



## JINHUI SHIPPING AND TRANSPORTATION LIMITED

### **JIN - AGREEMENTS SIGNED DISPOSAL OF TWO VESSELS**

The Board of Jinhui Shipping and Transportation Limited announces that two wholly-owned subsidiaries of the Company entered into two memorandums of agreement on 7 September 2016 for the disposal of two Supramaxes for a total consideration of US\$28,500,000.

#### **THE DISPOSAL**

The First Vendor entered into the First Agreement with the First Purchaser on 7 September 2016 for the disposal of the First Vessel for a consideration of US\$14,560,000. The First Vessel will be delivered to the First Purchaser between 14 October 2016 and 14 November 2016. In addition, on 7 September 2016 the Second Vendor entered into the Second Agreement with the Second Purchaser for the disposal of the Second Vessel for a consideration of US\$13,940,000. The First Agreement and the Second Agreement are not inter-conditional.

#### **Information on the Group and the vendors**

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 Vendor and the Second Vendor, both are ship owning companies and wholly-owned subsidiaries of the Company as at date of this announcement.

#### **Purchasers**

The First Purchaser and the Second Purchaser are ship owning companies incorporated in the Isle of Man. Both the First Purchaser and the Second Purchaser are established and owned by a private European investment group specialized in global maritime investments. The principal activities of the First Purchaser and the Second Purchaser are ship owning.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the First Purchaser and the Second Purchaser 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**

Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$14,560,000 payable by the First Purchaser as follows:

- (1) an initial deposit of US\$2,912,000 will be payable by the First Purchaser within three banking days after the date that (i) the signing of the First Agreement; (ii) the signing of escrow agreement in respect of the initial deposit to be lodged with the escrow agent; and (iii) the confirmation from the escrow agent confirming the account is ready to receive the initial deposit; and
- (2) the balance of US\$11,648,000 will be payable by the First Purchaser on the delivery of the First Vessel which will take place between 14 October 2016 and 14 November 2016.

Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$13,940,000 payable by the Second Purchaser as follows:

- (1) an initial deposit of US\$2,788,000 will be payable by the Second Purchaser within three banking days after the date that (i) the signing of the Second Agreement; (ii) the signing of escrow agreement in respect of the initial deposit to be lodged with the escrow agent; and (iii) the confirmation from the escrow agent confirming the account is ready to receive the initial deposit; and
- (2) the balance of US\$11,152,000 will be payable by the Second Purchaser on the delivery of the Second Vessel which will take place between 28 September 2016 and 31 October 2016.

The total consideration for the Disposal is US\$28,500,000. Each of the consideration of the First Vessel and the Second 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, and on the basis of arm's length negotiations with the First Purchaser and the Second Purchaser.

**Vessels**

The First Vessel is a Supramax of deadweight 61,414 metric tons, built in year 2011 and registered in Hong Kong. The Second Vessel is a Supramax of deadweight 61,414 metric tons, built in year 2010 and registered in Hong Kong. Each of the First Vendor and the Second Vendor is a special purpose company for holding the First Vessel and the Second Vessel respectively.

The First Vessel has been owned by the Group since year 2011, and its net book value as at 30 June 2016 was US\$20,988,000. The net loss both before and after taxation and extraordinary items attributable to the First Vendor for the financial years ended 31 December 2015 and 2014 were US\$13,106,000 and US\$2,870,000 respectively.

The Second Vessel has been owned by the Group since year 2010, and its net book value as at 30 June 2016 was US\$20,591,000. The net loss both before and after taxation and extraordinary items attributable to the Second Vendor for the financial years ended 31 December 2015 and 2014 were US\$12,830,000 and US\$3,097,000 respectively.

**Possible financial effects of the Disposal**

Based on the net book values of the First Vessel and the Second Vessel as at 30 June 2016 as described above, the Group would realize a total book loss, after estimated expenses, of approximately US\$14 million on disposal of the First Vessel and the Second Vessel. However, the actual book loss which the Group would realize upon completion of the Disposal will depend on the actual net book values of the First Vessel and the Second Vessel as at their respective dates of delivery in accordance with the Group's depreciation policy for its vessels as shown in the Company's annual report and the actual costs of disposal being incurred of the First Vessel and the Second Vessel as at their respective dates of delivery.

**Use of proceeds**

The Group intends to use the net sale proceeds received pursuant to the First Agreement and the Second Agreement for the repayment of respective vessel mortgage loans and as general working capital of the Group.

**REASONS FOR THE DISPOSAL**

The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate. The Directors believe that the Disposal will enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet size through this ongoing management of asset portfolio.

The Group currently owns two modern Post-Panamaxes, two modern Panamaxes, twenty seven modern grabs fitted Supramaxes including the First Vessel and the Second Vessel, one Handymax which will be disposed by the Group later in 2016 as announced by the Company on 5 September 2016, and one Handysize. The Directors believe that the Disposal will not have any material adverse effect on the operations of the Group.

The terms and conditions of the First Agreement and the Second Agreement have been agreed on normal commercial terms following arm's length negotiations with reference to the prevailing market values. The Directors consider such terms and conditions are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

**GENERAL**

The Company is an approximately 54.77% owned subsidiary of Jinhui Holdings whose shares are listed on HKEX. The Disposal has been approved by a written approval from Fairline Consultants Limited, the controlling shareholder of Jinhui Holdings holding approximately 64.53% of the total issued shares of Jinhui Holdings and voting rights in general meetings of Jinhui Holdings, according to the listing rules of HKEX.

## DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Jinhui Shipping and Transportation Limited;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the First Vessel and the Second Vessel under the First Agreement and the Second Agreement respectively;
“First Agreement”	the memorandum of agreement dated 7 September 2016 entered into between the First Vendor and the First Purchaser in respect of the disposal of the First Vessel;
“First Purchaser”	HSL Melbourne Shipping Limited, a company incorporated in the Isle of Man;
“First Vendor”	Jinhan Marine Inc., a wholly-owned subsidiary of the Company;
“First Vessel”	a deadweight 61,414 metric tons bulk carrier “Jin Han” registered in Hong Kong;
“Group”	the Company and its subsidiaries;
“Handymax”	a dry cargo vessel of deadweight approximately 45,000 metric tons;
“Handysize”	a dry cargo vessel of deadweight below 40,000 metric tons;
“HKEX”	The Stock Exchange of Hong Kong Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Jinhui Holdings”	Jinhui Holdings Company Limited, a company listed in HKEX, which holds approximately 54.77% interests in the Company;
“Panamax”	vessels of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
“Post-Panamax”	vessels of deadweight approximately 90,000 metric tons to 100,000 metric tons;
“Second Agreement”	the memorandum of agreement dated 7 September 2016 entered into between the Second Vendor and the Second Purchaser in respect of the disposal of the Second Vessel;

“Second Purchaser”	BSL Malmo Shipping Limited, a company incorporated in the Isle of Man;
“Second Vendor”	Jinming Marine Inc., a wholly-owned subsidiary of the Company;
“Second Vessel”	a deadweight 61,414 metric tons bulk carrier “Jin Ming” registered in Hong Kong; and
“Supramax(es)”	dry cargo vessel(s) of deadweight approximately 50,000 metric tons.

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

7 September 2016