
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

21 December 2006

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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 under the Contract;
“associates”	has the same meaning ascribed to it under the Listing Rules;
“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 construction and sale contract dated 30 November 2006 between the Purchaser and the Contractor in respect of the acquisition of the Vessel;
“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 with limited liability, which is the controlling shareholder of the Company holding 325,654,280 Shares which represent approximately 61.98 per cent. of the issued share capital of the Company 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 52.99 per cent. owned subsidiary of the Company as at the Latest Practicable Date, whose shares are listed on the Oslo Stock Exchange, Norway;
“Jinhui Shipping Share(s)”	ordinary share(s) of US\$0.05 each in the share capital of Jinhui Shipping;
“Latest Practicable Date”	18 December 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;
“Purchaser”	Jinming Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
“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)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vessel”	a deadweight 54,100 metric tons type 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\$0.06682; and
“US\$”	United States Dollars, the lawful currency of the United States of America.

LETTER FROM THE BOARD



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*

21 December 2006

*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 30 November 2006 in relation to the acquisition of a vessel pursuant to a construction and sale contract dated 30 November 2006 entered into between the Purchaser and the Contractor.

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

THE CONTRACT

Purchaser

The Purchaser is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 52.99 per cent. owned subsidiary of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Vendor

The Contractor is a trading firm listed on four stock exchanges in Tokyo, Osaka, Nagoya and Fukuoka. Through its worldwide network, the Contractor engages in diverse business activities including various domestic and overseas transactions and import and export of a wide range of goods and commodities. 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 Acquisition

Pursuant to the Contract dated 30 November 2006, 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 the Purchaser, and the Purchaser has agreed to purchase and take delivery of the Vessel from the Contractor. The Vessel is a Handymax vessel of deadweight 54,100 metric tons and is proposed to be used for chartering out to gain operating income by the Purchaser after delivery. After the Acquisition, the Group's property, plant and equipment will increase by the amount of purchase price of the Vessel, the current assets will decrease by the amount of purchase price funded by internal resources and the liabilities will increase by the amount of purchase price funded by bank financing.

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 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.

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 JPY3,430,000,000 (approximately HK\$229,192,600) and is payable by the Purchaser as follows:

- (1) the first instalment in the sum of JPY343,000,000 (approximately HK\$22,919,260) was paid on 4 December 2006;
- (2) the second instalment in the sum of JPY171,500,000 (approximately HK\$11,459,630) will be payable on 30 November 2007;
- (3) the third instalment in the sum of JPY343,000,000 (approximately HK\$22,919,260) will be payable in July 2010;
- (4) the fourth instalment in the sum of JPY343,000,000 (approximately HK\$22,919,260) will be payable in October 2010; and

LETTER FROM THE BOARD

- (5) the last instalment in the sum of JPY2,229,500,000 (approximately HK\$148,975,190) will be payable upon delivery of the Vessel on or before 31 December 2010.

The purchase price for the Vessel will be payable by cash in Japanese Yen. It is currently expected that approximately 70 per cent. of the purchase price will be funded by bank financing and approximately 30 per cent. will be funded by internal resources 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.

Delivery

The Contract provides for the delivery of the Vessel on or before 31 December 2010 to the Purchaser in Japan. If there is any delay in delivery of the Vessel which continues for a period of 180 days from the thirty-first day after the agreed delivery date, then after such period has expired, the Purchaser may at its option rescind the Contract. The Contractor shall thereupon promptly refund to the Purchaser 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 the Purchaser of such amount.

Undertaking by the Builder

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 the Purchaser 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 subcontractors within a period of twelve months after the date of delivery of the Vessel.

GUARANTEE BY JINHUI SHIPPING

Jinhui Shipping, the intermediate holding company of the Purchaser, also executed on 30 November 2006 a guarantee in favour of the Contractor pursuant to which Jinhui Shipping agrees to guarantee the full and punctual payment of the purchase price and the prompt and punctual performance by the Purchaser 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 Vessel is a Handymax vessel. The Acquisition will enable the Group to concentrate on maintaining a fleet of Handymax vessels that are of better equipped loading facilities, and will further complement our owned young and modern fleet of vessels to serve the growing needs of our customers. The Group currently owns twelve dry bulk vessels. After the Acquisition, the Group will have additional eleven newly built vessels and three second hand vessels for delivery going forward, where five of which will be delivered in 2007, three in 2008, two in 2009 and four in 2010.

LETTER FROM THE BOARD

The terms and conditions of the Contract have been agreed on normal commercial terms following arm's length negotiations. The Board considers such terms and conditions are fair and reasonable and in the best interests of the Company and its shareholders as a whole. The Company believes it is an opportune moment during recent market situations to further expand its fleet of vessels in order to increase operating income for the Group.

The Group has been a customer of the Contractor since 1997 and had previously acquired and took delivery of eight motor vessels from the Contractor in the past. In addition, the Group had during the past twelve months entered into other four separate contracts with the Contractor on 4 January 2006, 9 June 2006 and 12 October 2006 for the acquisition of other four motor vessels from the Contractor. Each of the aforementioned contracts is separate and not inter-conditional of each other. Furthermore, at the time of each of the aforementioned contracts, the Acquisition was not contemplated and there was no agreement or understanding between the Group and the Contractor in relation to the Acquisition.

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	No. of Jinhui Shipping Shares	Percentage of total issued Jinhui Shipping Shares
Ng Siu Fai	Personal interests	6,299,000	1.20%	1,098,500	1.31%
	Personal interests (Option) <i>Note 2</i>	31,570,000	6.01%	–	–
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%	–	–
	Family interests	10,770,000	2.05%	–	–
	Other interests	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
Ng Kam Wah Thomas	Personal interests (Option) <i>Note 2</i>	21,050,000	4.01%	–	–
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%	–	–
	Other interests	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
Ng Ki Hung Frankie	Personal interests (Option) <i>Note 3</i>	3,000,000	0.57%	–	–
	Personal interests (Option) <i>Note 4</i>	3,184,000	0.61%	–	–
	Other interests	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>

Name	Type of interests	No. of Shares	Percentage of total issued Shares	No. of Jinhui Shipping Shares	Percentage of total issued Jinhui Shipping Shares
Ho Suk Lin	Personal interests (Option) <i>Note 3</i>	5,000,000	0.95%	–	–
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	0.10%	–	–

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 325,654,280 Shares (representing approximately 61.98 per cent. of the total issued Shares) and 480,000 Jinhui Shipping Shares (representing approximately 0.57 per cent. of the total issued Jinhui Shipping 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

Note 4: Further details relating to the options granted to each of Mr Ng Siu Fai, Mr Ng Kam Wah Thomas and Mr Ng Ki Hung Frankie are as follows:

Date of grant:	29 June 2006
Exercisable period:	29 June 2006 to 28 June 2016
Consideration paid for options:	HK\$1.00
Subscription price:	HK\$1.57 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, have interests 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	325,654,280	–	61.98%
Wong Yee Man Gloria	342,723,280*	–	65.23%
	–	34,754,000**	6.62%

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 331,953,280 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 34,754,000 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 52.99 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.