
IMPORTANT

If you are in any doubt as to any aspect of 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 or transferred all your shares in **Jinhui Holdings Company Limited**, you should at once hand this circular (together with the form of proxy sent to you) to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 137)

ADOPTION OF SHARE OPTION SCHEME TO BE PROPOSED AT THE EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of Jinhui Holdings Company Limited to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 November 2004 at 9:30 a.m. is set out on Appendix II to this circular.

Whether or not you are able to attend, please complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's registered office at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong as soon as possible but in any event not less than 48 hours before the time for the holding the meeting or any adjourned meeting (as the case may be). Completion and deposit of the proxy form will not preclude you from attending and voting at the meeting if you so wish.

2 November 2004

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DEFINITIONS

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

“associates”	has the meaning given to that term in the Listing Rules;
“Board”	the board of Directors of the Company;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Jinhui Holdings Company Limited, a company duly incorporated with limited liability in Hong Kong and whose Shares are listed and traded on the Stock Exchange;
“Connected Person”	a director, chief executive or substantial shareholder of a company, or any of its subsidiaries or their respective associates (as such term is defined in the Listing Rules);
“Date of Offer”	in respect of an Option, the date on which the Board resolves to make an offer of that Option to an eligible person under the Scheme, such day to be a day on which the Stock Exchange is open for the business of trading in securities;
“Directors”	the directors of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 November 2004 at 9:30 a.m., notice of which is set out in Appendix II to this circular;
“Grantee(s)”	person(s) who are offered or granted Option(s) pursuant to the Share Option Scheme;
“Group”	the Company and its Subsidiaries;
“Latest Practicable Date”	29 October 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;
“Option(s)”	option(s) to subscribe for Share(s) that may be granted pursuant to the Share Option Scheme;

DEFINITIONS

“Resolution”	the ordinary resolution of the Company for the approval of the adoption of the Share Option Scheme as set out in the notice of the Extraordinary General Meeting;
“Share(s)”	ordinary share(s) with a par value of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Share Option Scheme” or “Scheme”	the share option scheme proposed to be approved by the Shareholders at the Extraordinary General Meeting, a summary of the principal terms of which is set out in Appendix I to this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary or Subsidiaries”	a subsidiary or subsidiaries (within the meaning under the Companies Ordinance) of the Company; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

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
Ho Kin Lung*
Cui Jian Hua**
Tsui Che Yin Frank**

Registered Office:

26th Floor
Yardley Commercial Building
1-6 Connaught Road West
Hong Kong

2 November 2004

* *Non-executive Director*
** *Independent Non-executive Director*

To the Shareholders

Dear Sir or Madam,

ADOPTION OF SHARE OPTION SCHEME TO BE PROPOSED AT THE EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with information regarding the Resolution to be proposed at the Extraordinary General Meeting relating to the adoption of the Share Option Scheme.

PROPOSED SHARE OPTION SCHEME

The Board recognizes the importance of developing the interest of the officers and employees (including Directors) of the Group, and such other persons who have contributed or will contribute, in the growth and performance of the Group by providing such persons with the opportunity to acquire proprietary interests in the Company. Accordingly, the Board proposes that the Company adopt the Share Option Scheme for the granting of Options to the directors, officers and employees of the Group and other persons selected by the Board who have contributed or will contribute to the Group.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the proposed Share Option Scheme is required to be approved by the Shareholders in general meeting before it may be implemented. Accordingly, the Board proposes to seek Shareholders' approval for the adoption of the Share Option Scheme, a summary of the principal terms of which is set out in Appendix I to this circular. The scheme document of the Share Option Scheme may be inspected at the Company's registered office at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting and at the Extraordinary General Meeting.

Subject to the Shareholders approving and adopting the Share Option Scheme and the Stock Exchange granting approval to the listing of and permission to deal in any of the Shares which fall to be issued upon the exercise of the Options, the Board will have the authority to grant Options to the directors, officers and employees of the Group and any other persons who in the sole discretion of the Board have contributed or will contribute to the Group. The total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option scheme adopted by the Company must not exceed 30% of the Shares in issue from time to time (as at the Latest Practicable Date such 30% limit being approximately 15,787,274 Shares). As at the date of adoption of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the Shares in issue on the date of adoption and assuming there are 52,624,248 Shares in issue as at the date of adoption of the Share Option Scheme (being the number of Shares in issue as at the Latest Practicable Date), such 10% limit represents 5,262,424 Shares. However, the Company may renew this 10% limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval.

