JINHUI

JINHUI SHIPPING

AND TRANSPORTATION LIMITED

First Quarter Report

For the quarter ended
31 March 2013

Highlights

for the First Quarter of 2013

- Revenue for the quarter declined 8% to US$54 million
- Net profit for the quarter dropped 68% to US$3 million
- Basic earnings per share: US$0.034
- Gearing ratio as at 31 March 2013: 41%

The Board of **Jinhui Shipping and Transportation Limited** (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the quarter ended 31 March 2013.

Condensed Consolidated Statement of Comprehensive Income

	Note	**3 months ended 31/3/2013 (Unaudited)**	3 months ended 31/3/2012 (Unaudited)	Year ended 31/12/2012 (Audited)
		US$'000	*US$'000*	*US$'000*
Revenue	*2*	**53,875**	58,522	234,035
Other operating income		**3,010**	3,846	28,463
Interest income		**866**	1,230	4,651
Shipping related expenses	*3*	**(34,451)**	(35,338)	(146,984)
Staff costs		**(1,858)**	(1,613)	(11,653)
Other operating expenses		**(1,900)**	(2,143)	(7,454)
Operating profit before depreciation and amortization		**19,542**	24,504	101,058
Depreciation and amortization		**(14,871)**	(13,464)	(56,757)
Operating profit		**4,671**	11,040	44,301
Finance costs		**(1,842)**	(2,202)	(8,720)
Profit before taxation		**2,829**	8,838	35,581
Taxation	*4*	**-**	-	-
Net profit and total comprehensive income for the period / year attributable to shareholders of the Company		**2,829**	8,838	35,581
Earnings per share	*5*			
- Basic and diluted		**US$0.034**	US$0.105	US$0.423

Condensed Consolidated Statement of Financial Position

	Note	31/3/2013 (Unaudited) US$'000	31/3/2012 (Unaudited) US$'000	31/12/2012 (Audited) US$'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1,190,818**	1,159,661	1,203,538
Investment properties		**3,333**	-	3,333
Available-for-sale financial assets		**203**	395	395
		1,194,354	1,160,056	1,207,266
Current assets				
Inventories		**3,422**	1,318	7,242
Trade and other receivables		**29,047**	44,386	48,804
Financial assets at fair value through profit or loss		**100,204**	66,543	76,020
Pledged deposits		**23,989**	9,549	19,776
Bank balances and cash	*7*	**91,492**	200,049	126,770
		248,154	321,845	278,612
Total assets		**1,442,508**	1,481,901	1,485,878
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**4,202**	4,202	4,202
Reserves		**852,126**	822,554	849,297
Total equity		**856,328**	826,756	853,499
Non-current liabilities				
Secured bank loans	*8*	**476,737**	514,386	492,936
Current liabilities				
Trade and other payables		**37,515**	64,094	61,410
Provisions	*9*	**5,906**	7,801	8,660
Amount due to holding company		**68**	41	73
Secured bank loans	*8*	**65,954**	68,823	69,300
		109,443	140,759	139,443
Total equity and liabilities		**1,442,508**	1,481,901	1,485,878

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2012	4,202	72,087	719	16,297	4,758	48	719,807	817,918
Net profit and total comprehensive income for the period	-	-	-	-	-	-	8,838	8,838
At 31 March 2012	4,202	72,087	719	16,297	4,758	48	728,645	826,756
At 1 January 2013	4,202	72,087	719	16,297	4,758	48	755,388	853,499
Net profit and total comprehensive income for the period	-	-	-	-	-	-	2,829	2,829
At 31 March 2013	**4,202**	**72,087**	**719**	**16,297**	**4,758**	**48**	**758,217**	**856,328**

