JINHUI SHIPPING AND TRANSPORTATION LIMITED

JINHUI

JIN - INSIDE INFORMATION
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 13 December 2019 for the disposal of a Supramax at a consideration of US$5,460,000.

THE DISPOSAL

The Vendor entered into the Agreement with the Purchaser on 13 December 2019 for the disposal of the Vessel at a consideration of US$5,460,000. The Vessel will be delivered by the Vendor to the Purchaser or its nominee between 16 December 2019 and 31 January 2020.

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 company incorporated in the Republic of Marshall Islands and its principal activities are ship owning and ship chartering. The Purchaser and the Guarantor are companies wholly-owned by a common ultimate beneficial owner – Mr. Zhao Weihui.

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$5,460,000 payable by the Purchaser as follows:

(1) an initial deposit of US$1,460,000 will be payable by the Purchaser within one banking day after the date of signing the Agreement; and

(2) the balance of US$4,000,000 will be payable by the Purchaser on the Balance Payment Date, subject to accrued interest thereon. To secure the Purchaser's performance and observance of and compliance with all of the covenants, terms and conditions under the Agreement, including the due payments of the outstanding amount and any other sums owes by the Purchaser, the Purchaser shall create a first priority ship mortgage of the Vessel in favour of the Vendor and enter into certain security documents in the form and substance satisfactory to the Vendor.

The consideration of the Vessel of US$5,460,000 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. The Purchaser shall pay accrued interest on the balance of US$4,000,000 for the period up to the Balance Payment Date. The interest accrued for the period of approximately US$1.2 million was concluded base on arm's length negotiations and was on normal commercial terms.

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.

Vessel

The Vessel is a Supramax of deadweight 50,230 metric tons, built in year 2001 and registered in Hong Kong. The Vendor is a special purpose company for holding solely the Vessel.

Possible financial effects of the Disposal

The Vessel has been owned by the Group since May 2019. Based on the unaudited net book value of the Vessel of approximately US$5,419,000 as at 31 October 2019, the Group would realize a book gain of approximately US$38,000 on disposal of the Vessel. The book gain for the Vessel was calculated after estimated legal fees of approximately US$3,000. However, the actual book gain 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 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 Vessel as at date of delivery.

Use of proceeds

The Group intends to keep all net sale proceeds received as general working capital of the Group.

Guarantee

Pursuant to the Agreement, a guarantee will be executed on or before the delivery of the Vessel by the Guarantor in favour of the Vendor pursuant to which the Guarantor will agree to guarantee the Vendor, inter alia, the punctual performance of all the obligations by the Purchaser under the Agreement and the other security documents. The Guarantor will also undertake whenever the Purchaser does not pay any amount due under the Agreement, the Guarantor shall immediately on demand pay that amount and indemnifies the Vendor any cost, loss or liability suffered by the Vendor.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Guarantor 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.

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.

Despite the recent improvement in shipping market, we continue to see uncertainty and market volatility remaining as an operational risk to the Group. In order to further reduce operational risk and liquidity risk, we believe it is prudent for the Group to readjust the fleet size according to the age profile and it is also important to remain financially nimble in today's ever-changing market environment. The Disposal would result in a book gain and 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, the Group currently owns two modern Post-Panamaxes and seventeen modern grabs fitted Supramaxes including the Vessel. Total carrying capacity will be reduced by 50,230 metric tons to 1,086,074 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 improve the liquidity position of the Group. The Directors consider that the terms and conditions of the Agreement was 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 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:

"Agreement"	the memorandum of agreement dated 13 December 2019 entered into between the Vendor and the Purchaser in respect of the disposal of the Vessel;
"Balance Payment Date"	the date falling three years after the delivery date 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;
"Guarantor"	Hyde Shipping Pte. Ltd., a company incorporated in Singapore;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Post-Panamaxes"	vessels of deadweight approximately 90,000 metric tons to 100,000 metric tons;
"Purchaser"	Hyde Shipping Co., Ltd, a company incorporated in the Republic of Marshall Islands;
"Supramax(es)"	dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
"Vendor"	Jinming Marine Inc., a wholly-owned subsidiary of Jinhui Shipping; and
"Vessel"	a deadweight 50,230 metric tons bulk carrier "Jin Ming" registered in Hong Kong.

By Order of the Board

Ng Kam Wah Thomas

Managing Director

13 December 2019