On each grant of Options, the Board will specify the subscription price (being not less than the minimum price required under the Listing Rules) and any minimum holding period or performance targets (if any) which apply to the Options.

APPLICATION TO THE STOCK EXCHANGE

Application has been made to the Stock Exchange for the approval of the listing of and permission to deal in such number of Shares, which may be issued pursuant to the exercise of the Options under the Share Option Scheme, not exceeding 10% of the Shares in issue as at the date of adoption of the Share Option Scheme.

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 enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD

ACTION TO BE TAKEN

Your attention is drawn to the notice convening the Extraordinary General Meeting which is proposed to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 November 2004 at 9:30 a.m., which is set out in Appendix II to this circular. A form of proxy for use at the forthcoming Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend this Extraordinary General Meeting, you are requested to complete and return the form of proxy to the Company's registered office at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong not less than 48 hours before the time appointed for the Extraordinary General Meeting. The return of a form of proxy will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting.

RECOMMENDATION

The Directors consider that the adoption of the Share Option Scheme is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the Resolution to be proposed at the forthcoming Extraordinary General Meeting. The Company will publish an announcement regarding the outcome of the Extraordinary General Meeting following the Extraordinary General Meeting.

Yours faithfully
By Order of the Board
Ng Siu Fai
Chairman

The following is a summary of the terms required to be included in the Scheme as required by the Listing Rules:

1. PURPOSE OF THE SCHEME

The purpose of the Scheme is to provide incentive and/or reward to Grantees for their contribution to, and continuing efforts to promote the interests of, the Group.

2. ELIGIBLE PERSONS

Any director or employee of the Group; or any other person who, in the sole discretion of the Board, has contributed or will contribute to the Group are eligible to participate in the Scheme.

3. MAXIMUM NUMBER OF SHARES

The total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of the Shares in issue from time to time (as at the Latest Practicable Date such 30% limit being approximately 15,787,274 Shares). As at the date of adoption of the Scheme, the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme must not in aggregate exceed 10% of the Shares in issue on the date of adoption and assuming there are 52,624,248 Shares in issue as at the date of adoption of the Scheme (being the number of Shares in issue as at the Latest Practicable Date), such 10% limit represents 5,262,424 Shares. Options previously granted (including options exercised, outstanding, cancelled, or lapsed) under all schemes, including this Scheme, shall not be counted in calculating the 10% limit. However, the Company may renew this 10% limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval. The Company may seek separate approval by Shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of the limit are granted only to eligible persons specifically identified by the Company before such approval is sought.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the exercise price, exercise period, any lock up period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

4. MAXIMUM NUMBER OF SHARES PER GRANTEE

Unless approved by Shareholders in general meeting with the relevant Grantee(s) and his/her/their associate(s) abstaining from voting, the total number of Shares issued and to be issued upon exercise of the options granted to each Grantee (including cancelled, exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12 month period must not exceed 1% of the Shares in issue.

5. EXERCISE OF OPTIONS

- (a) The period within which the Options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date on which the Offer is made, subject to the provisions of the Scheme relating to early termination as summarized below.
- (b) Subject to paragraphs 5(c) and 12(e) below, where the holder of an outstanding Option ceases to be an eligible person under the Scheme for any reason, the Option shall be exercisable to the extent and within such period as the Board may determine and in any event the period in which the Option may be exercised must not exceed three months from the date of cessation. The date of such cessation shall be (i) if he is an employee of the Group, his last actual working day at his work place with the Group whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Group, the date on which the relationship constituting him an eligible person ceases.
- (c) Where the Grantee of an outstanding Option dies before exercising the Option in full or at all, the Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to paragraphs 5(d), (e) or (f) below by his or her personal representative(s) within 12 months of the date of death.
- (d) If a general offer by way of a take-over is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Company shall give notice thereof to the Grantee and the Grantee (or his personal representative(s)) may by notice in writing to the Company within 30 days after such offer becoming or being declared unconditional exercise the Option to its full extent or to the extent specified in such notice.
- (e) If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof to the Grantee and the Grantee (or his personal representative(s)) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the Option to its full extent or to the extent specified in such notice.

- (f) In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his or her personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than five business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than three business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the Grantee credited as fully paid.

6. MINIMUM HOLDING PERIOD

At the time of grant of the Options, the Company may specify a minimum period for which an Option must be held before it can be exercised.

7. PERFORMANCE TARGETS

At the time of the grant of the Options, the Company may specify performance targets which must be achieved before the Options can be exercised.

8. OPTION PRICE

The amount payable on each acceptance of an Option is HK\$1.

