JINHUI

JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

MAJOR TRANSACTION
DISPOSAL OF FOUR VESSELS

The Board announces that the Group entered into four memorandums of agreement on 24 February 2017 to dispose of four vessels.

Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000). The First Vessel will be delivered to the First Purchaser between 1 March 2017 and 15 April 2017.

Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000). The Second Vessel will be delivered to the Second Purchaser between 1 March 2017 and 15 April 2017.

Under the Third Agreement, the Third Vendor agrees to dispose of the Third Vessel for a consideration of US$11,900,000 (approximately HK$92,820,000). The Third Vessel will be delivered to the Third Purchaser between 1 March 2017 and 15 April 2017.

Under the Fourth Agreement, the Fourth Vendor agrees to dispose of the Fourth Vessel for a consideration of US$10,500,000 (approximately HK$81,900,000). The Fourth Vessel will be delivered to the Fourth Purchaser between 1 March 2017 and 15 April 2017.

The total consideration for the Disposal is US$48,000,000 (approximately HK$374,400,000).

Under the Listing Rules, the disposal of the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel, in aggregate, constitute a major transaction for the Company. A circular containing, amongst other things, further information relating to the Disposal will be despatched to the Shareholders on or before 17 March 2017.

THE DISPOSAL

The Board announces that the Group entered into four memorandums of agreement on 24 February 2017 to dispose of four vessels.

The First Vendor entered into the First Agreement with the First Purchaser for the disposal of the First Vessel. Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000). The First Vessel will be delivered to the First Purchaser between 1 March 2017 and 15 April 2017.

The Second Vendor entered into the Second Agreement with the Second Purchaser for the disposal of the Second Vessel. Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000). The Second Vessel will be delivered to the Second Purchaser between 1 March 2017 and 15 April 2017.

The Third Vendor entered into the Third Agreement with the Third Purchaser for the disposal of the Third Vessel. Under the Third Agreement, the Third Vendor agrees to dispose of the Third Vessel for a consideration of US$11,900,000 (approximately HK$92,820,000). The Third Vessel will be delivered to the Third Purchaser between 1 March 2017 and 15 April 2017.

The Fourth Vendor entered into the Fourth Agreement with the Fourth Purchaser for the disposal of the Fourth Vessel. Under the Fourth Agreement, the Fourth Vendor agrees to dispose of the Fourth Vessel for a consideration of US$10,500,000 (approximately HK$81,900,000). The Fourth Vessel will be delivered to the Fourth Purchaser between 1 March 2017 and 15 April 2017.

The First Agreement, the Second Agreement, the Third Agreement and the Fourth 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, the Second Vendor, the Third Vendor and the Fourth Vendor, are ship owning companies and wholly-owned subsidiaries of Jinhui Shipping, which are in turn approximately 54.77% owned subsidiaries of the Company as at date of this announcement.

Purchasers

The First Purchaser, the Second Purchaser, the Third Purchaser and the Fourth Purchaser are companies incorporated in the People's Republic of China and are intended to be the registered owner of the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel respectively following their purchases. The principal activities of the First Purchaser, the Second Purchaser, the Third Purchaser and the Fourth Purchaser are ship owning and ship chartering and they are owned by Minyi (Tianjin) Ship Leasing Ltd. Co., * (民益（天津）航運租賃有限責任公司), a company incorporated in the People's Republic of China. Its principal activities are ship chartering, trading and agency for cargo and technology import and export.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the First Purchaser, the Second Purchaser, the Third Purchaser and the Fourth Purchaser, their shareholders, ultimate beneficial owners and their respective associates are third parties independent of the Company and its connected persons.

Consideration

Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000) payable by the First Purchaser as follows:

(1) an initial deposit of US$1,280,000 (approximately HK$9,984,000) 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$11,520,000 (approximately HK$89,856,000) will be payable by the First Purchaser on the delivery of the First Vessel which will take place between 1 March 2017 and 15 April 2017.

Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US$12,800,000 (approximately HK$99,840,000) payable by the Second Purchaser as follows:

(1) an initial deposit of US$1,280,000 (approximately HK$9,984,000) 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$11,520,000 (approximately HK$89,856,000) will be payable by the Second Purchaser on the delivery of the Second Vessel which will take place between 1 March 2017 and 15 April 2017.

Under the Third Agreement, the Third Vendor agrees to dispose of the Third Vessel for a consideration of US$11,900,000 (approximately HK$92,820,000) payable by the Third Purchaser as follows:

(1) an initial deposit of US$1,190,000 (approximately HK$9,282,000) will be payable by the Third Purchaser within three banking days after the date that (i) the signing of the Third 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$10,710,000 (approximately HK$83,538,000) will be payable by the Third Purchaser on the delivery of the Third Vessel which will take place between 1 March 2017 and 15 April 2017.

