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## **JINHUI HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

### **DISCLOSEABLE TRANSACTION**

Jinyi, an approximately 50.9 per cent. owned indirect subsidiary of the Company, as buyer, entered into the Contract with the Contractor on 12 August 2003 to acquire the Vessel at a purchase price of US\$19,250,000 (equivalent to HK\$150,150,000). The purchase price was agreed after arm's length negotiations and by reference to current market value of similar type of vessels.

The Vessel is to be delivered to Jinyi on or before 31 July 2007. The payment obligations of Jinyi in respect of the purchase price of the Vessel are guaranteed by Jinhui Shipping, an approximately 50.9 per cent. owned subsidiary of the Company and the intermediate holding company of Jinyi.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

#### **THE CONTRACT**

##### **1. Purchaser**

Jinyi Shipping Inc. ("Jinyi"), a wholly-owned subsidiary of Jinhui Shipping and Transportation Limited ("Jinhui Shipping") which is in turn an approximately 50.9 per cent. owned subsidiary of Jinhui Holdings Company Limited (the "Company").

##### **2. Vendor**

Sumitomo Corporation (the "Contractor"), a trading firm listed in five stock exchanges in Tokyo, Osaka, Nagoya, Fukuoka and Frankfurt, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

##### **3. The Acquisition**

Pursuant to a construction and sale contract dated 12 August 2003 (the "Contract"), the Contractor has agreed to procure a designated shipbuilder, Oshima Shipbuilding Co., Ltd. (the "Builder"), to build, launch, equip and complete at the Builder's shipyard in Japan and to sell and deliver to Jinyi one deadweight 55,300 metric tons type single screw diesel propelled bulk carrier (the "Vessel") in Japan and Jinyi has agreed to purchase and take delivery of the Vessel from the Contractor (the "Acquisition"). The Vessel is proposed to be used for chartering out to gain operating income by Jinyi after delivery. The Builder and its beneficial owners are independent third parties 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).

#### **4. Consideration**

Subject to certain provisions for adjustment to reduce the purchase price of the Vessel contained in the Contract relating to, amongst other things, delay in the delivery of the Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Vessel is US\$19,250,000 (equivalent to HK\$150,150,000) payable by five instalments. The adjustment in this respect, if any, will not be material as compared to the agreed purchase price.

The first instalment in the sum of US\$962,500 (equivalent to HK\$7,507,500) will be payable on or before 15 August 2003. The second instalment in the sum of US\$962,500 (equivalent to HK\$7,507,500) will be payable on 12 August 2004. The third and fourth instalments in the sum each of US\$1,925,000 (equivalent to HK\$15,015,000) will be payable respectively on 29 January 2007 and upon launching of the Vessel which is expected to be around May 2007. The last instalment will be payable upon delivery of the Vessel on or before 31 July 2007.

The purchase price for the Vessel will be payable by cash in United States Dollars. The first three instalments are expected to be funded by the internal resources of the Company and its subsidiaries (the "Group"). The last two instalments are expected to be funded by the Group's bank loans. The purchase price was determined by reference to current market values of similar type of vessels and on the basis of arm's length negotiations.

#### **5. Condition Subsequent**

According to the Contract, if the construction permit for the Vessel shall not have been issued by the relevant authority of Japanese Government within 120 days from the date of the Contract, that is, on or before 10 December 2003, then the Contract shall, unless otherwise mutually agreed in writing by the parties, automatically become null and void. The Contractor shall immediately refund to Jinyi in United States Dollars the full amount received by the Contractor with interest accrued thereon at the rate of 3 per cent. per annum from the date of receipt by the Contractor of such amount to the date of full payment to Jinyi of such amount. If the Contract becomes null and void, a further announcement will be issued in this respect.

#### **6. Delivery**

The Contract provides for the delivery of the Vessel on or before 31 July 2007 to Jinyi in Japan. If there is delay in delivery of the Vessel which continues for a period of 180 days from the thirty-first day after the agreed delivery date by all the parties involved, then after such period has expired, Jinyi may at its option rescind the Contract. The Contractor shall thereupon promptly refund to Jinyi in United States Dollars the full amount of all sums received by the Contractor together with interest accrued thereon at an agreed rate from the date of receipt by the Contractor of such amount to the date of full payment to Jinyi of such amount.

#### **7. Undertaking by the Builder**

The Contract was also signed by the Builder for the purpose of an undertaking on its part to duly perform all the terms and conditions stipulated in the Contract to be performed by a shipbuilder including the undertaking to remedy Jinyi at first priority and free of charge for any defects in the Vessel which are due to defective material, defective construction and/or bad workmanship on the part of the Builder and/or its sub-contractors within a period of twelve months after the date of delivery of the Vessel.

## **8. Guarantee by Jinhui Shipping**

Jinhui Shipping, an approximately 50.9 per cent. owned subsidiary of the Company and the intermediate holding company of Jinyi, executed on 12 August 2003 a guarantee in favour of the Contractor pursuant to which it agrees to guarantee the full and punctual payment of the purchase price and the prompt and punctual performance, by Jinyi in accordance with the terms of the Contract.

## **REASONS FOR THE ACQUISITION**

The Group's principal activities include international ship chartering, ship owning, trading and transportation. The freight rates of the shipping market have been picked up steadily with the Baltic Dry Index opened at 1,738 at the beginning of 2003 and closed at 2,181 as at 31 July 2003, a rise by 443 points over the past seven months. The Company considers that the purchase price of the Vessel is fair and reasonable and it is an opportune moment during recent market situations to further expand its fleet of vessels in order to generate more operating income for the Group.

## **GENERAL**

Under the Listing Rules, the Acquisition constitutes a discloseable 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.

*Unless otherwise specified, amounts denominated in US Dollars have been translated, for the purpose of illustration only, into Hong Kong Dollars at the rate of US\$1.00=HK\$7.80 as at 12 August 2003. No representation is made that any amounts in US Dollars or Hong Kong Dollars could have been or could be converted at the above rate or at any other rate or at all.*

By Order of the Board  
**Ng Kam Wah Thomas**  
*Executive Director*

Hong Kong, 12 August 2003

Please also refer to the published version of this announcement in The Standard.