Condensed Consolidated Statement of Cash Flows

	Note	3 months ended 31/3/2013 (Unaudited) US$'000	3 months ended 31/3/2012 (Unaudited) US$'000	Year ended 31/12/2012 (Audited) US$'000
OPERATING ACTIVITIES				
Cash generated from (used in) operations		**(8,857)**	19,389	70,989
Interest paid		**(1,886)**	(2,152)	(8,720)
Net cash from (used in) operating activities		**(10,743)**	17,237	62,269
INVESTING ACTIVITIES				
Interest received		**890**	872	4,506
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**9,885**	(8,405)	11,595
Dividend income received		**9**	69	635
Purchase of property, plant and equipment		**(2,151)**	(25,130)	(112,300)
Proceeds from termination of unlisted investments		**474**	-	-
Purchase of investment properties		**-**	-	(4,015)
Net cash from (used in) investing activities		**9,107**	(32,594)	(99,579)
FINANCING ACTIVITIES				
New secured bank loans		**501**	20,150	94,058
Repayment of secured bank loans		**(20,045)**	(16,615)	(111,622)
Increase in pledged deposits		**(4,213)**	(1,655)	(11,882)
Net cash from (used in) financing activities		**(23,757)**	1,880	(29,446)
Net decrease in cash and cash equivalents		**(25,393)**	(13,477)	(66,756)
Cash and cash equivalents at the beginning of period / year		**111,687**	178,443	178,443
Cash and cash equivalents at the end of period / year	7	**86,294**	164,966	111,687

NOTES:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and have not been reviewed by our auditor, Grant Thornton Hong Kong Limited. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2012.

2. Revenue

The Group is principally engaged in the businesses of ship chartering and ship owning which are carried out internationally. Revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels.

3. Shipping related expenses

Shipping related expenses mainly include hire payments and commission payments, vessels operating expenses, and provision for loss on charter hire. Vessels operating expenses primarily comprise of crew expenses, insurances, spare parts and consumables, repairs and maintenance, and other operating expenses.

4. Taxation

Taxation has not been provided as the Group has no assessable profit for all relevant periods / year.

5. Earnings per share

Basic and diluted earnings per share for the quarter ended 31 March 2013 were calculated on the net profit for the quarter of US$2,829,000 (31/3/2012: US$8,838,000) and the weighted average number of 84,045,341 (31/3/2012: 84,045,341) ordinary shares in issue during the quarter.

Basic and diluted earnings per share for the year ended 31 December 2012 were calculated on the net profit for the year of US$35,581,000 and the weighted average number of 84,045,341 ordinary shares in issue during the year.

6. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2013 (31/3/2012: nil).

7. Bank balances and cash

	31/3/2013 (Unaudited) *US$'000*	31/3/2012 (Unaudited) *US$'000*	31/12/2012 (Audited) *US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**86,294**	164,966	111,687
Bank deposits with more than three months to maturity when placed	**5,198**	35,083	15,083
	91,492	200,049	126,770

8. Secured bank loans

At the reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars and were committed on floating rate basis.

9. Provisions

At the reporting date, provisions represented provision for loss on charter hire. The movements for provision for loss on charter hire during the periods / year are as follows:

	31/3/2013 (Unaudited)	31/3/2012 (Unaudited)	31/12/2012 (Audited)
	US$'000	*US$'000*	*US$'000*
At 1 January	**8,660**	7,087	7,087
Provision recognized	**-**	6,174	22,392
Provision utilized	**(2,754)**	(5,460)	(20,819)
	5,906	7,801	8,660

10. Capital expenditures and commitments

During the quarter, capital expenditure on additions of owned vessels and vessels under construction was US$2,144,000 (31/3/2012: US$25,125,000), and on other property, plant and equipment was US$7,000 (31/3/2012: US$5,000).

At the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$23,712,000 (31/12/2012: US$43,504,000), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2012: two) newbuildings at total contract price of JPY4,500,000,000 (31/12/2012: US$17,500,000 and JPY6,410,500,000).

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2013.

