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JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

**MAJOR TRANSACTION
ACQUISITION OF A VESSEL**

25 May 2022

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DEFINITIONS

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

“Acquisition of the Vessel”	the acquisition of the Vessel under the Agreement;
“Agreement”	the memorandum of agreement dated 28 March 2022 entered into between the Vendor and the Purchaser 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;
“Company”	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Parties”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates within the meaning of the Listing Rules;
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of the Company as at the Latest Practicable Date, whose shares are listed on the Oslo Stock Exchange (stock code: JIN);
“Jinhui Shipping Shares”	ordinary shares of US\$0.05 each in the share capital of Jinhui Shipping;
“Latest Practicable Date”	19 May 2022, 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;
“Post-Panamaxes”	vessels of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
“Purchaser”	Jinping Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	shareholder(s) of the Company;
“Shares”	ordinary shares 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”	Ratu Shipping Co., S.A., a company incorporated in the Republic of Panama;
“Vessel”	a deadweight 63,485 metric tons bulk carrier “HANTON TRADER II” registered in the Republic of Panama;
“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.

LETTER FROM THE BOARD



JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(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*

25 May 2022

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF A VESSEL

INTRODUCTION

The Directors refer to the announcement of the Company dated 28 March 2022 in relation to the acquisition of a vessel pursuant to the memorandum of agreement.

As disclosed in the Company's announcement on 28 March 2022, the Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Agreement with the Vendor in respect of the acquisition of the Vessel on 28 March 2022. The purchase price of the Vessel is US\$25,500,000 (approximately HK\$198,900,000). The Vessel will be delivered by the Vendor to the Purchaser between 3 May 2022 and 29 July 2022.

The purpose of this circular is to give you further information in relation to the acquisition of the Vessel under the Agreement.

LETTER FROM THE BOARD

THE ACQUISITION OF THE VESSEL

Information on the Group and the Purchaser

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are international ship chartering and ship owning.

The Purchaser is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 55.69% owned subsidiary of the Company as at the Latest Practicable Date. The principal activities of the Purchaser are ship owning and chartering.

Vendor

The Vendor is Ratu Shipping Co., S.A., a company incorporated in the Republic of Panama. Its principal activities are mainly involved in business of ownership, chartering and operation of vessels. The Vendor is a company wholly-owned by Nisshin Shipping Co., Ltd., a company incorporated in Japan with principal activities of global shipping business, which is owned by its ultimate beneficial owner – Mr. Shinsuke Fujii.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendor, Nisshin Shipping Co., Ltd. and its ultimate beneficial owner are Independent Third Parties.

Vessel

The Vessel is a Supramax of deadweight 63,485 metric tons, built in year 2014 by builder/yard: Jiangsu Hantong Ship Heavy Industry Co., Ltd. The Vendor warrants that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts. The Vessel will be delivered to the Group on a free from charter basis.

Consideration

Under the Agreement, the purchase price for the Vessel is US\$25,500,000 (approximately HK\$198,900,000) and is payable by the Purchaser as follows:

- (1) an initial deposit of US\$2,550,000 (approximately HK\$19,890,000) was paid by the Purchaser on 4 April 2022; and
- (2) the balance of US\$22,950,000 (approximately HK\$179,010,000) will be payable by the Purchaser on the delivery of the Vessel which will take place between 3 May 2022 and 29 July 2022.

The purchase price for the Vessel will be payable by cash in United States Dollars. The purchase price of the Vessel was determined by reference to market intelligence the Company has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable size and year of built in the market, valuation from independent valuer and on the basis of arm's length negotiations with the Vendor.

