Jinyuan, executed on 2 November 2005 a guarantee in favour of the Contractor pursuant to which it agrees to guarantee the full and punctual payment of the purchase price and the prompt and punctual performance by Jinyuan in accordance with the terms of the Contract.

### REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The outlook of the dry bulk shipping market remains to be healthy and the Group believes the freight rates should continue at very firm levels, and the addition of a new motor vessel will further complement our owned young and modern fleet of vessels to serve with the growing needs of our customers. The Group currently owns twelve dry bulk vessels. After and including the Acquisition, the Group will have in addition, one second hand dry bulk vessel and five newly built dry bulk vessels for delivery going forward, where two of which will be delivered in 2005, one in 2006 and the remaining three in 2007. 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. After the Acquisition, the Group's fixed assets 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.

The terms and conditions of the Contract have been agreed on normal commercial terms following arm's length negotiations. The Board considers the terms of the Acquisition to be fair and reasonable and in the best interests of the Company and its shareholders as a whole.

### 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	6,956,000	1.30%
	Personal interests (Option) <i>Note 2</i>	31,570,000	5.91%
	Family interests	21,340,000	4.00%
	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 316,180,280 Shares (representing 59.22 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:	1 March 2006 or on 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 (whichever is the later) and ending on 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

*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:* As a result of the Share Subdivision, all subscription prices of the options, number of options and number of Shares shown hereinabove have been adjusted accordingly.

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 compete 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	316,180,280	–	59.22%
Wong Yee Man Gloria	344,476,280*	–	64.52%
	–	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 21,340,000 Shares in which Ms Wong Yee Man Gloria is interested as a beneficial owner and 323,136,280 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 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.