



## JINHUI SHIPPING AND TRANSPORTATION LIMITED

### **JIN - AGREEMENT SIGNED ACQUISITION OF A VESSEL**

The board of directors (the "Board") of Jinhui Shipping and Transportation Limited (the "Company") announces that Jinning Marine Inc. ("Jinning"), a wholly-owned subsidiary of the Company, entered into a construction and sale contract (the "Contract") on 19 May 2008 to acquire a Supramax newbuilding at a purchase price of JPY5,100,000,000 (the "Acquisition").

#### **THE CONTRACT**

##### **The Acquisition**

Pursuant to the Contract entered into between Jinning and Sumitomo Corporation (the "Contractor") on 19 May 2008, 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 a deadweight 59,760 metric tons type bulk carrier (the "Vessel") to Jinning, and Jinning has agreed to purchase and take delivery of the Vessel from the Contractor. The Vessel is proposed to be used for chartering out to gain operating income by Jinning after delivery.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Contractor and the Builder 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.

##### **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 delivery of the Vessel, guaranteed speed deficiency, guaranteed fuel consumption being exceeded or guaranteed deadweight deficiency, the purchase price for the Vessel is JPY5,100,000,000 and is payable by Jinning in the following manner:

- (1) the first installment in the sum of JPY1,020,000,000 will be payable to the Contractor's designated bank account within three business days after signing of the Contract;
- (2) the second installment in the sum of JPY255,000,000 will be payable on 19 May 2009;
- (3) the third installment in the sum of JPY510,000,000 will be payable in December 2010;
- (4) the fourth installment in the sum of JPY510,000,000 will be payable in March 2011; and
- (5) the last installment in the sum of JPY2,805,000,000 will be payable upon delivery of the Vessel on or before 30 June 2011.

The purchase price for the Vessel will be payable by cash in Japanese Yen. It is currently expected that the purchase price will be funded by bank financing and internal resources of the Company and its subsidiaries (the "Group"). The purchase price for the Vessel was determined with reference to current market values of similar type of vessels and on the basis of arm's length negotiations.

### **Delivery**

The Contract provides for the delivery of the Vessel on or before 30 June 2011 to Jinning in Japan. Pursuant to the terms of the Contract, if there is any delay in delivery of the Vessel which continues for a period of 180 days from the thirty-first day after the agreed delivery date, then after such period has expired, Jinning may at its option rescind the Contract. The Contractor shall thereupon promptly refund to Jinning in Japanese Yen 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 Jinning of such amount.

### **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 Jinning 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 subcontractors within a period of twelve months after the date of delivery of the Vessel.

### **GUARANTEE BY THE COMPANY**

The Company also executed on 19 May 2008 a guarantee in favour of the Contractor pursuant to which the Company agrees to guarantee the due and faithful performance and fulfillment by Jinning in accordance with the terms of the Contract.

### **REASONS FOR THE ACQUISITION**

The Group's principal activities include international ship chartering and ship owning. The Acquisition will enable the Group to continuously maintain a young and modern owned fleet of vessels to serve the growing needs of our customers. The Group currently owns one modern Capesize, one modern Panamax and nineteen modern grabs fitted Supramaxes including three Supramaxes which will be disposed by the Group later in 2008 as announced by the Company on 11 April 2008 and 16 April 2008. Taking into account all existing commitments to acquire and dispose of other vessels as announced by the Company previously, the Group will have additional nineteen newly built grabs fitted Supramaxes, two newly built Panamaxes and one second hand Handymax for delivery going forward, where three of which will be delivered in 2008, seven in 2009, five in 2010, four in 2011, two in 2012 and one in 2013.

The terms and conditions of the Contract have been agreed on normal commercial terms following arm's length negotiations. The Board considers such terms and conditions are fair and reasonable and in the best interests of the Company and its shareholders as a whole. The Company believes it is an opportune moment during recent market situations to further expand its fleet of vessels in order to increase operating income for the Group.

By order of the Board

**Ng Kam Wah Thomas**

*Managing Director*

19 May 2008