
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)

DISCLOSEABLE TRANSACTION REGARDING THE ACQUISITION OF A SINGLE SCREW DIESEL PROPELLED BULK CARRIER

2 February 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 Jinxing from the Contractor
“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, 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 9 January 2004 entered into between Jinxing and the Contractor for the construction and sale of the Vessel
“Contractor”	Sumitomo Corporation, a company incorporated in Japan and listed on five stock exchanges in Tokyo, Osaka, Nagoya, Fukuoka and Frankfurt
“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 9 January 2004 in favour of the Contractor in respect of, inter alia, the due discharge of the payment obligations of Jinxing under the Contract
“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 Jinxing

DEFINITIONS

“Jinxing”	Jinxing Marine Inc., a limited liability company incorporated in the Republic of Panama and a wholly-owned subsidiary of Jinhui Shipping
“Jinyi”	Jinyi Shipping 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
“Latest Practicable Date”	28 January 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
“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 55,300 metric tons type single screw diesel propelled bulk carrier to be acquired by Jinxing 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*

2 February 2004

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
REGARDING THE ACQUISITION OF
A SINGLE SCREW DIESEL PROPELLED BULK CARRIER**

INTRODUCTION

The Directors announced on 12 January 2004 that the Contract was entered into on 9 January 2004 between Jinxing and the Contractor and the Guarantee was also executed on 9 January 2004 by Jinhui Shipping. The purpose of this circular is to give you further information in relation to the Acquisition.

THE CONTRACT

Purchaser

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

LETTER FROM THE BOARD

Vendor

The Contractor 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 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 Jinxing in Japan and Jinxing has agreed to purchase and take delivery of the Vessel from the Contractor. The Vessel is proposed to be used for chartering out to gain operating income by Jinxing after delivery. 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\$19,250,000 (equivalent to HK\$150,150,000) payable by five 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\$962,500 (equivalent to HK\$7,507,500) was paid on 15 January 2004. The second instalment in the sum of US\$962,500 (equivalent to HK\$7,507,500) will be payable on 7 January 2005. The third and fourth instalments in the sum each of US\$1,925,000 (equivalent to HK\$15,015,000) will be payable respectively on 30 April 2007 and upon launching of the Vessel which is expected to be around August 2007. The last instalment will be payable upon delivery of the Vessel on or before 31 October 2007.

The purchase price for the Vessel will be payable by cash in United States Dollars. The first three instalments are expected to be funded by the Group's internal resources. The last two instalments are expected to be funded by the Group's bank loans. 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 October 2007 to Jinxing in Japan. If there is delay in delivery of the Vessel 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, Jinxing may at its option rescind the Contract. The Contractor shall thereupon promptly refund to Jinxing in United States Dollars 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 Jinxing of such amount.

LETTER FROM THE BOARD

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 Jinxing 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 9 January 2004 the 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 Jinxing 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 Group has been a customer of the Contractor since 1997 and had previously acquired and took delivery of seven motor vessels from the Contractor in the past few years. On 12 August 2003, Jinyi, a subsidiary of the Company, entered into a contract with the Contractor to acquire a motor vessel from the Contractor. The freight rates of the shipping market have been picked up rapidly with the Baltic Dry Index rose by 1,772 points during the last quarter of 2003 to close at 4,765 as at 31 December 2003. The Group believes the freight rates should continue at very firm levels and decides to acquire one more motor vessel. Given the long term business relationship between the Group and the Contractor and provided that the Vessel is identical to the one acquired by Jinyi, the contract price of the Vessel is same as that for Jinyi. 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, the Directors believe that 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:

Name	Type of Interests	No. of Shares	No. of JST Shares
Ng Siu Fai	Family interests	1,002,000	–
	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:

Name of Shareholder	No. of Shares
Fairline	30,385,628

Name of shareholder	No. of JST Shares
The Company	50,100,000

Name of shareholder	No. of shares of Yee Lee Technology
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 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.