



JINHUI SHIPPING AND TRANSPORTATION LIMITED

JIN - INSIDE INFORMATION 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 8 March 2022 for the disposal of a Supramax at a consideration of US\$13,900,000.

THE DISPOSAL

The Vendor entered into the Agreement with the Purchaser on 8 March 2022 for the disposal of the Vessel at a consideration of US\$13,900,000. The Vessel will be delivered by the Vendor to the Purchaser or its nominee between 15 March 2022 and 8 April 2022.

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 Hong Kong and its principal activities are shipping operations and ship chartering.

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\$13,900,000 payable by the Purchaser as follows:

- (1) an initial deposit of US\$2,780,000 will be payable by the Purchaser within three banking days after the date that (i) 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\$11,120,000 will be payable by the Purchaser on the delivery of the Vessel which will take place between 15 March 2022 and 8 April 2022.

The consideration of the Vessel of US\$13,900,000 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.

Vessel

The Vessel is a Supramax of deadweight 53,806 metric tons, built in year 2004 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 March 2021, and its unaudited net book value as at 31 January 2022 was approximately US\$7,682,000. The unaudited net profit both before and after taxation and extraordinary items attributable to the Vendor for the financial year ended 31 December 2021 was approximately US\$2,544,000.

Possible financial effects of the Disposal

Based on the unaudited net book value of the Vessel as at 31 January 2022 as described above, the Group would realize a book gain of approximately US\$6 million on disposal of the Vessel. The book gain for the Vessel was calculated after estimated expenses of approximately US\$0.2 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 keep all net sale proceeds received 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 further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio.

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. The Disposal would result in a book gain and generate positive cash inflow to boost its working capital and liquidity. 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.

Before the completion of the Disposal, the Group currently owns two modern Post-Panamaxes and twenty three modern grabs fitted Supramaxes including the Vessel. Total carrying capacity will be reduced by 53,806 metric tons to 1,415,073 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 improve the liquidity position of the Group. 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 8 March 2022 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;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Post-Panamaxes”	vessels of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
“Purchaser”	Perfect Shipping Co., Limited, a company incorporated in Hong Kong;
“Supramax(es)”	dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
“Vendor”	Jincheng Maritime Inc., a wholly-owned subsidiary of the Company; and
“Vessel”	a deadweight 53,806 metric tons bulk carrier “JIN CHENG” registered in Hong Kong.

By Order of the Board
Ng Kam Wah Thomas
Managing Director

8 March 2022