REVIEW OF OPERATIONS

First Quarter of 2013. Dry bulk shipping market remained dull and volatile in late 2012 given the oversupply of tonnages combined with weak global freight demand for dry bulk commodities. At the first quarter of 2013, dry bulk shipping market had showed a very mild improvement as positive catalysts such as bumper harvest of grain and crops in South American countries and rising coal exporting activities in Asia-pacific countries have encouraged demand for dry bulk vessels in shipping market. Baltic Dry Index ("BDI") opened at 699 points at the beginning of 2013 and gradually climbed to 935 points on 25 March 2013 and closed at 910 points by end of the first quarter. Despite BDI was in an ascending trend, market freight rates varied significantly depending on the positioning of vessels and the timing of entering charter contracts. Exceptional high or low freight rates were observed in the market during the quarter.

Revenue for the first quarter of 2013 declined 8% to US$53,875,000, comparing to US$58,522,000 for the last corresponding quarter. Net profit for the first quarter fell 68% to US$2,829,000 in 2013, comparing to US$8,838,000 for the first quarter of 2012. Basic earnings per share for the quarter was US$0.034 as compared to US$0.105 for the last corresponding quarter.

As one of the market participants in dry bulk shipping market, the Group is exposed to the continued low freight rate environment due to a lacklustre global economic growth as well as an oversupply of tonnages. The decline in both revenue and net profit for the quarter was mainly due to the decline in chartering freight and hire income arising from the Group's owned and chartered-in vessels when certain charter contracts were entered into with charterers in late 2012 and early 2013 at relatively low freight rates as compared to that of the corresponding period in the first quarter of 2012.

The average daily time charter equivalent rates ("TCE") of the Group's fleet were as follows:

	Q1 2013	Q1 2012	2012
	US$	*US$*	*US$*
Capesize Fleet	**12,751**	10,750	11,709
Post-Panamax / Panamax Fleet	**14,192**	14,890	15,238
Supramax / Handymax / Handysize Fleet	**13,218**	16,540	15,512
In average	**13,294**	16,070	15,292

The Group's operating results for the first quarter of 2013 were negatively impacted by lower hire revenue earned in the prevailing low freight rate environment. The Group strives to maintain a low operating cost structure by keeping a young and cost-efficient fleet with average vessel age currently at six years.

During the first quarter of 2013, the Group recognized fair value gain on investment portfolio, predominantly in debt securities listed in Hong Kong, of US$477,000 and was recorded in other operating income. For the same quarter in 2012, fair value gain on investment portfolio, predominantly in equity securities listed in Hong Kong, was US$193,000 and was recorded in other operating income.

Shipping related expenses slightly dropped by 3% to US$34,451,000 for the first quarter of 2013 as compared to US$35,338,000 for the last corresponding quarter in 2012. The decrease was mainly attributable to the expiration of a chartered-in Capesize contract that reduced the hire payments. However, the decrease was almost offset by the rising vessels operating expenses in particular to crew expenses, and increased bunker expenses incurred in additional voyage charters being carried out in current quarter and in repositioning of vessels into more favourable areas.

Due to relatively higher contract price of recently delivered owned vessels, the Group's depreciation and amortization increased by 10% to US$14,871,000 for the first quarter of 2013. As at 31 March 2013, the Group had thirty eight owned vessels as compared to thirty six owned vessels as at 31 March 2012.

Finance costs for the first quarter decreased by 16% from US$2,202,000 in 2012 to US$1,842,000 in 2013. The decrease was mainly attributable to the reduction in average outstanding loan principal under aggressive loan repayment schedules, and partially offset by higher loan interest margin being agreed under loan facilities for the recently delivered owned vessels.

FINANCIAL REVIEW

As at 31 March 2013, the total of the Group's equity and debt securities, bank balances and cash decreased to US$191,696,000 (31/12/2012: US$202,790,000) and bank borrowings decreased to US$542,691,000 (31/12/2012: US$562,236,000). The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, remained at 41% as at 31 March 2013 (31/12/2012: 42%). With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

During the quarter, capital expenditure on additions of property, plant and equipment was US$2,151,000 (31/3/2012: US$25,130,000).

As at 31 March 2013, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$23,712,000 (31/12/2012: US$43,504,000), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2012: two) newbuildings at total contract price of JPY4,500,000,000 (31/12/2012: US$17,500,000 and JPY6,410,500,000).

