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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 VESSELS**

As disclosed in the Company's announcement on 28 March 2022, the First Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the First Agreement with the Vendor in respect of the acquisition of the First Vessel on 28 March 2022. The purchase price of the First Vessel is US\$25,500,000 (approximately HK\$198,900,000). The First Vessel was delivered by the Vendor to the First Purchaser on 29 July 2022. Under the Listing Rules, the acquisition of the First Vessel, on a standalone basis, constitutes a major transaction for the Company.

On 9 September 2022, the Second Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Second Agreement with the Vendor in respect of the acquisition of the Second Vessel. The purchase price of the Second Vessel is US\$25,375,000 (approximately HK\$197,925,000). The Second Vessel will be delivered by the Vendor to the Second Purchaser between 15 September 2022 and 30 December 2022. Under the Listing Rules, the acquisition of the Second Vessel, on a standalone basis, constitutes a major transaction for the Company.

On 9 September 2022, the Third Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Third Agreement with the Vendor in respect of the acquisition of the Third Vessel. The purchase price of the Third Vessel is US\$25,375,000 (approximately HK\$197,925,000). The Third Vessel will be delivered by the Vendor to the Third Purchaser between 15 September 2022 and 30 November 2022. Under the Listing Rules, the acquisition of the Third Vessel, on a standalone basis, constitutes a major transaction for the Company.

Since the First Vessel, the Second Vessel and the Third Vessel are purchased from the same vendor, pursuant to Rule 14.22 of the Listing Rules, the acquisition of the First Vessel, the Second Vessel and the Third Vessel under the First Agreement, the Second Agreement and the Third Agreement shall be aggregated for determining the percentage ratios under Rule 14.07 of the Listing Rules and treated as if they were one transaction entered within 12-month period for the purpose of Chapter 14 of the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the aggregated amount of the considerations under the First Agreement, the Second Agreement and the Third Agreement exceed 25% but are less than 100%, the Acquisition of the Vessels 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. A circular containing, amongst other things, further information relating to the Acquisition of the Vessels is expected to be despatched to the Shareholders on or before 3 October 2022 in accordance with the Listing Rules.

## **THE ACQUISITION OF THE VESSELS**

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

On 9 September 2022, the Second Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Second Agreement with the Vendor in respect of the acquisition of the Second Vessel. The purchase price of the Second Vessel is US\$25,375,000 (approximately HK\$197,925,000). The Second Vessel will be delivered by the Vendor to the Second Purchaser between 15 September 2022 and 30 December 2022.

On 9 September 2022, the Third Purchaser, an approximately 55.69% indirectly owned subsidiary of the Company, entered into the Third Agreement with the Vendor in respect of the acquisition of the Third Vessel. The purchase price of the Third Vessel is US\$25,375,000 (approximately HK\$197,925,000). The Third Vessel will be delivered by the Vendor to the Third Purchaser between 15 September 2022 and 30 November 2022.

The First Agreement, the Second Agreement and the Third Agreement are separate and not inter-conditional of each other.

### **Information on the Group and the purchasers**

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

The First 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 date of this announcement. The principal activities of the First Purchaser are ship owning and chartering.

The Second 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 date of this announcement. The principal activities of the Second Purchaser are ship owning and chartering.

The Third 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 date of this announcement. The principal activities of the Third 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.

## **Vessels**

The First 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 Second Vessel is a Supramax of deadweight 63,518 metric tons, built in year 2014 by builder/yard: Jiangsu Hantong Ship Heavy Industry Co., Ltd. The Vendor warrants that the Second Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts. The Second Vessel will be delivered to the Group on a free from charter basis.

The Third Vessel is a Supramax of deadweight 63,469 metric tons, built in year 2014 by builder/yard: Jiangsu Hantong Ship Heavy Industry Co., Ltd. The Vendor warrants that the Third Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts. The Third Vessel will be delivered to the Group on a free from charter basis.

## **Considerations**

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

- (1) an initial deposit of US\$2,550,000 (approximately HK\$19,890,000) was paid by the First Purchaser on 4 April 2022; and
- (2) the balance of US\$22,950,000 (approximately HK\$179,010,000) was paid by the First Purchaser on 29 July 2022 upon delivery of the First Vessel.

The purchase price for the First Vessel was paid by cash in United States Dollars. The purchase price of the First 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.

Under the Second Agreement, the purchase price for the Second Vessel is US\$25,375,000 (approximately HK\$197,925,000) and is payable by the Second Purchaser as follows:

- (1) an initial deposit of US\$2,537,500 (approximately HK\$19,792,500) will be payable by the Second Purchaser (i) within three banking days from the date of signing the Second Agreement; or (ii) on the date at which the confirmation from the escrow agent confirming the account is ready to receive the initial deposit, whichever is the latest; and
- (2) the balance of US\$22,837,500 (approximately HK\$178,132,500) will be payable by the Second Purchaser on the delivery of the Second Vessel which will take place between 15 September 2022 and 30 December 2022.

Under the Third Agreement, the purchase price for the Third Vessel is US\$25,375,000 (approximately HK\$197,925,000) and is payable by the Third Purchaser as follows:

- (1) an initial deposit of US\$2,537,500 (approximately HK\$19,792,500) will be payable by the Third Purchaser (i) within three banking days from the date of signing the Third Agreement; or (ii) on the date at which the confirmation from the escrow agent confirming the account is ready to receive the initial deposit, whichever is the latest; and
- (2) the balance of US\$22,837,500 (approximately HK\$178,132,500) will be payable by the Third Purchaser on the delivery of the Third Vessel which will take place between 15 September 2022 and 30 November 2022.

