



JINHUI SHIPPING AND TRANSPORTATION LIMITED

JIN - INSIDE INFORMATION

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 18 October 2022 for the disposal of two Post-Panamaxes, each at a consideration of US\$17,250,000.

THE DISPOSAL OF THE VESSELS

The First Vendor and the Second Vendor entered into the First Agreement and the Second Agreement respectively with the First Purchaser and the Second Purchaser on 18 October 2022 to dispose the First Vessel and the Second Vessel respectively, each at a consideration of US\$17,250,000. The total consideration for the Disposal of the Vessels is US\$34,500,000. Both the First Vessel and the Second Vessel will be delivered to the First Purchaser and the Second Purchaser during the period between 7 November 2022 and 20 December 2022.

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

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

Purchasers

The First Purchaser is a company incorporated in the Republic of Liberia and its principal activities are ship owning.

The Second Purchaser is a company incorporated in the Republic of Liberia and its principal activities 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.

Considerations

Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$17,250,000 payable by the First Purchaser as follows:

- (1) an initial deposit of US\$1,725,000 will be payable by the First Purchaser within three banking days after the date that (i) signing of the First Agreement; (ii) signing of the escrow agreement; and (iii) the confirmation from the escrow agent confirming the account is ready to receive the initial deposit; and
- (2) the balance of US\$15,525,000 will be payable by the First Purchaser on the delivery of the First Vessel which will take place between 7 November 2022 and 20 December 2022.

Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$17,250,000 payable by the Second Purchaser as follows:

- (1) an initial deposit of US\$1,725,000 will be payable by the Second Purchaser within three banking days after the date that (i) signing of the Second Agreement; (ii) signing of the escrow agreement; and (iii) the confirmation from the escrow agent confirming the account is ready to receive the initial deposit; and
- (2) the balance of US\$15,525,000 will be payable by the Second Purchaser on the delivery of the Second Vessel which will take place between 7 November 2022 and 20 December 2022.

The total consideration for the Disposal of the Vessels is US\$34,500,000. The considerations of the First Vessel and the Second Vessel will be payable by the First Purchaser and the Second Purchaser by cash in United States Dollars. 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, valuations from independent valuer and on the basis of arm's length negotiations with the First Purchaser and the Second 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. 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 the market for sale and purchase, which parties are looking to buy or sell their vessels on a worldwide basis. However, as each vessel is never identical, management has based on the experiences, market knowledge to consider and come up with the acceptance of the offer.

The Directors consider such 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 considerations of the First Vessel and the Second Vessel are fair and reasonable and the Disposal of the Vessels is in the interests of the Company and its shareholders as a whole.

Vessels

The First Vessel is a Post-Panamax of deadweight 93,204 metric tons, built in year 2010 and registered in Hong Kong. The First Vendor is a special purpose company for holding solely the First Vessel.

The First Vessel has been owned by the Group since year 2010, and its unaudited net book value as at 30 June 2022 was approximately US\$16,853,000. The net profit both before and after taxation and extraordinary items attributable to the First Vendor for the financial year ended 31 December 2021 was approximately US\$9,415,000 which included a reversal of impairment loss of US\$5,505,000 on owned vessel while the net loss both before and after taxation and extraordinary items attributable to the First Vendor for the financial year ended 31 December 2020 was approximately US\$927,000.

The Second Vessel is a Post-Panamax of deadweight 93,279 metric tons, built in year 2010 and registered in Hong Kong. The Second Vendor is a special purpose company for holding solely the Second Vessel.

The Second Vessel has been owned by the Group since year 2010, and its unaudited net book value as at 30 June 2022 was approximately US\$16,368,000. The net profit both before and after taxation and extraordinary items attributable to the Second Vendor for the financial year ended 31 December 2021 was approximately US\$10,195,000 which included a reversal of impairment loss of US\$5,404,000 on owned vessel while the net profit both before and after taxation and extraordinary items attributable to the Second Vendor for the financial year ended 31 December 2020 was approximately US\$1,046,000.

Possible financial effects of the Disposal of the Vessels

Based on the unaudited net book value of the First Vessel as at 30 June 2022 as described above, the Group would realize a book gain of approximately US\$0.22 million on disposal of the First Vessel. The book gain for the First Vessel was calculated after estimated expenses of approximately US\$0.18 million, which mainly includes commission and legal fees.

Based on the unaudited net book value of the Second Vessel as at 30 June 2022 as described above, the Group would realize a book gain of approximately US\$0.70 million on disposal of the Second Vessel. The book gain for the Second Vessel was calculated after estimated expenses of approximately US\$0.18 million, which mainly includes commission and legal fees.

Based on the above, the Group would realize a total book gain of approximately US\$0.92 million, after estimated expenses of approximately US\$0.36 million, on disposal of the First Vessel and the Second Vessel. However, the actual book gains which the Group would realize upon completion of the Disposal of the Vessels 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 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 First Vessel and the Second Vessel as at their respective dates of delivery.

Use of proceeds

The Group intends to use approximately 30% of the total net sale proceeds received for the repayment of the vessel mortgage loans, and the remaining portion of the total net sale proceeds will be kept as general working capital of the Group.

REASONS FOR THE DISPOSAL OF THE 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. The Directors believe that the Disposal of the Vessels 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 development 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 of the Vessels can 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 of the Vessels, the Group currently owns two modern Post-Panamaxes and twenty four modern grabs fitted Supramaxes including the Vessels. Total carrying capacity will be reduced by 186,483 metric tons to 1,361,754 metric tons after the Disposal of the Vessels, and the Directors believe that the Disposal of the Vessels 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 that the Disposal of the Vessels 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 of the Vessels will improve the liquidity position of the Group. The Directors consider that the terms and conditions of the First Agreement and the Second Agreement were 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 of the Vessels 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:

“Board”	the board of Directors;
“Company”	Jinhui Shipping and Transportation Limited;
“Directors”	the directors of the Company;
“Disposal of the Vessels”	the disposal of the First Vessel under the First Agreement and the disposal of the Second Vessel under the Second Agreement;
“First Agreement”	the memorandum of agreement dated 18 October 2022 entered into between the First Vendor and the First Purchaser in respect of the disposal of the First Vessel;
“First Purchaser”	Bardar Corporation, a company incorporated in the Republic of Liberia;
“First Vendor”	Jinmei Marine Inc., a wholly-owned subsidiary of the Company;
“First Vessel”	a deadweight 93,204 metric tons bulk carrier “JIN MEI” 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;
“Post-Panamax(es)”	vessel(s) of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
“Second Agreement”	The memorandum of agreement dated 18 October 2022 entered into between the Second Vendor and the Second Purchaser in respect of the disposal of the Second Vessel;

“Second Purchaser”	Bursa Oceanways Inc., a company incorporated in the Republic of Liberia;
“Second Vendor”	Jinlang Marine Inc., a wholly-owned subsidiary of the Company;
“Second Vessel”	a deadweight 93,279 metric tons bulk carrier “JIN LANG” registered in Hong Kong;
“Supramaxes”	dry cargo vessels of deadweight approximately 50,000 metric tons; and
“Vessels”	the First Vessel and the Second Vessel.

By Order of the Board
Ng Kam Wah Thomas
Managing Director

18 October 2022