Under the Fourth Agreement, the Fourth Vendor agrees to dispose of the Fourth Vessel for a consideration of US$10,500,000 (approximately HK$81,900,000) payable by the Fourth Purchaser as follows:

(1) an initial deposit of US$1,050,000 (approximately HK$8,190,000) will be payable by the Fourth Purchaser within three banking days after the date that (i) the signing of the Fourth 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$9,450,000 (approximately HK$73,710,000) will be payable by the Fourth Purchaser on the delivery of the Fourth Vessel which will take place between 1 March 2017 and 15 April 2017.

The total consideration for the Disposal is US$48,000,000 (approximately HK$374,400,000). Each of the consideration of the First Vessel, the Second Vessel, the Third Vessel and the Fourth 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, the Second Purchaser, the Third Purchaser and the Fourth 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 after several rounds of negotiation. The total consideration of US$48,000,000 (approximately HK$374,400,000) is considered as a favourable deal, the consideration of each of the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel, reflected a premium of at least 5% above the sale values achieved by other comparable vessels of similar age and size transacted in the past six months.

Vessels

The First Vessel is a Supramax of deadweight 54,768 metric tons, built in year 2009 and registered in Hong Kong. The Second Vessel is a Supramax of deadweight 54,768 metric tons, built in year 2009 and registered in Hong Kong. The Third Vessel is a Supramax of deadweight 55,091 metric tons, built in year 2010 and registered in Hong Kong. The Fourth Vessel is a Supramax of deadweight 57,352 metric tons, built in year 2011 and registered in Hong Kong. Each of the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor is a special purpose company for holding solely the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel respectively.

The First Vessel has been owned by the Group since year 2009, and its unaudited net book value as at 31 December 2016 was approximately HK$100,565,000. The net loss both before and after taxation and extraordinary items attributable to the First Vendor for the financial years ended 31 December 2016 and 2015 were approximately HK$49,985,000 and HK$96,137,000 respectively.

The Second Vessel has been owned by the Group since year 2009, and its unaudited net book value as at 31 December 2016 was approximately HK$100,565,000. The net loss both before and after taxation and extraordinary items attributable to the Second Vendor for the financial years ended 31 December 2016 and 2015 were approximately HK$48,154,000 and HK$92,407,000 respectively.

The Third Vessel has been owned by the Group since year 2010, and its unaudited net book value as at 31 December 2016 was approximately HK$105,066,000. The net loss both before and after taxation and extraordinary items attributable to the Third Vendor for the financial years ended 31 December 2016 and 2015 were approximately HK$52,145,000 and HK$64,021,000 respectively.

The Fourth Vessel has been owned by the Group since year 2011, and its unaudited net book value as at 31 December 2016 was approximately HK$113,264,000. The net loss both before and after taxation and extraordinary items attributable to the Fourth Vendor for the financial years ended 31 December 2016 and 2015 were approximately HK$54,106,000 and HK$64,075,000 respectively.

Possible financial effects of the Disposal

Based on the unaudited net book value of the First Vessel as at 31 December 2016 as described above, the Group would realize a book loss of approximately HK$3 million, after estimated expenses of approximately HK$2 million which mainly includes commission and legal fees, on disposal of the First Vessel.

Based on the unaudited net book value of the Second Vessel as at 31 December 2016 as described above, the Group would realize a book loss of approximately HK$3 million, after estimated expenses of approximately HK$2 million which mainly includes commission and legal fees, on disposal of the Second Vessel.

Based on the unaudited net book value of the Third Vessel as at 31 December 2016 as described above, the Group would realize a book loss of approximately HK$14 million, after estimated expenses of approximately HK$2 million which mainly includes commission and legal fees, on disposal of the Third Vessel.

Based on the unaudited net book value of the Fourth Vessel as at 31 December 2016 as described above, the Group would realize a book loss of approximately HK$33 million, after estimated expenses of approximately HK$2 million which mainly includes commission and legal fees, on disposal of the Fourth Vessel.

Based on the above, the Group would realize a total book loss of approximately HK$53 million, after estimated expenses of approximately HK$8 million, on disposal of the First Vessel, the Second Vessel, the Third Vessel and the Fourth 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, the Second Vessel, the Third Vessel and the Fourth 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, the Second Vessel, the Third Vessel and the Fourth Vessel as at their respective dates of delivery. The Disposal will realize accounting loss, but will generate positive cashflow resulting in the strengthening of the Group's overall financial liquidity.

