
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, 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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 137

**MAJOR TRANSACTION
IN RESPECT OF LEASING A VESSEL
UNDER THE CHARTERPARTY**

22 July 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix I – Financial Information	10
Appendix II – Unaudited Pro Forma Financial Information of the Group	12
Appendix III – General Information	18

DEFINITIONS

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

“associates”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BPI 74K 4TC”	Baltic Exchange Panamax 74 Time Charter Average (4TC);
“Charterparty”	the charterparty dated 20 May 2022 entered into between the Lessor and the Lessee in respect of the leasing of the Vessel;
“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;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“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”	18 July 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;

DEFINITIONS

“Lessee”	Goldbeam Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping;
“Lessor”	THC International S.A., a company incorporated in the Republic of Panama;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Panamax(es)”	vessel(s) of deadweight approximately between 70,000 metric tons to 90,000 metric tons;
“Post-Panamax”	vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
“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;
“Vessel”	a Panamax of deadweight 84,484 metric tons bulk carrier M.V. “TAHO CIRCULAR” registered in the Republic of Liberia;
“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*

22 July 2022

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RESPECT OF LEASING A VESSEL
UNDER THE CHARTERPARTY**

INTRODUCTION

The Directors refer to the announcement of the Company dated 20 May 2022 in respect of leasing a vessel under the charterparty.

As disclosed in the Company's announcement on 20 May 2022, the Lessee, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Charterparty with the Lessor on 20 May 2022 in respect of leasing of the Vessel for a term of seven years commencing on the date of delivery of the Vessel to the Lessee which is expected to be delivered between 11 June 2022 and 30 June 2022.

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

LETTER FROM THE BOARD

THE CHARTERPARTY

The principal terms of the Charterparty are set out below:

Charterparty date:	20 May 2022
Ship owner (Lessor):	THC International S.A.
Charterer (Lessee):	Goldbeam Shipping Inc.
Vessel:	A Panamax of deadweight 84,484 metric tons bulk carrier M.V. "TAHO CIRCULAR" registered in the Republic of Liberia
Hire period:	Minimum 81 months up to maximum 87 months in charterer's option
Hire rate:	<p>Gross daily hire to be calculated basis the average of the Baltic Panamax Time Charter Routes published by the Baltic Exchange over the previous month of BPI 74K 4TC plus 20%, with 3.75% address commission</p> <p>Minimum daily hire rate of US\$11,500 (approximately HK\$90,000) in case market falls below, with 3.75% address commission</p> <p>Ceiling hire of US\$14,500 (approximately HK\$113,000) per day in case market rises above, with profit sharing with Lessor and Lessee equally in case average market rate rises above US\$14,500 (approximately HK\$113,000), with 3.75% address commission. The profit being shared equally between Lessor and Lessee is derived from the gross daily hire in excess of ceiling hire of US\$14,500 per day</p>
Payment terms:	15 days in advance
Total minimum hire payment under the Charterparty:	Approximately US\$24.6 million, equivalent to approximately HK\$191.7 million (based on minimum hire period and minimum hire rate, net of address commission)

THE RIGHT-OF-USE ASSET

The unaudited value of the right-of-use asset to be recognized by the Company under the terms of the Charterparty amounts to approximately US\$24.6 million (equivalent to approximately HK\$191.7 million), which is the present value of total minimum hire payment at the inception of the lease terms of the Charterparty in accordance with HKFRS 16. A discount rate of approximately 4.3% has been applied to

LETTER FROM THE BOARD

compute the present value of total minimum hire payment at the inception of the lease terms of the Charterparty. The hire payments will be settled from the internal resources of the Group. The final amount of the right-of-use asset to be recorded by the Group will be subject to audit.

INFORMATION ON THE GROUP, THE LESSEE AND THE LESSOR

The Group

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

Lessee

The Lessee is a ship chartering 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.

Lessor

The Lessor, THC International S.A., is a company incorporated in the Republic of Panama and its principal activities are shipowners and operator.

The Lessor is wholly owned by Ta-Ho Maritime Corporation, a company incorporated in Taiwan and is the subsidiary of Taiwan Cement Corporation, a company listed on Taiwan Stock Exchange Corporation (TWSE) (stock code: 1101). Its principal activities are production and distribution of cement and cement products; mining, manufacturing, transportation and sales of cement raw materials; and mining and distribution of ores.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Lessor, Taiwan Cement Corporation and its ultimate beneficial owner are Independent Third Parties.