The purchase prices for the Second Vessel and the Third Vessel will be payable by cash in United States Dollars. The purchase prices of the Second Vessel and the Third Vessel were 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, valuations from independent valuer and on the basis of arm's length negotiations with the Vendor.

The Group engaged Arrow Valuations, an independent valuer and an affiliate of Arrow Asia Shipbrokers Ltd., an independent shipbroking group, to provide the formal valuation certificates in respect of the First Vessel, the Second Vessel and the Third Vessel. In respect of the valuations of the First Vessel, the Second Vessel and the Third Vessel, the Company has reviewed the valuation certificates and discussed with Arrow Valuations about the valuation approach and methodology adopted in the valuations of the First Vessel, the Second Vessel and the Third Vessel. As advised by Arrow Valuations, the market approach is adopted in the valuations of the First Vessel, the Second Vessel and the Third Vessel where Arrow Valuations has considered the factors including (i) the quality and reputation of the shipbuilder; (ii) the configurations and specifications of the First Vessel, the Second Vessel and the Third Vessel; (iii) the country where the First Vessel, the Second Vessel and the Third Vessel were 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.

Having assessed all the above factors, Arrow Valuations reached the opinion of the evaluation of the First Vessel, the Second Vessel and the Third Vessel, which Arrow Valuations believed would reflect the market values of the First Vessel, the Second Vessel and the Third Vessel at the date of the valuation. According to Arrow Valuations, the market value of the First Vessel as at 28 March 2022 was US\$25,500,000 (approximately HK\$198,900,000), and each of the market value of the Second Vessel and the Third Vessel as at 9 September 2022 was US\$25,375,000 (approximately HK\$197,925,000).

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 Second Vessel and the Third Vessel will be funded by bank financing and the remaining will be funded by internal resources of the Group.

The Directors consider that the purchase prices of the First Vessel, the Second Vessel and the Third Vessel are fair and reasonable and the Acquisition of the Vessels is in the interests of the Company and its shareholders as a whole.

## **REASONS FOR THE ACQUISITION OF VESSELS**

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.

The First Vessel, the Second Vessel and the Third Vessel are grabs fitted Supramaxes for the transportation of dry bulk commodities. The Directors and senior management have been reviewing the individual specification, maintenance quality and conditions of the First Vessel, the Second Vessel and the Third Vessel and consider the purchase prices of the First Vessel, the Second Vessel and the Third Vessel are reasonable. The Group currently owns twenty five dry bulk vessels which include two Post-Panamaxes and twenty three grabs fitted Supramaxes. Total carrying capacity will be increased by 126,987 metric tons to 1,611,755 metric tons after the completion of the acquisition of the Second Vessel and the Third Vessel.

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 Vessels 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 First Vessel, the Second Vessel and the Third Vessel will be in high demand. This was a crucial factor in the Group's decision to purchase the First Vessel, the Second Vessel and the Third 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.

The First Vessel was delivered to the First Purchaser on 29 July 2022 and is chartered out to third parties to generate recurring chartering freight and hire income for the Group.

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

## **LISTING RULES IMPLICATION**

Since the First Vessel, the Second Vessel and the Third Vessel are purchased from the same vendor, pursuant to Rule 14.22 of the Listing Rules, the acquisition of the First Vessel, the Second Vessel and the Third Vessel under the First Agreement, the Second Agreement and the Third Agreement shall be aggregated for determining the percentage ratios under Rule 14.07 of the Listing Rules and treated as if they were one transaction entered within 12-month period for the purpose of Chapter 14 of the Listing Rules.

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 Vessels exceed 25% but are less than 100%, the Acquisition of the Vessels 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 Vessels 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 as at date of this announcement. 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 as at date of this announcement. 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 Vessels 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 Vessels if the Company were to convene a general meeting for the approval of the Acquisition of the Vessels, and the Acquisition of the Vessels has been approved by written shareholders' approvals from Fairline and Timberfield.

A circular containing, amongst other things, further information relating to the Acquisition of the Vessels is expected to be despatched to the Shareholders on or before 3 October 2022 in accordance with the Listing Rules.

## **DEFINITIONS**

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

"Acquisition of the Vessels"	the acquisition of the First Vessel under the First Agreement, the acquisition of the Second Vessel under the Second Agreement and the acquisition of the Third Vessel under the Third Agreement;
"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;
"First Agreement"	the memorandum of agreement dated 28 March 2022 entered into between the Vendor and the First Purchaser in respect of the acquisition of the First Vessel;
"First Purchaser"	Jinping Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;

“First Vessel”	a deadweight 63,485 metric tons bulk carrier “JIN PING”, formerly named as “HANTON TRADER II”, registered in Hong Kong;
“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 date of this announcement, 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;
“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;
“Second Agreement”	the memorandum of agreement dated 9 September 2022 entered into between the Vendor and the Second Purchaser in respect of the acquisition of the Second Vessel;
“Second Purchaser”	Jinheng Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
“Second Vessel”	a deadweight 63,518 metric tons bulk carrier “WESTERN SANTOS” registered in the Republic of Panama/Philippines;
“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;
“Third Agreement”	the memorandum of agreement dated 9 September 2022 entered into between the Vendor and the Third Purchaser in respect of the acquisition of the Third Vessel;
“Third Purchaser”	Jinchao Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
“Third Vessel”	a deadweight 63,469 metric tons bulk carrier “HANTON TRADER I” registered in the Republic of Panama/Philippines;
“Vendor”	Ratu Shipping Co., S.A., a company incorporated 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.

By Order of the Board  
**Jinhui Holdings Company Limited**  
**Ng Siu Fai**  
*Chairman*

Hong Kong, 9 September 2022

*As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.*