9. SUBSCRIPTION PRICE

The subscription price for the Shares the subject of the Options shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Offer; and (iii) the nominal value of a Share on the Date of Offer. The subscription price will be established by the Board at the time the Option is offered to the Grantee.

10. RIGHTS ATTACHING TO SHARES

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the constitutional documents of the Company for the time being in force and will have such rights as to voting as the fully paid Shares in issue of the Company as at the date of allotment and will rank *pari passu* with the fully paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

11. PERIOD OF SCHEME

No Options may be granted under the Scheme after the date of the 10th anniversary of the adoption of the Scheme.

12. LAPSE OF OPTIONS

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of any of the periods referred to in paragraphs 5(b), (c) or (d) above;
- (c) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph 5(e) above;
- (d) subject to paragraph 5(f) above, the date of the commencement of the winding-up of the Company;
- (e) the date on which the Grantee ceases to be an eligible person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract or arrangement constituting him an eligible person, or the date on which he begins to appear to be unable to pay or have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board to the effect that the employment or other relevant contract or arrangement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (f) the date on which the Grantee transfers or encumbrances any interest in his Option.

13. ALTERATION OF SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option has been granted and remains exercisable (whether such alteration arises by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company) the number of Shares to be issued on exercise of the Options and/or the subscription price shall be altered accordingly; provided that no such adjustments shall be made in respect of an issue of securities by the Company as consideration in a transaction, any such adjustments must be made so that each Grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled and no such adjustments shall be made which would result in the subscription price for a Share being less than its nominal value (provided that in such circumstances the subscription price shall be reduced to the nominal value). Any such adjustments, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to the Directors as satisfying the

requirements of the Scheme. Any such adjustments made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

14. CANCELLATION OF OPTIONS GRANTED

Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee in place of the cancelled Options provided such Options fall within the limits specified in paragraph 3 above and are otherwise granted in accordance with the terms of the Scheme or any new scheme adopted by the Company.

15. RANKING OF SHARES

The Shares issued on exercise of the Options will on issue be identical to the then existing issued ordinary shares of the Company.

16. TERMINATION OF SCHEME

The Company by ordinary resolution of the Shareholders may at any time terminate the operation of the Scheme and in such event no further Options will be offered or granted. Any unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Scheme.

17. TRANSFERS OF OPTIONS

The Option may not be transferred or assigned and is personal to the Grantee.

18. ALTERATIONS TO THE SCHEME

Those specific provisions of the Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Grantees without the prior approval of Shareholders in general meeting. Any change to the authority of the Board in relation to any alteration to the terms of the Scheme shall not be valid unless approved by Shareholders in general meeting. Any alterations to the terms and conditions of the Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme.

As at the Latest Practicable Date, no Option has been granted or agreed to be granted by the Company under the Scheme.

**JINHUI HOLDINGS COMPANY LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 137)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Jinhui Holdings Company Limited (the “Company”) will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 November 2004 at 9:30 a.m. for the following purposes:

To consider and, if thought fit, to pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any shares in the capital of the Company to be issued pursuant to the exercise of options granted under the share option scheme (the “Share Option Scheme”) of the Company, the Share Option Scheme, the terms of which are contained in the document marked “A” and produced to the meeting and for the purpose of identification signed by a director of the Company and a summary of which is set out in a circular dated 2 November 2004 contained in the document marked “B” and despatched to the shareholders of the Company of which the notice convening this meeting forms part and produced to the meeting and for the purpose of identification signed by a director of the Company thereof, be and is hereby approved and the board of directors of the Company be and is hereby authorised to implement the same and to grant options and to allot and issue shares of the Company pursuant thereto and to do all such acts and to enter into all such transactions and arrangements as may be necessary or desirable in order to give effect to the Share Option Scheme.”

By Order of the Board

Ho Suk Lin

Company Secretary

Hong Kong, 2 November 2004

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the registered office of the Company at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong not less than 48 hours before the time appointed for holding the above meeting or any adjourned meeting.
3. The register of members of the Company will be closed from 16 November 2004 to 18 November 2004, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for voting at the meeting, shareholders should ensure that they are registered as members of the Company on 15 November 2004.

1. Subject to the provisions of the Companies Ordinance, a poll may be demanded:–
 - (a) by the chairman;
 - (b) by not less than five members having the right to vote at the meeting;
 - (c) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (d) by a member or members holding shares conferring a right to vote on the resolution on which aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
2. The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.
3. A poll shall be taken as the chairman directs, and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
4. In the case of an equity of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a casting vote in addition to any other vote he may have.
5. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs, not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
6. No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting in respect of which it is demanded. In any other case, at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.