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In the course of negotiating the consideration of the Vessel, as the Company cannot access the book value of the Vessel from the Vendor, the Company engaged Arrow Valuations, an independent valuer and an affiliate of Arrow Asia Shipbrokers Ltd., an independent shipbroking group, to provide a formal valuation on the Vessel as an initial reference point for the determination of the consideration of the Vessel. In respect of the valuation of the Vessel, the Company has reviewed the valuation certificate and discussed with Arrow Valuations about the valuation approach and methodology adopted in the valuation of the Vessel. As advised by Arrow Valuations, the market approach is adopted in the valuation of the Vessel where Arrow Valuations has considered the factors including (i) the quality and reputation of the shipbuilder; (ii) the configurations and specifications of the Vessel; (iii) the country where the Vessel was built; (iv) recent market activities including comparison with recent sales by age/size/quality of shipyard; and (v) the prices of similar vessels which are for sale but unsold. In terms of valuation by broker, Arrow Valuations have considered the shipbrokers shipping reports include but not limited to Arrow Shipbrokers, Howe Robinson Partners, and Clarksons Shipping Intelligence Weekly etc. Besides, reference to recent market traded transactions at the end of February 2022 of a BWTS Fitted ultramax 'Ultra Excellence' 61/2016 Tadotsu (SS 06/2026, DD 09/2024) was reported sold for US\$31 million. The vessel is a Japanese built vessel which usually enjoys a price premium over those built by Chinese builders. That results a higher second hand value than those built by Chinese shipbuilders.

Having assessed all the above factors, Arrow Valuations reached the opinion of the Vessel's evaluation which Arrow Valuations believed would reflect the market value of the Vessel at the date of the valuation. According to Arrow Valuations, the market value of the Vessel as at 28 March 2022 was US\$25,500,000 (approximately HK\$198,900,000). The valuation certificate of the Vessel issued by Arrow Valuations is included in Appendix III to this circular.

Apart from reference to valuation from independent valuer in determining the consideration of the Vessel, the Company also considered the following factors to determine the appropriate adjustments in the final purchase price:

- (i) the market sentiment of dry bulk market as reflected in the trend of the Baltic Dry Index, an important economic indicator reflecting the supply and demand trends of global shipping market;
- (ii) the overall economic outlook, important geopolitical events that may impact world trade and economic growth;
- (iii) reference to recent market comparable transactions by comparing the difference in age/size/quality of the vessels on the basis that the vessels are free from encumbrances, charter or any contract of employment and the timing of delivery of such vessels.

By reference to weekly shipping report issued by Hartland Shipping Services, there are recently traded transactions of comparable dry bulk vessels of similar size and specifications built between 2013 – 2015 with price between US\$19.45 million to US\$28.75 million during February and March 2022. Since vessels are machineries where depreciation have to be taken into account, in general, the older the vessel, the cheaper it should be;

LETTER FROM THE BOARD

- (iv) market data of similar type of vessels and transactions in the current market, gathered via multiple international shipbrokers;
- (v) individual specification, maintenance quality and conditions of each individual vessel, timing of availability, quality and reputation of shipbuilders/shipyards as well as cargo capacity are also the factors to consider; and
- (vi) competition from other potential buyers.

We observe and monitor the sale and purchase market of second hand vessels, including recent market transactions of similar vessels between willing sellers and willing buyers in that prevailing time presuming the vessel free from all registered encumbrances, maritime liens and all debts, free of charter or any contract of employment, for cash payment on normal sale terms at that particular of time. In the process of gathering the market intelligence from shipbrokers, we receive market information on the sale and purchase market of second hand vessels on a daily basis from international shipbrokers. We also discuss with international shipbrokers frequently to gather market intelligence on what vessels are being put on sale, which owners are looking to buy or sell their vessels on a worldwide basis.

We then came up with some options on each of the available for sale vessel that fits or is a close fit to the criteria of the Group's business operations, types of customers and/or cargoes the Group target. Such information focuses on the physical conditions of the relevant vessels and these are the particulars that the Group considers in making a purchase decision.

It is currently expected that approximately 50% of the purchase price of the Vessel will be funded by bank financing and the remaining will be funded by internal resources of the Group.