GUARANTEE BY JINHUI SHIPPING

Jinhui Shipping, the intermediate holding company of the Lessee, agrees to provide guarantee to the Lessor to the sums payable and liabilities under the Charterparty.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CHARTERPARTY

The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

LETTER FROM THE BOARD

The terms and conditions of the Charterparty has been agreed on commercial terms following arm's length negotiations with reference to the prevailing market conditions and expectations of market outlook. The Directors consider that the lease of a Panamax newbuilding represents an opportunity for the Group to increase the carrying capacity with a modern ship at a reasonable price via means other than outright acquisition of vessels, improving the fleet profile of the Group with minimal immediate capital expenditure.

The BPI 74K 4TC is an established indicator for the dry bulk freight market for vessels with deadweight 74,000 metric tons and is derived based on the time-charter rates for four individual routes. As the chartered-in Vessel is a Panamax of deadweight 84,484 metric tons bulk carrier, the BPI 74K 4TC index is used as a reference point for hire rate, with premium of 20% as the Vessel with larger deadweight, new eco design of hull and engine which has lower fuel consumption, has the ability to carry more cargo at a lower fuel cost. This is especially important as fuel prices is a key consideration for customers.

An address commission is a fee payable by the shipowner to the charterer, expressed as a percentage of the freight or hire, ranged between 1.25-5 per cent. It is a common practice in the shipping industry and the percentage charged is determined by the shipowners and charterers and is included in the charterparty. The charterer will deduct the amount of address commission before paying the shipowner the hire.

In determining the terms of the Charterparty, the Company has considered the following factors:

- (i) reviewed historical average time charter equivalent rate (the "TCE") earned by the Group's owned vessels for previous five years. The average 5-year TCE for Post-Panamax fleet and Supramax fleet is approximately US\$11,800 (approximately HK\$92,000) and US\$10,600 (approximately HK\$83,000) respectively;
- (ii) reference to market report issued by Galbraiths Limited in April 2022, a worldwide leading shipbroking agency company, the historical 3-year time charter rates for Panamax ranged between US\$10,000 (approximately HK\$78,000) to US\$16,000 (approximately HK\$125,000), there are no reported 7-year time charter for reference; and
- (iii) obtained and ascertains the prevailing market hire rate with comparable type of vessels; by reference to weekly shipping reports issued by Hartland Shipping Services during February – March 2022, traded dry cargo market fixtures of 2020-2021 built Panamaxes with hire rates ranged between US\$23,000 (approximately HK\$179,000) to US\$35,000 (approximately HK\$273,000).

LETTER FROM THE BOARD

The hire rate under the Charterparty is determined after arm's length negotiations between the parties, after taking into consideration the long term time charter contracts in market and the historical average TCE earned by the Group's owned vessels for previous five years, referencing Post-Panamax which has a carrying capacity of approximately 90,000 metric tons and Supramax which has a carrying capacity of between 50,000 to 61,000 metric tons. Most importantly, comparison has been made between the pricing structure of chartering a vessel with purchasing the same vessel directly. In view of rising vessel prices, the aggregate of the daily running cost, depreciation, cost of interest, cost of principal repayment, insurance and other maintenance costs will be higher for running a vessel. Besides, the cost of borrowing is increasing, and we are operating in an inflationary environment which means running costs could further increase down the road. Locking in a long term contract with minimal hire actually has the benefit of bypassing inflationary pressure and other cost variation which the Company cannot avoid if we purchase and own the Vessel ourselves. It should be noted that when entering into a time charter of a vessel, maintenance costs, insurance, cost of running the vessel are under shipowners account (i.e. these are all included within the hire rate).

In view of the above, the Directors consider that the terms and conditions of the Charterparty are fair and reasonable and believe the lease of the Vessel is in the interests of the Company and its shareholders as a whole.

