
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

23 March 2007

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Definitions | 1 |
| Letter from the Board | 3 |
| Appendix – General Information | 7 |

DEFINITIONS

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

| | |
|-----------------------|--|
| “Acquisition” | the acquisition of the Vessel under the Agreement; |
| “Agreement” | the memorandum of agreement dated 2 March 2007 entered into between Jincheng and the Vendor in respect of the acquisition of the Vessel; |
| “associates” | has the same meaning ascribed to it under the Listing Rules; |
| “Board” | the board of Directors; |
| “Capesize” | a dry bulk vessel of deadweight approximately 150,000 metric tons or above; |
| “Companies Ordinance” | Companies Ordinance (Chapter 32 of the Laws of Hong Kong); |
| “Company” | Jinhui Holdings Company Limited; |
| “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 335,030,280 Shares which represent approximately 63.29 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; |
| “Handymax” | a dry cargo vessel of deadweight approximately 45,000 metric tons; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Jincheng” | Jincheng Maritime Inc., a wholly-owned subsidiary of Jinhui Shipping; |
| “Jinhui Shipping” | Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.34 per cent. owned subsidiary of the Company as at the Latest Practicable Date, whose shares are listed on the Oslo Stock Exchange, Norway; |

DEFINITIONS

| | |
|----------------------------|---|
| “Jinhui Shipping Share(s)” | ordinary share(s) of US\$0.05 each in the share capital of Jinhui Shipping; |
| “Latest Practicable Date” | 19 March 2007, 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; |
| “Panamax” | a vessel of deadweight approximately 70,000 metric tons and is designed to be just small enough to transit the Panama Canal; |
| “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; |
| “Supramax(es)” | dry cargo vessel(s) of deadweight approximately 50,000 metric tons; |
| “Vendor” | Jubilee Line S.A., a company registered in Panama and a wholly-owned subsidiary of its ultimate beneficial owner, Usui Kaiun Co. Ltd., a private family owned ship owning and management company based in Shiogama, Japan. Usui Kaiun Co. Ltd. is the oldest merchant ship owner in the northern part of Japan; |
| “Vessel” | a deadweight 52,961 metric tons bulk carrier named “Belpareil” built in 2003 by Oshima Shipbuilding Co., Ltd., Japan and is currently registered in Panama; |
| “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; and |
| “US\$” | United States Dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00 = HK\$7.80. |



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*

23 March 2007

*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 2 March 2007 in relation to the acquisition of a vessel pursuant to the Agreement dated 2 March 2007 entered into between Jincheng and the Vendor.

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

LETTER FROM THE BOARD

THE AGREEMENT

Purchaser

Jincheng is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 54.34 per cent. owned subsidiary of the Company as at the Latest Practicable Date.

Vendor

The Vendor is a wholly-owned subsidiary of a Japanese-owned private shipping company. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Group has not acquired or disposed of any other vessel with the Vendor and its ultimate beneficial owner during the last twelve months from date of the Agreement.

The Acquisition

Pursuant to the Agreement dated 2 March 2007, the Vendor has agreed to sell and deliver the Vessel to Jincheng, and Jincheng has agreed to purchase and take delivery of the Vessel from the Vendor. The Vessel is a Supramax vessel of deadweight 52,961 metric tons built in 2003 by Oshima Shipbuilding Co., Ltd., Japan and is currently registered in Panama. The Vessel is proposed to be used for chartering out to gain operating income by Jincheng 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.

Consideration

The purchase price for the Vessel is US\$40,500,000 (approximately HK\$315,900,000) and is payable by Jincheng in the following manner:

- (1) a deposit of US\$4,050,000 (approximately HK\$31,590,000) was paid on 6 March 2007 to a bank account in the joint names of Jincheng and the Vendor, and will be released to the Vendor on delivery of the Vessel; and
- (2) the balance of US\$36,450,000 (approximately HK\$284,310,000) will be payable on delivery of the Vessel.

LETTER FROM THE BOARD

The purchase price for the Vessel will be payable by cash in United States Dollars. 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 with reference to current market values of similar type of vessels based on information from our shipbrokers and on the basis of arm's length negotiations.