REASONS FOR THE ACQUISITION OF THE VESSEL

The Group's principal activities are international ship chartering and ship owning. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate. Despite the recent improvement in shipping market, we continue to seek to fine tune the quality of our fleet, in particularly in terms of seeking to lower the overall age profile of our fleet. We try to strike as good as possible, the balance of additional maintenance costs that is associated with the aging of a vessel, the expected revenue generating ability and cargo flexibility when compared to younger vessels, the potential asset value appreciation of an asset, as well as the importance of ensuring we are financially nimble by monetizing suitable assets. We believe in being prepared at all times for future possible opportunities of redeployment of capital into other more suitable assets that may arise going forward while keeping leverage at comfortable levels. We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

LETTER FROM THE BOARD

The Vessel is a grab fitted Supramax for the transportation of dry bulk commodities. The Directors and senior management have been reviewing the individual specification, maintenance quality and conditions of the Vessel and consider the purchase price of the Vessel is reasonable. The Group currently owns twenty four dry bulk vessels which include two Post-Panamaxes and twenty two grab fitted Supramaxes, and the existing total carrying capacity is 1,421,283 metric tons.

The Company's senior management has many years of operating in the dry bulk shipping industry, going through multiple cycles seeing ups and downs. The Company has vast experience and a deep knowhow from operating different class of vessels as well as contracting new vessels made by different shipyards, we have developed knowledge of how various parts of a vessel are made and how their quality differ, from the hull, deck, equipment such as onboard cranes, the pros and cons of engines made by different makers perform, the difference in quality of a second hand ship owned by different owners. All these experiences collected over the past years give us this industry knowhow.

When considering whether to acquire a pre-owned vessel for its ship chartering business, the Company's management would focus its decision on the physical conditions of the vessel that include the configurations, made, technical specifications, design, structures and fittings, main propulsion & manoeuvring and other key operation systems, quality and reputation of the shipbuilder, country where the vessel was made, age, deadweight/draft, holds/hatches, and cargo capacity, etc. The vessel's present operating parameter, maintenance of its hull and machinery are also main factors to consider.

The Company's management also takes into account when deciding whether to purchase a pre-owned vessel is the market conditions and sentiment. The decision of the Acquisition of the Vessel is driven by supply and demand for dry bulk vessels and based on arm's length negotiations with the Vendor. The Company is of the view that due to the economy recovery from the COVID-19 pandemic and increase in the demand for dry bulk vessels, the Vessel will be in high demand. This was a crucial factor in the Group's decision to purchase the Vessel. The Company reviewed the prevailing market conditions of the shipping industry and believes that an increase in the Group's fleet size is in the best interest of the Company and its shareholders as a whole given the outlook of the market.

Upon the completion of the acquisition of the Vessel, the Vessel will be chartered out to customers for the transportation of dry bulk commodities to receive charter hire and to generate chartering freight and hire income for the Group. The Company believes that the Acquisition of the Vessel will allow the Group to generate more operating income and increase the returns of the Company in the future.

The Directors consider that the purchase price of the Vessel is fair and reasonable and the Acquisition of the Vessel is in the interests of the Company and its shareholders as a whole.

Possible financial effects of the Acquisition of the Vessel

Upon the completion of the Acquisition of the Vessel, it is expected that the Group's non-current assets will be increased by approximately HK\$198.9 million, being the recognition of the Vessel as property, plant and equipment, and the Group's total liabilities will be increased by approximately HK\$99.45 million, being approximately 50% of the total consideration paid for the Vessel from bank financing, and the Group's current assets will be decreased by approximately HK\$99.45 million, being the remaining consideration paid for the Vessel from bank balances and cash.

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The Vessel will generate recurring chartering freight and hire income which will be recorded as revenue of the Group and the relevant shipping related expenses and depreciation will be recorded as expenses of the Group. Save as disclosed herein, the Acquisition of the Vessel will not have any material impact on earnings, the total assets, total liabilities and net asset value of the Group.