FLEET

The Group's strategy is to maintain a young and modern fleet to serve the growing needs of our customers.

As at 31 March 2013, the Group had thirty eight owned vessels which included two modern Post-Panamaxes, two modern Panamaxes, thirty two modern grabs fitted Supramaxes, one Handymax and one Handysize.

During the quarter, a chartered-in Capesize with charter period expiring in April 2013 was early redelivered to the owner in January 2013.

Apart from owned vessels, the Group operated two chartered-in vessels which included one Capesize and one Supramax as at 31 March 2013.

Fleet Details

As at 31 March 2013 and up to 27 May 2013, the Group had thirty eight owned vessels and two chartered-in vessels in operation as follows:

	Number of vessels in operation		
	Owned	Chartered-in	Total
Capesize Fleet	-	1	1
Post-Panamax Fleet	2	-	2
Panamax Fleet	2	-	2
Supramax / Handymax Fleet	33	1	34
Handysize Fleet	1	-	1
Total Fleet	**38**	**2**	**40**

Fleet Activity

According to the Company's best estimation, the activity of the Group's fleet as at 27 May 2013 was as follows:

Owned and Chartered-in Fleet - revenue covered:

		Unit	2013	2014
Capesize Fleet	Coverage	*%*	79	-
	Operating days covered	*Days*	313	-
	Daily TCE	*US$*	13,170	-
Post-Panamax / Panamax Fleet	Coverage	*%*	52	6
	Operating days covered	*Days*	738	83
	Daily TCE	*US$*	22,719	38,200
Supramax / Handymax / Handysize Fleet	Coverage	*%*	60	2
	Operating days covered	*Days*	7,594	182
	Daily TCE	*US$*	16,354	32,851

Chartered-in Fleet - TCE cost:

		Unit	2013	2014
Capesize Fleet	Operating days	*Days*	395	41
	Daily TCE cost	*US$*	43,506	44,000
Supramax Fleet	Operating days	*Days*	300	N/A
	Daily TCE cost	*US$*	36,000	N/A

RISK FACTORS

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including the Company’s management's examination of historical operating trends. Although the Company believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties which are difficult or impossible to predict and are beyond its control, the Company cannot give assurance that it will achieve or accomplish these expectations, beliefs or targets.

Key risk factors that could cause actual results to differ materially from those discussed in this report will include but not limited to the way world economies, currencies and interest rate environment may evolve going forward, general market conditions including fluctuations in charter rates and vessel values, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, piracy or political events, and other important factors described from time to time in the reports filed by the Company.

OUTLOOK

2013 continues to be a very challenging year for dry bulk shipping market. The global economic growth continues to vary from region to region, with U.S. showing more encouraging signs of improvement than Europe. Asia, in particular China remains as the bright spots. However, with the new Chinese Leaders focusing on measures that curb fixed asset investments and asset prices, the country that has been driving the most demand growth in dry bulk commodities has slowed down their import requirement. While the overall demand volume is rising and is expected to rise over the longer term, when piece together the oversupply in tonnages and excess shipbuilding capacity, it is expected a low freight rate environment is likely for the remaining of the year. Although recent activities that positively reduced the supply side such as slippage and scrapping have been higher than previous years, we expect that the operating environment of our industry will remain tough in 2013.

Ship financing for newbuilding projects again remain hard to come by, especially given the extraordinary challenges financial institutions are already facing. We believe this will discourage excess new supply being ordered, leading to smaller and non-competitive shipyards exiting the market in time. Both factors should help the restoration of balance in shipping capacity versus demand in dry seaborne trade, it may however be a longer than expected process.

Looking ahead, we expect further company defaults and rising counterparty risks, but at the same time we believe there will be interesting opportunities for those who are patient, prepared and have placed liquidity as a priority in the past years.

We aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise.

For the remaining of the year, we will continue to focus on the basics: maintain a strong financial position and a healthy gearing level, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins. We will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios.

PUBLICATION OF FINANCIAL INFORMATION

This report is available on the website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

By Order of the Board

Ng Siu Fai
Chairman

28 May 2013

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