Delivery

The Vessel is currently performing a charter party for the Vendor, which will complete by March 2008 at the latest. The Agreement provides that the delivery of the Vessel will take place sometime between 10 March 2007 and 10 April 2007. Jincheng will receive the pro rata charter income of this charter party which will commence from the time of the delivery of the Vessel until the completion of the charter party. Pursuant to the terms of the Agreement, if there is any delay in delivery of the Vessel, Jincheng has the right to rescind the Agreement and the Vendor shall thereupon promptly refund the full amount of the deposit together with bank interest accrued thereon to Jincheng.

Guarantee by Jinhui Shipping

Jinhui Shipping, the intermediate holding company of Jincheng, will guarantee the performance of the obligations of Jincheng under the Agreement in favour of the Vendor.

REASONS FOR THE ACQUISITION

The Group's principal activities include international ship chartering, ship owning and trading. The Vessel is a Supramax vessel. The Acquisition will enable the Group to concentrate on maintaining a fleet of grabs fitted Supramaxes 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 eleven modern grabs fitted Supramaxes and one modern Panamax. After the Acquisition, the Group will have additional thirteen newly built grabs fitted Supramaxes, one second hand Capesize, two second hand Supramaxes and one second hand Handymax for delivery going forward, where six of which will be delivered in 2007, three in 2008, two in 2009, four in 2010 and two in 2011.

The terms and conditions of the Agreement 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.

LETTER FROM THE BOARD

GENERAL

The net profits attributable to the Vessel for the two years immediately preceding the Acquisition have not been made available to Jincheng despite formal requests for such information have been made with the Vendor.

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 | 16,036,000 | 3.03% | 1,098,500 | 1.31% |
| | Personal interests (Option) <i>Note 2</i> | 31,570,000 | 5.96% | – | – |
| | Personal interests (Option) <i>Note 4</i> | 3,184,000 | 0.60% | – | – |
| | Family interests | 16,717,000 | 3.16% | – | – |
| | Other interests | <i>Note 1</i> | <i>Note 1</i> | <i>Note 1</i> | <i>Note 1</i> |
| Ng Kam Wah Thomas | Personal interests | 5,909,000 | 1.11% | – | – |
| | Personal interests (Option) <i>Note 2</i> | 21,050,000 | 3.98% | – | – |
| | Personal interests (Option) <i>Note 4</i> | 3,184,000 | 0.60% | – | – |
| | 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 Shipping Shares | Percentage of total issued Jinhui Shipping Shares |
|-----------------------|------------------------|---------------|-----------------------------------|------------------------|---|
| Ng Ki Hung Frankie | Personal interests | 3,000,000 | 0.57% | – | – |
| | (Option) <i>Note 3</i> | | | | |
| | Personal interests | 3,184,000 | 0.60% | – | – |
| | (Option) <i>Note 4</i> | | | | |
| | Other interests | <i>Note 1</i> | <i>Note 1</i> | <i>Note 1</i> | <i>Note 1</i> |
| Ho Suk Lin | Personal interests | 1,774,000 | 0.33% | – | – |
| | Personal interests | 3,000,000 | 0.57% | – | – |
| | (Option) <i>Note 3</i> | | | | |
| Cui Jianhua | Personal interests | 1,000,000 | 0.19% | – | – |
| | (Option) <i>Note 3</i> | | | | |
| Tsui Che Yin Frank | Personal interests | 1,000,000 | 0.19% | – | – |
| | (Option) <i>Note 3</i> | | | | |
| William Yau | Personal interests | 300,000 | 0.05% | – | – |
| | Personal interests | 200,000 | 0.04% | – | – |
| | (Option) <i>Note 3</i> | | | | |

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 335,030,280 Shares (representing approximately 63.29 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 | 335,030,280 | – | 63.29% |
| Wong Yee Man Gloria | 367,783,280 * | – | 69.48% |
| | – | 34,754,000 ** | 6.56% |

| 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 16,717,000 Shares in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 351,066,280 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 54.34 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.