LISTING RULES IMPLICATION

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition of the Vessel exceed 25% but are less than 100%, the Acquisition of the Vessel constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders' approval for the Acquisition of the Vessel may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (1) no shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

Fairline Consultants Limited ("Fairline") and Timberfield Limited ("Timberfield") are closely allied group of shareholders who hold 205,325,568 Shares and 136,883,712 Shares respectively, and together hold 342,209,280 Shares which represent approximately 64.53% of the total issued shares of the Company and voting rights in general meetings of the Company. Fairline and Timberfield also hold 407,858 Jinhui Shipping Shares and 260,000 Jinhui Shipping Shares respectively, and together hold 667,858 Jinhui Shipping Shares which represent approximately 0.61% of the total issued shares of Jinhui Shipping. Mr. Ng Siu Fai, Chairman and executive director of the Company, is the major shareholder and beneficial owner of Fairline. Mr. Ng Kam Wah Thomas, Managing Director and executive director of the Company, is the sole beneficial owner of Timberfield. Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers and the two founders of the Group. Fairline and Timberfield are not interested in the Acquisition of the Vessel other than through its shareholding interest in the Company and Jinhui Shipping. No Shareholder is required to abstain from voting on the Acquisition of the Vessel if the Company were to convene a general meeting for the approval of the Acquisition of the Vessel, and the Acquisition of the Vessel had been approved by written shareholders' approvals from Fairline and Timberfield.

CERTAIN INFORMATION REQUIRED UNDER THE LISTING RULES

According to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue generating assets (other than a business or company) with an identifiable income stream or assets valuation, the Company is required to include in the circular a profit and loss statement and valuation (where available) for the three preceding financial years on the identifiable net income stream in relation to such assets which must be reviewed by the auditor or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

For the preparation of the profit and loss statement on the identifiable net income stream in relation to the Vessel in strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, full access to the underlying books and records of the Vendor covering the relevant period is required. However, despite request made by

LETTER FROM THE BOARD

the Company with the Vendor, the Vendor has not agreed to grant permission for the Group and/or the Company's auditor to gain full access to the relevant underlying books and records of the Vendor nor have they agreed to provide the Group with the above specific information in relation to the Vessel for public disclosure. This hindered the Company from getting the historical information in preparing the profit and loss statement. The Company has therefore applied to the Stock Exchange for, and was granted by the Stock Exchange, a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules. The Directors are of the view that the omission of the profit and loss statement on the identifiable net income stream of the Vessel in strict compliance with the requirements of Rule 14.67(6)(b)(i) of the Listing Rules would not render this circular materially incomplete or misleading or deceptive.

As at the Latest Practicable Date, the Group had not entered into any charter agreement for the Vessel.

Your attention is also drawn to the appendices to this circular.

Yours faithfully,
By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

(1) FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jinhuiship.com>):

- Annual report of the Company for the year ended 31 December 2019 (pages 60 to 133)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500651.pdf>
- Annual report of the Company for the year ended 31 December 2020 (pages 68 to 137)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500725.pdf>
- Annual report of the Company for the year ended 31 December 2021 (pages 70 to 145)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701782.pdf>

(2) INDEBTEDNESS

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings which were secured loans of approximately HK\$878 million.

The bank borrowings comprised secured term loans of approximately HK\$401 million and secured revolving loans of approximately HK\$477 million. All outstanding bank borrowings and credit facilities were guaranteed by the Company or Jinhui Shipping.

As at 31 March 2022, the Group's credit facilities were secured by certain of the Group's property, plant and equipment with an aggregate net book value of approximately HK\$2,428 million, investment properties with an aggregate carrying amount of approximately HK\$344 million, financial assets at fair value through profit or loss of approximately HK\$183 million and deposits in banks amounting to approximately HK\$61 million. Shares of ten ship owning subsidiaries, being members of the Group, were pledged together with the assignment of chartering income of nineteen ship owning subsidiaries and assignment of two subsidiaries' loan receivables of approximately HK\$32 million to secure credit facilities utilized by the Group.

As at 31 March 2022, save as aforesaid and apart from intra-group liabilities, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities.