Use of proceeds

The Group intends to use approximately 90% of the total net sale proceeds received pursuant to the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement 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

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. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, maintaining a young and modern fleet, not ruling out a reduction in 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 the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel) and one Handysize. Total carrying capacity will be reduced from deadweight 1,602,343 metric tons to 1,380,364 metric tons after the Disposal. 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 four memorandums of 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 such terms and conditions are fair and reasonable and believe that the Disposal is in the best long term interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more applicable percentage ratios (as defined in the Listing Rules) for the disposal of the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders’ approval requirements under the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (1) no shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% in nominal value of the issued share capital of the company giving the right to attend and vote at that general meeting to approve the transaction.

Fairline Consultants Limited, the controlling shareholder of the Company holding 342,209,280 Shares which represent approximately 64.53% of the total issued shares of the Company and voting rights in general meetings of the Company, and 500,000 Jinhui Shipping Shares which represent approximately 0.59% of the total issued shares of Jinhui Shipping, is not interested in the Disposal other than through its shareholding interest in the Company and Jinhui Shipping. No Shareholder is required to abstain from voting on the Disposal if the Company were to convene a general meeting for the approval of the Disposal, and the Disposal has been approved by a written shareholder's approval from Fairline Consultants Limited.

A circular containing, amongst other things, further information relating to the Disposal is expected to be despatched to the Shareholders on or before 17 March 2017 in accordance with the Listing Rules.

DEFINITIONS

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

"associates"	has the same meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Company"	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
"Directors"	the directors of the Company;
"Disposal"	the disposal of the First Vessel, the Second Vessel, the Third Vessel and the Fourth Vessel under the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement respectively;
"First Agreement"	the memorandum of agreement dated 24 February 2017 entered into between the First Vendor and the First Purchaser in respect of the disposal of the First Vessel;
"First Purchaser"	Hong Yan (Tianjin) Ship Leasing Ltd. Co., * (弘晏（天津）航運租賃有限責任公司), a company incorporated in the People's Republic of China;
"First Vendor"	Jinshun Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping;
"First Vessel"	a deadweight 54,768 metric tons bulk carrier "Jin Shun" registered in Hong Kong;

"Fourth Agreement"	the memorandum of agreement dated 24 February 2017 entered into between the Fourth Vendor and the Fourth Purchaser in respect of the disposal of the Fourth Vessel;
"Fourth Purchaser"	Hong Xuan (Tianjin) Ship Leasing Ltd. Co., * (弘軒（天津）航運租賃有限責任公司), a company incorporated in the People's Republic of China;
"Fourth Vendor"	Huafeng Shipping Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Fourth Vessel"	a deadweight 57,352 metric tons bulk carrier "Jin Feng" registered in Hong Kong;
"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;
"Jinhui Shipping"	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of the Company as at date of this announcement, whose shares are listed on the Oslo Stock Exchange;
"Jinhui Shipping Shares"	ordinary shares of US$0.05 each in the share capital of Jinhui Shipping;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Post-Panamaxes"	vessels of deadweight approximately 90,000 metric tons to 100,000 metric tons;
"Second Agreement"	the memorandum of agreement dated 24 February 2017 entered into between the Second Vendor and the Second Purchaser in respect of the disposal of the Second Vessel;
"Second Purchaser"	Hong Yi (Tianjin) Ship Leasing Ltd. Co., * (弘益（天津）航運租賃有限責任公司), a company incorporated in the People's Republic of China;
"Second Vendor"	Jinmao Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Second Vessel"	a deadweight 54,768 metric tons bulk carrier "Jin Mao" registered in Hong Kong;
"Shareholder(s)"	shareholder(s) of the Company;
"Shares"	ordinary shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supramax(es)"	dry cargo vessel(s) of deadweight approximately 50,000 metric tons;

"Third Agreement"	the memorandum of agreement dated 24 February 2017 entered into between the Third Vendor and the Third Purchaser in respect of the disposal of the Third Vessel;
"Third Purchaser"	Hong Yu (Tianjin) Ship Leasing Ltd. Co., * (弘育（天津）航運租賃有限責任公司), a company incorporated in the People's Republic of China;
"Third Vendor"	Jinheng Marine Inc., a wholly-owned subsidiary of Jinhui Shipping;
"Third Vessel"	a deadweight 55,091 metric tons bulk carrier "Jin Heng" registered in Hong Kong;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong; and
"US$"	United States Dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK$ at the rate of US$1.00 = HK$7.80.

By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

Hong Kong, 24 February 2017

As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.

** For identification purpose only*