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## **JINHUI HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock code: 137

### **MAJOR TRANSACTION – ACQUISITION OF A VESSEL**

The Board announces that on 16 August 2004 Jinhe Marine entered into the Agreement with the Contractor for the construction and sale of the Vessel.

Under the Agreement, Jinhe Marine agrees to acquire from the Contractor one deadweight 77,000 metric tons type single screw diesel propelled bulk carrier, which will be built and delivered in Japan, for a consideration of US\$31,500,000 (approximately HK\$245,700,000).

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company. A circular containing, amongst other things, further information relating to the Acquisition 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 a.m. on 17 August 2004. The Company has applied to the Stock Exchange for resumption of trading in its shares with effect from 9:30 a.m. on 18 August 2004.

### **INTRODUCTION**

The Board announces that on 16 August 2004 Jinhe Marine, a wholly owned subsidiary of Jinhui Shipping, entered into the Agreement with the Contractor for the construction and sale of the Vessel.

The Contractor is a trading firm listed on five stock exchanges in Tokyo, Osaka, Nagoya, Fukuoka and Frankfurt, and to the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Contractor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

## **THE ACQUISITION**

Under the Agreement, the Contractor has agreed to procure a designated shipbuilder, Oshima Shipbuilding Co., Ltd (the “Shipbuilder”), to build, launch, equip and complete at the Shipbuilder’s shipyard in Japan and to sell and deliver to Jinhe Marine the Vessel for a consideration of US\$31,500,000 (approximately HK\$245,700,000), subject to adjustment, payable in four instalments. The first instalment of US\$3,150,000 (approximately HK\$24,570,000) will be payable by Jinhe Marine to the Contractor to a bank account nominated by the Contractor upon signing of the Agreement. The second instalment of US\$3,150,000 (approximately HK\$24,570,000) will be payable on 15 November 2005. The third instalment of US\$3,150,000 (approximately HK\$24,570,000) will be payable within three business days after confirmation of launching of the Vessel which is expected to be around February 2006. The fourth instalment of US\$22,050,000 (approximately HK\$171,990,000) will be payable three business days before the scheduled date of delivery of the Vessel and shall be released by the bank to the Contractor upon delivery by the Contractor of a copy of a signed delivery and acceptance for the Vessel from Jinhe Marine.

The purchase price for the Vessel will be payable in United States Dollars. The purchase price will be funded by the internal resources and bank loans of Jinhui Shipping and its subsidiaries. The purchase price 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 Agreement, driven by supply and demand and based on arm’s length negotiations with the Contractor. The Directors are of the view that the purchase price is fair and reasonable.

The Agreement provides that the expected time for delivery of the Vessel will take place in Japan on or before 30 April 2006. Subject to the terms of the Agreement, if there is delay in the delivery of the Vessel, Jinhe Marine may at its option rescind the Agreement and the full amount of all sums paid by Jinhe Marine shall be returned to Jinhe Marine.

## **THE VESSEL**

The Vessel is a deadweight 77,000 metric tons type single screw diesel propelled bulk carrier, which will be built and delivered in Japan and registered by Jinhe Marine in Hong Kong.

## **GUARANTEE**

Jinhui Shipping, the intermediate holding company of Jinhe Marine, executed on 16 August 2004 a guarantee in favour of the Contractor pursuant to which Jinhui Shipping agrees to provide a guarantee, as security for performance by Jinhe Marine of its obligations and liabilities under the Agreement, including the payment obligations of the consideration price of US\$31,500,000.

## **REASONS FOR THE ACQUISITION**

The principal businesses of the Group include international ship chartering, ship owning and trading. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group’s fleet size as appropriate. Despite the sharp fall in the Baltic Dry Index (an index reflecting the performance of charter hire for bulk carriers) since March 2004, the Baltic Dry Index have shown strong signs of recovery beginning in July 2004, and the Board is of the view that it is a right opportunity to acquire another vessel in view of the recovery and the improvement in the shipping market. The Group currently owns ten dry bulk

vessels, two of which have been sold pursuant to two memoranda of agreement and are scheduled for delivery later in 2004. After the Acquisition, the Group will have an additional six dry bulk vessels under construction, of which three will be delivered in 2005, one in 2006 and the other two will be delivered in 2007. The Board believes the steady increase in the freight rates will continue and decides to acquire one more motor vessel to expand its fleet of owned vessels instead of charter-in vessels in order to generate more operating income and to maximize the returns for the Group in the future.

The Group has been a customer of the Contractor since 1997 and had previously acquired and took delivery of seven motor vessels from the Contractor in the past few years. In addition, the Group had entered into two separate contracts with the Contractor on 12 August 2003 and 9 January 2004 for the acquisition of another two motor vessels from the Contractor. Each of the aforementioned agreements are separate and not inter-conditional of each other.

Given the reliability of the Contractor and the recovery in the shipping market, the Board decided to enter into negotiations with the Contractor for the Acquisition. The Group and the Contractor began the negotiations for the Acquisition in July 2004. The terms and conditions of the Agreement 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.

In addition, the Group had, during this year, acquired a vessel from Super Venture International Limited, and another vessel from Xing Long Maritime S.A., a wholly owned subsidiary of Orix Corporation, as disclosed in the Company's announcement dated 11 March 2004 and 13 April 2004 respectively.

## **GENERAL**

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company and is subject to shareholders' approval in accordance with the Listing Rules. A circular containing, amongst other things, further information relating to the Acquisition will be despatched to the shareholders of the Company as soon as reasonably practicable.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Vessel under the Agreement;
“Agreement”	the contract dated 16 August 2004 between Jinhe Marine and the Contractor in respect of the Acquisition;
“Board”	the board of Directors;
“Company”	Jinhui Holdings Company Limited;
“Contractor”	Sumitomo Corporation, a corporation organised and existing under the laws of Japan;

“Directors”	the directors of the Company;
“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;
“Jinhe Marine”	Jinhe Marine Inc., a wholly owned subsidiary of Jinhui Shipping;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States Dollars, the lawful currency of the United States of America; and
“Vessel”	the deadweight 77,000 metric tons type single screw diesel propelled bulk carrier.

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 director of the Company is Ho Kin Lung; 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 Kam Wah Thomas**  
*Managing Director*

Hong Kong, 17 August 2004

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