(3) FINANCIAL AND TRADING PROSPECTS

The Group has continued to carry on the businesses of investment holding, ship chartering, ship owning and ship operating during the current financial year, and the Directors expect that with cash and marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Dry bulk shipping market showed strong sign of rebound amid global economic recovery. The market is characterised by robust freight rates driven by a general increase in demand for commodities worldwide. While the outlook is positive and we see economic activity to further stabilize in 2021, we believe the road to a full reversion to normality will be fluid. As expected, COVID-19 variants do emerge sporadically, so measures to combat against the spread of virus can be introduced globally with little notice. As a result, logistics of the transportation of goods and commodities could be affected, causing disruptions to our operations. With the expected global dry bulk fleet growth at historical lows, and with no consensus in the shipping with regards to the next generation engine design to reduce carbon emission, new vessel orders are expected to be few. This potentially highly favourable demand and supply dynamics is expected to continue in the next few years, where our fleet is well positioned to benefit.

We believe the newly acquired vessel will bring the additional stable and recurring chartering freight and hire income to the Group and enhance the Group's income and cashflow from core shipping business. We remain alert to the increasingly frequent economic, geo-political, or other unforeseen surprises that can trigger volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

(4) WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources, the existing available credit facilities, the indebtedness statement of the Group as set out in the section headed "(2) INDEBTEDNESS" above and the Acquisition of the Vessel, the Group has sufficient working capital for its present requirements for the next twelve-month period from date of this circular.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”), comprising the unaudited pro forma consolidated statement of financial position of the Company and its subsidiaries (collectively the “Group”) and related notes, has been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of illustrating the effect of the Acquisition of the Vessel as if it had been completed on 31 December 2021.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2021, which has been extracted from the published annual report of the Company for the year ended 31 December 2021, after making pro forma adjustments relating to the Acquisition of the Vessel, as if they had been completed on 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group’s financial position following the completion of the Acquisition of the Vessel. Further, the Unaudited Pro Forma Financial Information of the Group does not purport to predict the future financial position of the Group after the completion of the Acquisition of the Vessel.

The Unaudited Pro Forma Financial Information of the Group after the Acquisition of the Vessel should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position

	As at 31 December 2021	Pro forma adjustments	<i>Notes (ii)</i>	Pro forma total
	<i>HK\$’000</i>	<i>HK\$’000</i>		<i>HK\$’000</i>
	<i>Notes (i)</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	3,056,304	198,900	<i>(a)</i>	3,255,204
Investment properties	385,220			385,220
Financial assets at fair value through OCI	121,359			121,359
Loan receivables	28,841			28,841
Intangible assets	888			888
	<u>3,592,612</u>			<u>3,791,512</u>

APPENDIX II
**UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE GROUP**

	As at 31 December 2021 <i>HK\$'000</i> <i>Notes (i)</i>	Pro forma adjustments <i>HK\$'000</i>	<i>Notes (ii)</i>	Pro forma total <i>HK\$'000</i>
Current assets				
Inventories	26,623			26,623
Loan receivables	43,200			43,200
Trade and other receivables	156,911			156,911
Financial assets at fair value through profit or loss	368,898			368,898
Pledged deposits	64,792			64,792
Bank balances and cash	269,175	(99,450)	<i>(b)</i>	169,725
	<u>929,599</u>			<u>830,149</u>
Current liabilities				
Trade and other payables	180,048			180,048
Taxation payable	234			234
Secured bank loans	515,363	99,450	<i>(b)</i>	614,813
	<u>695,645</u>			<u>795,095</u>
Non-current liabilities				
Secured bank loans	345,073			345,073
Net assets	<u>3,481,493</u>			<u>3,481,493</u>
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital	381,639			381,639
Reserves	1,593,150			1,593,150
	1,974,789			1,974,789
Non-controlling interests	<u>1,506,704</u>			<u>1,506,704</u>
Total equity	<u>3,481,493</u>			<u>3,481,493</u>

Notes:

- (i) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021 as set out in the published annual report of the Group for the year ended 31 December 2021.

