JINHUI SHIPPING AND TRANSPORTATION LIMITED

JIN - AGREEMENT SIGNED
DISPOSAL OF A VESSEL

The Board of Jinhui Shipping and Transportation Limited announces that a wholly-owned subsidiary of the Company entered into a memorandum of agreement on 5 April 2017 for the disposal of a Handysize at a consideration of US$15,000,000.

THE DISPOSAL

The Vendor entered into the Agreement with the Purchaser on 5 April 2017 for the disposal of the Vessel at a consideration of US$15,000,000. The Vessel will be delivered by the Vendor to the Purchaser between 15 May 2017 and 15 June 2017.

Information on the Group and the Vendor

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

The Vendor is a ship owning company and a wholly-owned subsidiary of the Company as at date of this announcement.

Purchaser

The Purchaser is a company incorporated in the Republic of Panama. The principal activities of the Purchaser are vessel operating service and vessel leasing service. The Purchaser is established and owned by Inui Global Logistics Co., Ltd., a company listed on the Tokyo Stock Exchange with principal activities of shipping, warehousing and realty.

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

Consideration

Under the Agreement, the Vendor agrees to dispose of the Vessel for a consideration of US$15,000,000 payable by the Purchaser as follows:

(1) an initial deposit of US$3,000,000 will be payable by the Purchaser within three banking days after the date that (i) the signing of the 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$12,000,000 will be payable by the Purchaser on the delivery of the Vessel which will take place between 15 May 2017 and 15 June 2017.

The consideration of the Vessel of US$15,000,000 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 Purchaser.

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. However, as each vessel is never identical, buyers will take into account, the individual specification, maintenance quality and conditions of each individual vessel to come up with an offer. Management has based on the experience, market knowledge to consider the acceptance of the bidders' offers. The consideration of US$15,000,000 is considered as a favourable deal, reflected a premium of at least 5% above the sale value achieved by other comparable vessels of similar age and size transacted in the past six months.

Vessel

The Vessel is a Handysize of deadweight 38,462 metric tons, built in year 2012 and registered in Hong Kong. The Vendor is a special purpose company for holding solely the Vessel.

The Vessel has been owned by the Group since year 2012, and its net book value as at 31 December 2016 was US$14,458,000. The net loss both before and after taxation and extraordinary items attributable to the Vendor for the financial years ended 31 December 2016 and 2015 were US$8,090,000 and US$12,779,000 respectively.

Possible financial effects of the Disposal

Based on the net book value of the Vessel as at 31 December 2016 as described above, the Group would realize a book gain of approximately US$0.2 million on disposal of the Vessel. The book gain for the Vessel was calculated after estimated expenses of approximately US$0.3 million, which mainly includes commission and legal fees. However, the actual book gain which the Group would realize upon completion of the Disposal will depend on the actual net book value of the Vessel as at date of delivery in accordance with the Group's impairment and depreciation policy for its vessels as shown in the Company's annual report and the actual costs of disposal being incurred of the Vessel as at date of delivery.

Use of proceeds

The Group intends to use approximately 75% of the net sale proceeds received pursuant to the Agreement for the repayment of vessel mortgage loan and the remaining portion of the net sale proceeds will be kept as general working capital of the Group.

Guarantee by Inui Global Logistics Co., Ltd.

Inui Global Logistics Co., Ltd. will guarantee the due and faithful performance of obligations of the Purchaser under the Agreement in favour of the Vendor.

Guarantee by Jinhui Shipping
Jinhui Shipping will guarantee the due and faithful performance of obligations of the Vendor under the Agreement in favour of the Purchaser.

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 further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio.

The freight rates in the year 2016 had been extremely volatile and at times, below the Company’s operating costs. The start of the year had been the worst for dry bulk shipping market as asset prices had gone in a downward spiral given the literal meltdown of confidence. The market has since rebounded significantly from its trough but while we believe the market will continue to recover where a better balance of demand and supply of vessels, we continue to see uncertainties with respect to the global economic outlook, particularly the freight market as well as the financial, commodity and currency markets going forward. This will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets, and hence we believe it will be prudent to periodically reduce indebtedness and enhance our liquidity when such opportunities arise. Despite the market improved later in the year, we continue to see uncertainty and market volatility remaining as an operational risk to the Group. In order to further reduce operational risk and liquidity risk, we believe it is prudent for the Group to readjust the fleet size and lower the overall indebtedness and it is vital to remain financially nimble in today’s tough and ever-changing market environment. The Disposal would result in a book gain and generate positive cash inflow to boost its working capital and liquidity, and eventually lower the Group’s upcoming debt service payments and total indebtedness. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and will maintain a young and modern fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to readjust our fleet size in order to sail through the current storm by placing further emphasis on prudence and stability as our core objectives going forward.

The Group currently owns two modern Post-Panamaxes, twenty five modern grabs fitted Supramaxes including four Supramaxes which will be disposed by the Group in April 2017 as announced by the Company on 24 February 2017, and one Handysize (the Vessel). Total carrying capacity will be reduced by 38,462 metric tons to 1,341,902 metric tons after the Disposal, and 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 Agreement have been agreed on normal commercial terms following arm's length negotiations with reference to the prevailing market values. The Directors consider that the Disposal represents an opportunity for the Group to readjust its fleet profile and reduce our operational risk exposures in current high-risk volatile markets and the Disposal will reduce the indebtedness of the Group, as well as improving the liquidity position of the Group. However, the overall unexpected volatility in the macro environment has caused a disruption in many markets including the dry bulk shipping market, which has gone through extreme wild swings within a very short timescale. Long term financial stability is more important and defensive actions in reducing indebtedness and further increase of liquidity will ensure the Group to safely sail through any unexpected volatilities in the market going forward. The Directors consider that the terms and conditions of the Agreement was concluded between a willing seller and willing buyer and concluded base on arm's length negotiations, the Directors consider such terms and conditions are fair and reasonable and believe that the Disposal is in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

"Agreement"	the memorandum of agreement dated 5 April 2017 entered into between the Vendor and the Purchaser in respect of the disposal of the Vessel;
"Board"	the board of Directors;
"Company"	Jinhui Shipping and Transportation Limited;
"Directors"	the directors of the Company;
"Disposal"	the disposal of the Vessel under the Agreement;
"Group"	the Company and its subsidiaries;
"Handysize"	a dry cargo vessel of deadweight below 40,000 metric tons;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Post-Panamaxes"	vessels of deadweight approximately 90,000 metric tons to 100,000 metric tons;
"Purchaser"	Delica Shipping S.A., a company incorporated in the Republic of Panama;
"Supramaxes"	dry cargo vessels of deadweight approximately 50,000 metric tons;

"Vendor"	Jinyu Marine Inc., a wholly-owned subsidiary of the Company; and
"Vessel"	a deadweight 38,462 metric tons bulk carrier "Jin Yu" registered in Hong Kong.

By Order of the Board

Ng Kam Wah Thomas

Managing Director

5 April 2017