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 3 October 2016 for the disposal of a Panamax at a consideration of US$10,600,000.

THE DISPOSAL

The Vendor entered into the Agreement with the Purchaser on 3 October 2016 for the disposal of the Vessel at a consideration of US$10,600,000. The Vessel will be delivered by the Vendor to the Purchaser between 10 October 2016 and 30 November 2016.

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 global shipping company incorporated in the Republic of the Marshall Islands. The principal activities of the Purchaser are ship owning and transporting cargoes of maize, grains and other agricultural products from South America to the Arabian gulf through contract of affreightments with multinational organization.

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$10,600,000 payable by the Purchaser as follows:

(1) an initial deposit of US$1,590,000 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$9,010,000 will be payable by the Purchaser on the delivery of the Vessel which will take place between 10 October 2016 and 30 November 2016.

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 consideration of the Vessel of US$10,600,000 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.

Vessel

The Vessel is a Panamax of deadweight 76,583 metric tons, built in year 2009 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 2009, and its net book value as at 30 June 2016 was US$18,572,000. The net loss both before and after taxation and extraordinary items attributable to the Vendor for the financial years ended 31 December 2015 and 2014 were US$9,235,000 and US$22,612,000 respectively.

Possible financial effects of the Disposal

Based on the net book value of the Vessel as at 30 June 2016 as described above, the Group would realize a book loss of approximately US$8 million on disposal of the Vessel. The book loss 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 loss 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 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.

The Vessel will be reclassified to assets held for sale under current assets as at 31 October 2016. In addition, all the liabilities (including outstanding bank borrowings) directly associated with the Vessel will be reclassified from long term portion to current portion as at 31 October 2016. The outstanding bank borrowings directly associated with the Vessel was vessel mortgage loan with the outstanding balance of approximately US$9 million as at 30 June 2016. After the Disposal, the Group's assets held for sale under current assets will decrease by the carrying amount of the Vessel, the bank balance under the current assets will increase by the balance of net sale proceeds received from the Disposal after repayment of vessel mortgage loan of the Vessel, and the current liabilities will decrease by the amount of vessel mortgage loan of the Vessel repayable in full. 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 80% 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.

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 rate in the first half of 2016 has been extremely volatile and at times, below the Company's operating costs. The start of this year has been the worst for dry bulk shipping market as asset prices have 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, two modern Panamaxes including the Vessel and one Panamax which will be disposed by the Group later in 2016 as announced by the Company on 24 September 2016, twenty seven modern grabs fitted Supramaxes including two Supramaxes which will be disposed by the Group later in 2016 as announced by the Company on 7 September 2016, and one Handysize. Total carrying capacity will be reduced by 76,583 metric tons to 1,602,343 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. The current net book values of vessels were considered to be the long term intrinsic values as of the Group's last review of our assets. 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.

DEFINITIONS

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

"Agreement"	the memorandum of agreement dated 3 October 2016 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;
"Panamax(es)"	vessel(s) 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"	Hanse Shipping Co., a company incorporated in the Republic of the Marshall Islands;
"Supramaxes"	dry cargo vessels of deadweight approximately 50,000 metric tons;
"Vendor"	Jinrui Marine Inc., a wholly-owned subsidiary of the Company; and
"Vessel"	a deadweight 76,583 metric tons bulk carrier "Jin Rui" registered in Hong Kong.

By Order of the Board

Ng Kam Wah Thomas

Managing Director

3 October 2016