The global outbreak of COVID-19 has brought certain fluctuations to the dry bulk market. With the recovery of the pandemic across different countries around the world and the gradual release from lock-downs, the rising demands will stimulate the dry bulk market to a certain extent. The market hire rate will fluctuate and will be in the trend of increasing in the upcoming years. The Company are of the view that leasing of a vessel can minimize the operation costs of running vessels, preserve cash resources and increase flexibility during the macroeconomic environment. If it is under a short-term or spot charter, the charter market would generally reflect the current market situation and hire rates. Besides, the Vessel is a newly Japanese built vessel which usually enjoys a higher hire rate at the spot market. A charterparty with longer lease term will offer a lower hire rate and management also considered that leasing a Panamax can secure the vessel for its long-term business operations and lock the hire rate in rebound of dry bulk market.

Upon delivery of the Vessel, the Vessel is chartered out to customers for the transportation of dry bulk commodities to receive and generate chartering freight and hire income for the Group.

The Directors consider that the terms and conditions of the Charterparty were concluded based on arm's length negotiations under normal commercial terms, the Directors consider such terms and conditions are fair and reasonable and believe that the lease of the Vessel is in the interests of the Company and its shareholders as a whole.

In order to remain competitive in the 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 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, acquisition or charter-in of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

In face of the increasing uncertainties from the external environment in the coming years, the Group will continue to stay alert to any unforeseen changes to market and carry out any investment decisions cautiously, with a view to create sustainable return to shareholders in long term.

LETTER FROM THE BOARD

Possible financial effects of the Leasing of the Vessel under the Charterparty

In accordance with HKFRS 16 Leases, the value of the right-of-use asset recognized by the Group under the Charterparty amounted to approximately US\$24.6 million (equivalent to approximately HK\$191.7 million), which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the Charterparty. The Group will depreciate the right-of-use asset over the lease terms which will be charged to the consolidated statement of profit or loss.

Lease liabilities amounting to approximately US\$24.6 million (equivalent to approximately HK\$191.7 million) will be recognized by the Group in the consolidated statement of financial position and will decrease upon the settlement of lease payments to the Lessor accordingly.

The consolidated total assets of the Group would increase by approximately US\$24.6 million (equivalent to approximately HK\$191.7 million), and a corresponding amount of lease liabilities of approximately US\$24.6 million (equivalent to approximately HK\$191.7 million) would be recognized at the same time upon the commencement of the Charterparty. There would be no change in net assets on the consolidated statement of financial position of the Group. Interest expenses on lease liabilities will be recognized at the discount rate of approximately 4.3% per annum. After the commencement date of the lease, the lease liabilities are adjusted by interest accretion and lease payments.

A discount rate of approximately 4.3% has been applied to compute the present value of total minimum hire payment at the inception of the lease terms of the Charterparty. The hire payments will be settled from the internal resources of the Group. The final amount of the right-of-use asset to be recorded by the Group will be subject to audit.

The Vessel will generate recurring chartering freight and hire income which will be recorded as revenue of the Group.

LISTING RULES IMPLICATION

In accordance with HKFRS 16 Leases, the Company will recognize the unaudited value of the right-of-use asset on its consolidated statement of financial position in connection with the leasing of the Vessel under the Charterparty. Accordingly, the entering into transaction under the Charterparty will be deemed as an acquisition of right-of-use assets by the Group under the Listing Rules.

The unaudited value of the right-of-use asset is estimated to be approximately US\$24.6 million (equivalent to approximately HK\$191.7 million), which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the Charterparty in accordance with HKFRS 16.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Charterparty based on the unaudited value of the right-of-use asset recognized by the Group exceed 25% but are less than 100%, the leasing of the Vessel under the Charterparty 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.

LETTER FROM THE BOARD

Under Rule 14.44 of the Listing Rules, shareholders' approval for leasing of the Vessel under the Charterparty 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 Charterparty other than through its shareholding interest in the Company and Jinhui Shipping. No Shareholder is required to abstain from voting on the Charterparty if the Company were to convene a general meeting for the approval of the Charterparty, and the Charterparty had been approved by written shareholders' approvals from Fairline and Timberfield.

As stated in the preceding paragraphs, the Directors are of the view that entering into the Charterparty and transaction contemplated thereunder is in the ordinary course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and the terms under the Charterparty is fair and reasonable. Although a general meeting would not be convened by the Company to approve the leasing of the Vessel under the Charterparty and the transaction contemplated thereunder, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the leasing of the Vessel under the Charterparty and the transaction contemplated thereunder.

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 May 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\$745 million.

