



## **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 memoranda of agreement on 17 February 2014 for the disposal of two Supramaxes for a total consideration of US\$56,000,000.

#### **THE DISPOSAL**

Each of the First Vendor and the Second Vendor entered into the First Agreement and the Second Agreement respectively with the Purchaser on 17 February 2014 for the disposal of the First Vessel and the Second Vessel respectively. Each of the aforementioned agreements is 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, both are ship owning companies and wholly-owned subsidiaries of the Company as at date of this announcement.

#### **Purchaser**

The Purchaser is a ship owning company incorporated in the Republic of Panama and a member of a multinational group. The principal activities of the Purchaser are ship owning, operating and chartering of vessels internationally.

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 First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US\$27,000,000 payable by the Purchaser as follows:

- (1) an initial deposit of US\$2,700,000 will be payable by the Purchaser within five banking days of the execution of the First Agreement; and
- (2) the balance of US\$24,300,000 will be payable by the Purchaser on the delivery of the First Vessel which will take place on or before 31 March 2014.

Under the Second Agreement, the Second Vendor agrees to dispose of the Second Vessel for a consideration of US\$29,000,000 payable by the Purchaser as follows:

- (1) an initial deposit of US\$2,900,000 will be payable by the Purchaser within five banking days of the execution of the Second Agreement; and
- (2) the balance of US\$26,100,000 will be payable by the Purchaser on the delivery of the Second Vessel which will take place on or before 31 March 2014.

The total consideration for the Disposal is US\$56,000,000. 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 between the Purchaser.

## **Vessels**

The First Vessel is a Supramax of deadweight 57,982 metric tons, built in May 2010 and registered in Hong Kong. The Second Vessel is a Supramax of deadweight 57,982 metric tons, built in February 2012 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 May 2010 and the Second Vessel has been owned by the Group since February 2012.

### **Possible financial effects of the Disposal**

By the end of 2013, the Group has the intention to sell the First Vessel and the Second Vessel and the First Vessel and the Second Vessel are ready for sale and have been actively marketed at prices that are reasonable in relation to their current fair values. As at 31 December 2013, the First Vessel and the Second Vessel were reclassified to assets held for sale under current assets with recoverable amount. The recoverable amounts measured at the lower of the net book value or fair value less costs to sell for the First Vessel and the Second Vessel were US\$26,730,000 and US\$28,710,000 respectively. As a result, impairment loss of US\$3,761,000 and US\$9,083,000 for the First Vessel and the Second Vessel respectively would be recognized for the financial year ended 31 December 2013.

After taking into account of the impairment loss of US\$3,761,000 for the First Vessel, the unaudited net book value of the First Vessel as at 31 December 2013 would be approximately US\$26,730,000 and the unaudited net loss both before and after taxation and extraordinary items attributable to the First Vendor for the financial year ended 31 December 2013 was approximately US\$5,357,000. The audited net loss both before and after taxation and extraordinary items attributable to the First Vendor for the financial year ended 31 December 2012 was approximately US\$43,000.

After taking into account of the impairment loss of US\$9,083,000 for the Second Vessel, the unaudited net book value of the Second Vessel as at 31 December 2013 would be approximately US\$28,710,000 and the unaudited net loss both before and after taxation and extraordinary items attributable to the Second Vendor for the financial year ended 31 December 2013 was approximately US\$11,955,000. The audited net loss both before and after taxation and extraordinary items attributable to the Second Vendor for the financial year ended 31 December 2012 was approximately US\$72,000.

The actual book loss which the Group would realize upon completion of the Disposal will depend on the actual costs of disposal being incurred of the First Vessel and the Second Vessel as at their respective dates of delivery. Based on the unaudited book values of the First Vessel and the Second Vessel as at 31 December 2013 as described above, the Group expects that no material book loss will be recorded any further upon completion of the Disposal.

### **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 the balance will be kept as general working capital of the Group.

### **Guarantees**

Bank guarantees will be issued on behalf of the Purchaser within three banking days after execution of the First Agreement and the Second Agreement in favour of the First Vendor and the Second Vendor amounted to US\$24,300,000 and US\$26,100,000 respectively as security to guarantee the due and faithful performance and fulfillment by the Purchaser in accordance with the terms of the First Agreement and the Second Agreement.

## **REASONS FOR THE DISPOSAL**

The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size 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, thirty two modern grabs fitted Supramaxes (including the First Vessel and the Second Vessel), one Handymax 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 issued share capital 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 17 February 2014 entered into between the First Vendor and the Purchaser in respect of the disposal of the First Vessel;
“First Vendor”	Jinyang Marine Inc., a wholly-owned subsidiary of the Company;
“First Vessel”	a deadweight 57,982 metric tons bulk carrier “Jin Yang” 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(es)”	vessels of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
“Post-Panamaxes”	vessels of deadweight approximately 90,000 metric tons to 100,000 metric tons;
“Purchaser”	Grimstad Shipping S.A, a company incorporated in the Republic of Panama;
“Second Agreement”	the memorandum of agreement dated 17 February 2014 entered into between the Second Vendor and the Purchaser in respect of the disposal of the Second Vessel;
“Second Vendor”	Jinze Marine Inc., a wholly-owned subsidiary of the Company;
“Second Vessel”	a deadweight 57,982 metric tons bulk carrier “Jin Ze” 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*

17 February 2014