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 TWO VESSELS

The Board announces that, the First Vendor and the Second Vendor, both are approximately 55.69% indirectly owned subsidiaries of the Company, 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 (approximately HK$134,550,000). The total consideration for the Disposal of the Vessels is US$34,500,000 (approximately HK$269,100,000). 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.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the disposal of the First Vessel and the Second Vessel exceed 25% but are less than 75%, the Disposal of the Vessels 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. A circular containing, amongst other things, further information relating to the Disposal of the Vessels is expected to be despatched to the Shareholders on or before 8 November 2022 in accordance with the Listing Rules.

THE DISPOSAL OF THE VESSELS

The Board announces that, the First Vendor and the Second Vendor, both are approximately 55.69% indirectly owned subsidiaries of the Company, 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 (approximately HK$134,550,000). The total consideration for the Disposal of the Vessels is US$34,500,000 (approximately HK$269,100,000). 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 is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 55.69% owned subsidiary of the Company as at date of this announcement.

The Second Vendor is a ship owning company and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 55.69% owned subsidiary 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.

Both the First Purchaser and the Second Purchaser are solely owned by Ms. Vasiliki Lentoudi, the shareholder and the ultimate beneficial owner.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the First Purchaser, the Second Purchaser and their ultimate beneficial owner are Independent Third Parties.

Considerations

Under the First Agreement, the First Vendor agrees to dispose of the First Vessel for a consideration of US$17,250,000 (approximately HK$134,550,000) payable by the First Purchaser as follows:

(1) an initial deposit of US$1,725,000 (approximately HK$13,455,000) 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 (approximately HK$121,095,000) 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 (approximately HK$134,550,000) payable by the Second Purchaser as follows:

(1) an initial deposit of US$1,725,000 (approximately HK$13,455,000) 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 (approximately HK$121,095,000) 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 (approximately HK$269,100,000). 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.

In the course of negotiating the considerations of the Vessels, the Company has obtained indicative valuations of the Vessels from Clarkson Valuations Limited ("Clarkson Valuations"), an independent valuer and an affiliate of Clarkson PLC, a shipbroking group in London. Clarksons Hong Kong Limited was the ship broker for the Disposal of the Vessels. The Group engaged Clarkson Valuations to provide a formal valuation in respect of the Vessels. Clarkson Valuations reached the opinion of the Vessels' evaluation which Clarkson Valuations believed would reflect the market values of the Vessels at the date of the valuation. According to Clarkson Valuations, the market value of the First Vessel as at 17 October 2022 was US$17,250,000 (approximately HK$134,550,000) and the market value of the Second Vessel as at 17 October 2022 was US$17,250,000 (approximately HK$134,550,000).

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 HK$131,453,000. 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 HK$73,437,000 which included a reversal of impairment loss of HK$42,940,000 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 HK$7,228,000.

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 HK$127,672,000. 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 HK$79,521,000 which included a reversal of impairment loss of HK$42,150,000 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 HK$8,159,000.

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 HK$1.7 million on disposal of the First Vessel. The book gain for the First Vessel was calculated after estimated expenses of approximately HK$1.4 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 HK$5.5 million on disposal of the Second Vessel. The book gain for the Second Vessel was calculated after estimated expenses of approximately HK$1.4 million, which mainly includes commission and legal fees.

Based on the above, the Group would realize a total book gain of approximately HK$7.2 million, after estimated expenses of approximately HK$2.8 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.

LISTING RULES IMPLICATION

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the disposal of the First Vessel and the Second Vessel exceed 25% but are less than 75%, the Disposal of the Vessels 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 for the Disposal of the Vessels 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% of the voting rights at that general meeting to approve the transaction.

Fairline Consultants Limited ("Fairline") and Timberfield Limited ("Timberfield") are closely allied group of shareholders who hold 205,325,568 Shares and 136,883,712 Shares respectively, and together hold 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 as at date of this announcement. Fairline and Timberfield also hold 407,858 Jinhui Shipping Shares and 260,000 Jinhui Shipping Shares respectively, and together hold 667,858 Jinhui Shipping Shares which represent approximately 0.61% of the total issued shares of Jinhui Shipping as at date of this announcement. Mr. Ng Siu Fai, Chairman and executive director of the Company, is the major shareholder and beneficial owner of Fairline. Mr. Ng Kam Wah Thomas, Managing Director and executive director of the Company, is the sole beneficial owner of Timberfield. Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers and the two founders of the Group. Fairline and Timberfield are not interested in the Disposal of the Vessels other than through its shareholding interest in the Company and Jinhui Shipping. No Shareholder is required to abstain from voting on the Disposal of the Vessels if the Company were to convene a general meeting for the approval of the Disposal of the Vessels, and the Disposal of the Vessels has been approved by written shareholders' approvals from Fairline and Timberfield.

A circular containing, amongst other things, further information relating to the Disposal of the Vessels is expected to be despatched to the Shareholders on or before 8 November 2022 in accordance with the Listing Rules.

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 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 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 Jinhui Shipping;
"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;
"Independent Third Parties"	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates within the meaning of the Listing Rules;
"Jinhui Shipping"	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of the Company as at date of this announcement, whose shares are listed on the Oslo Stock Exchange (stock code: JIN);
"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-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 Jinhui Shipping;
"Second Vessel"	a deadweight 93,279 metric tons bulk carrier "JIN LANG" 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;
"Supramaxes"	dry cargo vessels of deadweight approximately 50,000 metric tons;
"Vessels"	the First Vessel and the Second Vessel;
"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, 18 October 2022

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.