No adjustment has been made to reflect any operating results or other transactions of the Group entered into subsequent to 31 December 2021.

- (ii) Notes to the pro forma adjustments
- (a) The increase in property, plant and equipment represents the consideration for the Vessel of US\$25,500,000 (approximately HK\$198,900,000).
- (b) Approximately 50% of the consideration amount of US\$12,750,000 (approximately HK\$99,450,000) will be paid from bank financing, thus the Group's liabilities will be increased and the remaining amount of US\$12,750,000 (approximately HK\$99,450,000) will be paid from the internal resources of the Group, thus reducing the bank balances and cash of the Group.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from our reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF JINHUI HOLDINGS COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jinhui Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021 and related notes as set out on pages 12 to 14 of the Company’s circular dated 25 May 2022 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 12 to 14 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of vessel (the “**Acquisition of the Vessel**”) on the Group’s financial position as at 31 December 2021 as if the Acquisition of the Vessel had taken place at 31 December 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the audited consolidated financial statements of the Company for the year ended 31 December 2021, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition of the Vessel at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants

Hong Kong, 25 May 2022

The following is the full text of the valuation certificate received from Arrow Valuations, an independent valuer, in connection with its opinion on the market value of the Vessel as of 28 March 2022 prepared for the purpose of incorporation in this circular. Arrow Valuations was established in 2001 as subsidiary of Arrow Research to provide accurate and unbiased assessment of values across the main shipping sector. It was set up to provide a dedicated valuations service to banks, financial institutions, owners, underwriters, lawyers etc. and is on the panel of many banks as an approved valuer. Mr. Simon Stokes is the Head of Valuations of Arrow Valuations.

JINHUI HOLDINGS COMPANY LIMITED**Valuation**

As requested, Arrow Valuations has made an assessment of the key particulars of the vessel stated below (the “Vessel”) (and other relevant works of reference in its possession) and is able to state that in its opinion the approximate market value of the Vessel on 28th March 2022, on the assumptions set out below and as between a “willing buyer and a willing seller”, is:–

Vessel Name	IMO	Value – US\$
MV HANTON TRADER II	9691424	\$25,500,000

Assumptions

This valuation is provided on the following assumptions and bases: the Vessel would be in a position to give early delivery, within an acceptable area, free of charter or any contract of employment, for cash payment on normal commercial terms; (ii) the sellers of the Vessel could give delivery of the Vessel free from all registered encumbrances, maritime liens and all debts; (iii) the Vessel has been maintained to standards expected for a ship of her age and type; (iv) the Vessel fully complies with latest IMO/MARPOL/SOLAS requirements, is in a sound trading condition, being fully classed to the requirements of her Classification Society, is free of recommendations and has clean and valid trading certificates, conforming in all respects with the requirements of the appropriate Registry; (v) the ‘key particulars’ set out in the table above are correct; and (vi) Arrow Valuations has not made a physical inspection of any Vessel nor has it inspected any classification records. Arrow Valuations does not accept responsibility for the accuracy of the assumptions.

Use and Sharing

This valuation is a statement of opinion only and is based on the above assumptions, and is our opinion of the market as of 28th March 2022 and should not be taken to apply to any other date. Prior to entering into any transaction in respect of the Vessel you should satisfy yourself (by inspection or otherwise) that the assurance that any above stated value can be sustained or is realisable in an actual transaction. This valuation is given solely for the private internal use of the addressee and is not for publication or circulation other than as permitted by Arrow Valuations’ Terms of Business and with prior written consent.