The bank borrowings comprised secured term loans of approximately HK\$389 million and secured revolving loans of approximately HK\$356 million. All outstanding bank borrowings and credit facilities were guaranteed by the Company or Jinhui Shipping.

As at 31 May 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\$2,398 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\$175 million and deposits in banks amounting to approximately HK\$56 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\$31 million to secure credit facilities utilized by the Group.

As at 31 May 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.

So far for 2022, the freight environment has been steady driven by a general robust demand for commodities worldwide. Volatility is expected given any changes in monetary policies or material geo-political issues will affect business sentiment, or in some cases business practices or trade patterns will be affected.

When we look at the industry fundamentals, the supply of new vessels remains low, the industry outlook continues to point towards a relatively healthy freight market for our business operations. Demand for commodities is expected to remain robust. In fact, transportation of certain commodities will undergo profound changes and one of the possible results will be a significant increase in tonne miles due to international sanctions against Russia. Logistics of the transportation of goods and commodities continue to experience bottlenecks and disruptions are likely to continue to be present in the foreseeable future depending on countries and regions.

With expected moderate global dry bulk fleet growth in the next few years due to minimal new ship ordering and potentially increased scrapping as the fleet ages and decarbonization regulations tighten, new vessel orders are expected to be low. Looking ahead, this potentially highly favorable demand and supply dynamics is expected to continue, where our fleet is well positioned to benefit.

We believe the leasing of the Vessel under the Charterparty can increase the carrying capacity of our fleet profile with a modern ship, bring 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 leasing of the Vessel under the Charterparty, 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 leasing of the Vessel under the Charterparty 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 leasing of the Vessel under the Charterparty, 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 leasing of the Vessel under the Charterparty. 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 leasing of the Vessel under the Charterparty.

The Unaudited Pro Forma Financial Information of the Group after the leasing of the Vessel under the Charterparty 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 <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>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	3,056,304	191,698	<i>(a)</i>	3,248,002
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>3,784,310</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			269,175
	<u>929,599</u>			<u>929,599</u>
Current liabilities				
Trade and other payables	180,048			180,048
Taxation payable	234			234
Secured bank loans	515,363			515,363
	<u>695,645</u>			<u>695,645</u>
Non-current liabilities				
Secured bank loans	345,073			345,073
Lease liabilities	–	191,698	<i>(b)</i>	191,698
	<u>345,073</u>			<u>536,771</u>
Net assets	<u><u>3,481,493</u></u>			<u><u>3,481,493</u></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><u>3,481,493</u></u>			<u><u>3,481,493</u></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 unaudited value of the right-of-use asset for the Vessel of approximately US\$24.6 million (equivalent to approximately HK\$191.7 million), which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the Charterparty in accordance with HKFRS 16 Leases. The Group will depreciate the right-of-use asset over the lease terms which will be charged to the consolidated statement of profit or loss.
- (b) Lease liabilities amounting to approximately US\$24.6 million (equivalent to approximately HK\$191.7 million) will be recognized by the Group in the consolidated statement of financial position and will decrease upon the settlement of lease payments to the Lessor accordingly. Interest expenses on the lease liabilities will be recognized at the discount rate of approximately 4.3% per annum.

(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 22 July 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 leasing of a vessel under the charterparty (the “**Lease**”) on the Group’s financial position as at 31 December 2021 as if the Lease 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 Lease 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, 22 July 2022

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	24,725,000	15,140,000	205,325,568 <i>Note 1</i>	245,190,568	46.24%
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:

1. 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.
2. 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.

- (b) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- (c) As at the Latest Practicable Date, none of the Directors or their respective associates has any interests in any company or business which competes or may compete with the businesses of the Group.
- (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	230,050,568 <i>Note 1</i>	–	245,190,568	46.24%
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:

- Ms. Wong Yee Man Gloria is deemed to be interested in 230,050,568 shares of the Company through the interests of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).
- 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).
- 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).
- 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 expert who have given opinions and advice in this circular is as follows:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants

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

As at the Latest Practicable Date, 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.

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;
- (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; and
- (14) a charterparty dated 20 May 2022 entered into between Goldbeam Shipping Inc.* and THC International S.A. regarding the leasing of the vessel.

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 Charterparty;
- (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 written consent referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (e) the written approval dated 20 May 2022 given by Fairline Consultants Limited and Timberfield Limited in relation to the leasing of the Vessel under the Charterparty.

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.