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## **JINHUI HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock code: 137

### **MAJOR TRANSACTION – DISPOSAL OF VESSELS**

The Board announces that on 8 July 2004 the First Vendor entered into the First Memorandum with the Purchaser for the disposal of the First Vessel. In addition, on 8 July 2004 the Second Vendor entered into the Second Memorandum with the Purchaser for the disposal of the Second Vessel.

Under the First Memorandum, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$29,500,000 (approximately HK\$230,100,000). Under the Second Memorandum, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$27,000,000 (approximately HK\$210,600,000). The aggregate consideration for the Disposals is US\$56,500,000 (approximately HK\$440,700,000).

Under the Listing Rules, the First Disposal and the Second Disposal together constitute a major transaction for the Company. A circular containing, amongst other things, further information relating to the Disposals will be despatched to the shareholders of the Company as soon as reasonably practicable.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:30 am on 9 July 2004. The Company will apply to the Stock Exchange for resumption of trading in its shares with effect from 9:30 a.m. on Monday 12 July 2004.

### **INTRODUCTION**

The Board announces that on 8 July 2004 the First Vendor entered into the First Memorandum with the Purchaser for the disposal of the First Vessel. In addition, on 8 July 2004 the Second Vendor entered into the Second Memorandum with the Purchaser for the disposal of the Second Vessel.

The Purchaser is a private shipping company headquartered in Greece with a fleet size of approximately 70 vessels, operating out of offices in London, New York and Greece. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Purchaser and its beneficial owners are third parties independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

## **THE DISPOSALS**

Under the First Memorandum, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$29,500,000 (approximately HK\$230,100,000) payable as follows:

1. an initial deposit of US\$2,950,000 (approximately HK\$23,010,000) will be payable by the Purchaser within three banking days from signing of the First Memorandum to a bank account in the joint names of the First Vendor and the Purchaser until released on delivery of the First Vessel (see below); and
2. the balance of the consideration for the First Vessel payable on the delivery of the First Vessel which will take place between 20 August 2004 and 15 November 2004, at the First Vendor's option.

Under the Second Memorandum, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$27,000,000 (approximately HK\$210,600,000) payable as follows:

1. an initial deposit of US\$2,700,000 (approximately HK\$21,060,000) will be payable by the Purchaser within three banking days from signing of the Second Memorandum to a bank account in the joint names of the Second Vendor and the Purchaser until released on delivery of the Second Vessel (see below); and
2. the balance of the consideration for the Second Vessel payable on the delivery of the Second Vessel which will take place between 15 October 2004 and 30 November 2004, at the Second Vendor's option.

The First Memorandum and the Second Memorandum are not inter-conditional.

The aggregate consideration for the Disposals is US\$56,500,000 (approximately HK\$440,700,000). The consideration was determined by reference to the prevailing market values, as ascertained from independent sources including (but not limited to) industry reports and recent comparable transactions, at or about the time of entry into the First Memorandum and the Second Memorandum, driven by supply and demand and based on arm's length negotiations with the Purchaser. The net book value as at 31 December 2003 of the First Vessel was US\$20,643,682 and the Second Vessel was US\$19,980,844.

## **THE VESSELS**

The First Vessel and the Second Vessel are dry bulk carriers each of dead weight tonnage of 74,204 tonnes, built in 2002 and registered in Hong Kong.

The net profit both before and after taxation and extraordinary items attributable to the First Vendor (a special purpose holding company whose only asset is the First Vessel) for the two financial years ended 31 December 2003 are HK\$3,575,161 and HK\$15,708,412 respectively.

The net profit both before and after taxation and extraordinary items attributable to the Second Vendor (a special purpose holding company whose only asset is the Second Vessel) for the two financial years ended 31 December 2003 are HK\$3,606,572 and HK\$9,949,563 respectively.