Terms of Business

The Valuation is provided in accordance with, and subject to, Arrow Valuations' Terms of Business. These are available at: <https://arrowship.com/ValuationsTermsofBusiness.pdf>

Simon Stokes

For and on behalf of **ARROW VALUATIONS**

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and 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:

Long positions*(i) Directors' interests in Shares*

Name	Number of shares in the Company held and capacity			Total	Percentage of total issued Shares
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Ng Siu Fai	24,260,000	15,140,000	205,325,568 <i>Note 1</i>	244,725,568	46.15%
Ng Kam Wah Thomas	5,909,000	–	136,883,712 <i>Note 2</i>	142,792,712	26.93%
Ng Ki Hung Frankie	3,000,000	–	–	3,000,000	0.57%
Ho Suk Lin	3,850,000	–	–	3,850,000	0.73%
Cui Jianhua	960,000	–	–	960,000	0.18%
Tsui Che Yin Frank	1,000,000	–	–	1,000,000	0.19%
William Yau	441,000	–	–	441,000	0.08%

Note 1: Mr. Ng Siu Fai is deemed to be interested in 205,325,568 shares of the Company through his interests in 51% of the issued capital of Fairline Consultants Limited (as disclosed hereinafter).

Note 2: Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of the Company through his wholly owned company, Timberfield Limited (as disclosed hereinafter).

(ii) *Directors' interests in associated corporation*

Name	Number of Jinhui Shipping Shares held and capacity			Total	Percentage of total issued Jinhui Shipping Shares
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Ng Siu Fai	4,141,830	1,079,196	61,249,098 <i>Note 1</i>	66,470,124	60.84%
Ng Kam Wah Thomas	864,900	–	260,000 <i>Note 2</i>	1,124,900	1.03%

Notes:

- Mr. Ng Siu Fai is deemed to be interested in 61,249,098 shares of Jinhui Shipping through his interests in 51% of the issued capital of Fairline Consultants Limited as Fairline Consultants Limited was the beneficial owner of 407,858 shares of Jinhui Shipping and, through Fairline Consultants Limited's controlling interests in the Company, is also deemed to be interested in 60,841,240 shares of Jinhui Shipping held by the Company.
- Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of Jinhui Shipping through his wholly owned company, Timberfield Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

- 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).
- 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.

- (d) As at the Latest Practicable Date, none of the Directors has or has had direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since the date to which the latest published audited annual financial statements of the Group were made up.
- (e) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business 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, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions

Name of shareholders	Number of shares in the Company held and capacity			Total	Percentage of total issued shares of the Company
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Wong Yee Man Gloria	15,140,000	229,585,568 <i>Note 1</i>	–	244,725,568	46.15%
Ng Chi Lam Michael	–	–	205,325,568 <i>Note 2</i>	205,325,568	38.72%
Fairline Consultants Limited	205,325,568	–	–	205,325,568	38.72%
Timberfield Limited	136,883,712	–	–	136,883,712	25.81%
Bian Ximing	–	–	29,378,000 <i>Note 3</i>	29,378,000	5.54%
Zhongcai Merchants Investment Group Co., Ltd.	–	–	29,378,000 <i>Note 4</i>	29,378,000	5.54%
Zhongcai (Holdings) Limited	26,949,000	–	–	26,949,000	5.08%

Notes:

1. Ms. Wong Yee Man Gloria is deemed to be interested in 229,585,568 shares of the Company through the interests of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).
2. Mr. Ng Chi Lam Michael is deemed to be interested in 205,325,568 shares of the Company through his interests in 49% of the issued capital of Fairline Consultants Limited (as disclosed hereinabove).
3. Mr. Bian Ximing is deemed to be interested in 29,378,000 shares of the Company through his interests in 65.32% of the issued capital of Zhongcai Merchants Investment Group Co., Ltd. (as disclosed in Note 4 below).
4. Zhongcai Merchants Investment Group Co., Ltd. is deemed to be interested in 29,378,000 shares of the Company through its subsidiaries, Zhongcai (Holdings) Limited and Hong Kong Zhongcai Finance Investment Limited, which are the beneficial owners of 26,949,000 shares and 2,429,000 shares of the Company respectively.