## **REASON FOR THE DISPOSALS**

The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate. The Directors believe that the Disposals are a good opportunity to realize the book gains arising from the sale of the two vessels, and will enable the Company to enhance its working capital position. The Disposals will not have any material adverse effect on the operation of the Group. Taking into account completion of the Disposals, the Group will own 8 vessels, with a further 5 vessels contracted for delivery in 2005 and 2007.

The terms and conditions of the First Memorandum and Second Memorandum have been agreed on normal commercial terms following arm's length negotiations. The Board considers such terms and conditions to be fair and reasonable and in the best interests of the Company and its shareholders as a whole. Based on the net book values of the First Vessel and the Second Vessel as at 31 December 2003 as described above, the Group would realize a book gain of approximately HK\$33.2 million on the disposal of the First Vessel and HK\$26.3 million on the disposal of the Second Vessel. However, the actual book gain which the Group would realize upon completion of the Disposals will depend on the actual book values of the vessels as at the dates of their delivery in accordance with the Group's depreciation policy for its vessels as shown in the Company's annual report.

## **USE OF PAYMENT RECEIVED**

The Group intends to use approximately HK\$187.4 million of the payment received pursuant to the First Memorandum and the Second Memorandum to repay bank loans and the balance as additional working capital of the Group.

## **GENERAL**

The principal businesses of the Group include ship chartering, ship owning and trading. Under the Listing Rules, the First Disposal and the Second Disposal constitute a major transaction for the Company and are subject to shareholders' approval in general meeting. However, Fairline Consultants Limited, the controlling shareholder of the Company holding approximately 57.74 per cent. of the issued share capital of the Company and voting rights in general meeting, has given to the Company its irrevocable approval in writing to the Disposals. Fairline Consultants Limited is not interested in the Disposals (other than through its shareholding interest in the Company and its approximately 0.50 per cent. shareholding interest in Jinhui Shipping). The Company will apply for a waiver from the Stock Exchange from the requirement to convene a general meeting to obtain the approval for the Disposals from the shareholders of the Company as required under Rule 14.40 of the Listing Rules. A circular containing, amongst other things, further information relating to the Disposals will be despatched to the shareholders of the Company as soon as reasonably practicable.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:30 am on 9 July 2004. The Company will apply to the Stock Exchange for resumption of trading in its shares with effect from 9:30 a.m. on Monday 12 July 2004.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions of the following meanings were used in this announcement:

“Board”	the board of Directors;
“Company”	Jinhui Holdings Company Limited;
“Directors”	the directors of the Company;
“Disposals”	the disposal of the First Vessel and the Second Vessel under the First Memorandum and the Second Memorandum;
“First Memorandum”	the memorandum of agreement dated 8 July 2004 between the First Vendor and the Purchaser in respect of the disposal of the First Vessel;
“First Vendor”	Jintai Marine Inc., a wholly owned subsidiary of Jinhui Shipping;
“First Vessel”	the motor vessel “Jin Tai” registered in Hong Kong;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 50.9 per cent owned subsidiary of the Company whose shares are listed on the Oslo Stock Exchange, Norway;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Sun Enterprises S.A.;
“Second Memorandum”	the memorandum of agreement dated 8 July 2004 between the Second Vendor and the Purchaser in respect of the disposal of the Second Vessel;
“Second Vendor”	Jinkang Marine Inc., a wholly owned subsidiary of Jinhui Shipping;
“Second Vessel”	the motor vessel “Jin Kang” registered in Hong Kong;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	United States dollars, the lawful currency of the United States of America.

As at the date of this announcement:

- (a) the executive directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin;
- (b) the non-executive directors of the Company are Ho Kin Lung and So Wing Hung Peter; and
- (c) the independent non-executive directors of the Company are Cui Jian Hua and Tsui Che Yin Frank.

By Order of the Board  
**Ng Siu Fai**  
*Chairman*

Hong Kong, 9 July 2004

Please also refer to the published version of this announcement in China Daily.