Save as disclosed herein, as at the Latest Practicable Date, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

EXPERTS AND CONSENTS

The qualification of the experts who have given opinions and advice in this circular is as follows:

Name	Qualification
Arrow Valuations	Professional valuer
Grant Thornton Hong Kong Limited	Certified Public Accountants

Arrow Valuations was established in 2001 as subsidiary of Arrow Research to provide accurate and unbiased assessment of values across the main shipping sector. It was set up to provide a dedicated valuations service to banks, financial institutions, owners, underwriters, lawyers, etc. and is on the panel of many banks as an approved valuer.

Grant Thornton Hong Kong Limited is a firm of certified public accountants in Hong Kong.

As at the Latest Practicable Date, each of Arrow Valuations and Grant Thornton Hong Kong Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets acquired or disposed of by or leased to any members of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company was made up.

Each of Arrow Valuations and Grant Thornton Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its expert's statement included in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group (marked with an “*” below) within two years preceding the date of this circular and each of which is or may be material:

- (1) an agreement dated 10 July 2020 entered into between Jinli Marine Inc.* and New Hyde Shipping Co., Ltd. regarding the acquisition of the vessel at a consideration of US\$3,950,000;
- (2) an agreement dated 29 July 2020 entered into between Nice Beam Limited* and Pak Sau Hwa and Shaw Ngan Yu Juliette regarding the acquisition of the property at a consideration of HK\$19,500,000 and this agreement was subsequently cancelled by mutual agreement on 29 October 2020;
- (3) an agreement dated 15 December 2020 entered into between Jinping Marine Inc.* and Xinfeng (HK) Shipping Co., Limited regarding the disposal of the vessel at a consideration of US\$5,500,000;
- (4) an agreement dated 2 March 2021 entered into between Jincheng Maritime Inc.* and Sea Venture Navigation Inc. regarding the acquisition of the vessel at a consideration of US\$7,275,000;
- (5) an agreement dated 27 April 2021 entered into between Jinquan Marine Inc.* and Norwester Maritime Ltd. regarding the acquisition of the vessel at a consideration of US\$9,300,000;
- (6) an agreement dated 20 May 2021 entered into between Jinfeng Marine Inc.* and TAI SHING MARITIME CO., S.A. regarding the acquisition of the vessel at a consideration of US\$10,813,000;
- (7) an agreement dated 9 July 2021 entered into between Jinan Marine Inc.* and BELFRI AS regarding the acquisition of the vessel at a consideration of US\$15,180,000;

- (8) an agreement dated 20 August 2021 entered into between Jinrong Marine Inc.* and BELCARGO AS regarding the acquisition of the vessel at a consideration of US\$17,000,000;
- (9) an agreement dated 5 October 2021 entered into between Jinshun Shipping Inc.* and Tesoro Transport Inc. regarding the acquisition of the vessel at a consideration of US\$15,750,000;
- (10) an agreement dated 22 December 2021 entered into between Jinbi Marine Inc.* and KMARIN NO. 3B S.A. regarding the acquisition of the vessel at a consideration of US\$17,250,000;
- (11) an agreement dated 22 December 2021 entered into between Jinmao Marine Inc.* and KMARIN NO. 3A S.A. regarding the acquisition of the vessel at a consideration of US\$17,250,000;
- (12) an agreement dated 8 March 2022 entered into between Jincheng Maritime Inc.* and Perfect Shipping Co., Limited regarding the disposal of the vessel at a consideration of US\$13,900,000; and
- (13) an agreement dated 28 March 2022 entered into between Jinping Marine Inc.* and Ratu Shipping Co., S.A. regarding the acquisition of the vessel at a consideration of US\$25,500,000.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jinhuiship.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Agreement;
- (b) the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (c) the letter from Grant Thornton Hong Kong Limited in respect of the unaudited pro forma financial information of the Group;
- (d) the valuation certificate prepared by Arrow Valuations in relation to the Vessel, the text of which is set out in Appendix III to this circular;
- (e) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (f) the written approval dated 28 March 2022 given by Fairline Consultants Limited and Timberfield Limited in relation to the Acquisition of the Vessel.

GENERAL

- (a) The secretary of the Company is Ms. Ho Suk Lin, a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.
- (b) The registered office, also the head 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 Tricor Standard Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.