JINHUI SHIPPING

AND TRANSPORTATION LIMITED

JINHUI

First Quarter Report

For the quarter ended

31 March 2014

HIGHLIGHTS

FOR THE FIRST QUARTER OF 2014

- Revenue for the quarter dropped 32% to US$37 million
- Net loss for the quarter: US$3 million
- Basic loss per share: US$0.038
- Gearing ratio as at 31 March 2014: 22%

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 2014.

FIRST QUARTER RESULTS

Revenue for the first quarter of 2014 declined 32% to US$36,688,000, comparing to US$53,875,000 for the last corresponding quarter in 2013. The Group recorded net loss of US$3,195,000 for current quarter while net profit for the first quarter of US$2,829,000 was reported in 2013. Basic loss per share for the quarter was US$0.038 as compared to basic earnings per share of US$0.034 for the last corresponding quarter in 2013.

The Group's operating results for the quarter were negatively impacted by both reduced chartering earnings due to increasing ballasting and positioning periods, suppressed spot rates in those regions with oversupply of tonnages, and significant fair value loss of approximately US$3 million on investment portfolio as market corrections were noted from emerging markets to developed markets and the fall in market prices of Asian equity and debt securities continued since late 2013 until current quarter.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2014.

REVIEW OF OPERATIONS

First Quarter of 2014. Dry bulk shipping market underwent typical seasonal demand decline in the first quarter of 2014 with sluggish seaborne activities and characterized by disparity in supply and demand for dry bulk shipping across different regions. Remarkably high or exceptional low fixtures were reported in the first quarter of 2014 and vessels in ballast seeking better chartering opportunities or prolonging positioning period were also common. While dry bulk shipping market is expected to improve in longer term as supply of newbuildings deliveries slows down and global economic indicators remain encouraging, market freight rates in first quarter of 2014 were still suppressed by short-term imbalance tonnage supply and demand in certain regions as large number of vessels have been ballasting from the weaker Pacific basin to Atlantic basin.

Revenue for the quarter dropped vigorously as the Group faced current market challenges, particularly for some owned vessels were chartered out in short term at relatively low freight rates at spot market. In addition, a chartered-in Capesize had been redelivered to its owner in late January 2014. Consequently, revenue contributed from chartered-in vessel dropped and due to increased positioning voyage without revenue contribution for increased voyage charters, there was a sharp fall in the average daily time charter equivalent rates ("TCE") of the Group's fleet.

The TCE of the Group's fleet were as follows:

	Q1 2014	Q1 2013	2013
	US$	*US$*	*US$*
Capesize fleet	**13,477**	12,751	13,202
Post-Panamax / Panamax fleet	**11,727**	14,192	15,817
Supramax / Handymax / Handysize fleet	**10,380**	13,218	13,424
In average	**10,558**	13,294	13,653

The Group's revenue and operating results for the quarter were also impacted by reduced number of both owned fleet and chartered-in fleet in operation and lower charter rates earned in the quarter. Operating days in current quarter were less than those in the first quarter of 2013 due to increased vessels ballast days and prolonging positioning period for increased voyage charters. For chartered-in fleet, the Group had early redelivered the only chartered-in Capesize to its owner in late January 2014 whereas two chartered-in vessels were in operation in last corresponding quarter in 2013.

Shipping related expenses for the quarter included compensation paid for early redelivery of the Group's only chartered-in Capesize to its owner in late January 2014. Upon the redelivery of this chartered-in Capesize, the Group has not operated chartered-in fleet and hence hire payments for current quarter reduced significantly by approximately US$7.2 million comparing to the first quarter in 2013 in which two chartered-in vessels were in operation. However, such decrease was partially offset by the increased bunker expenses incurred in repositioning of vessels into more favourable areas and increased voyage charters taken in current quarter.

Other operating income increased from US$3,010,000 for the last corresponding quarter in 2013 to US$11,348,000 for the first quarter of 2014. The increase for the quarter was partly attributable to the increased ballast bonus income received from particular charterers for certain charter contracts and settlement income of US$5,232,000 which comprised of partial settlement on an arbitration award granted in relation to a repudiation claim against a charterer; and settlement income received from a charterer for early redelivery of an owned vessel to the Group.

Other operating expenses for the first quarter rose from US$1,900,000 in 2013 to US$4,348,000 in 2014, mainly due to the Group recognized fair value loss of US$3,069,000 on investment portfolio of equity and debt securities. Bond market continued to underperform on the back of U.S. tapering quantitative easing policies and rising treasury yields expectation. Meanwhile, equity markets in Asian region plunged as funds continued to flow out of the Asian region to the West amidst the apparent slowdown of economic growth in the emerging markets. For the last corresponding quarter in 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.

Finance costs for the first quarter dropped 19% from US$1,842,000 in 2013 to US$1,493,000 in 2014. The decrease was attributable to the decrease in average outstanding loan principal under aggressive loan repayment schedules and full repayment of vessel mortgage loans for two disposed owned vessels during the quarter.

FINANCIAL REVIEW

As at 31 March 2014, the total of the Group's equity and debt securities, bank balances and cash increased to US$253,704,000 (31/12/2013: US$209,646,000) and bank borrowings decreased to US$447,854,000 (31/12/2013: US$492,936,000). 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, dropped to 22% as at 31 March 2014 (31/12/2013: 32%). 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$1,817,000 (31/3/2013: US$2,151,000).

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 2014, the Group had thirty six owned vessels as follows:

	Number of owned vessels
Post-Panamax Fleet	2
Panamax Fleet	2
Supramax / Handymax Fleet	31
Handysize Fleet	1
Total Fleet	**36**

On 10 April 2014, the Group entered into a construction and sale contract to acquire a Supramax newbuilding at a contract price of US$29,100,000 with expected date of delivery on or before 31 March 2016.

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

Shipping is tightly tied to the overall global economic health and is sensitive to intricate changes of the trade patterns, geopolitical situation, as well as the balance of demand and supply in shipping capacity.

The U.S. and European economies have been showing further encouraging signs. However, the key driver of the dry bulk market, China has caught a cold with economic activity, due to Government measures to limit credit growth, curb fixed asset investments and asset prices. As a result, the country that has been driving the most demand growth in dry bulk commodities has slowed down their import requirements recently. Growing geopolitical tension has also negatively affected business sentiment in a lot of regions. The operating environment of our industry has not been easy in the first few months.

We expect this slowdown of import activity and volumes from China and Asia to be temporary. China and most Asian economies are still growing, with raw materials requirements from agricultural products to energy products increasingly expected to grow steadily going forward. Other Asian economies that have recently slowed down were affected either by domestic political tensions or temporary policies. We remain positive with the longer term market given the long term import requirement from China and Asian countries are growing. Of course, this would only work providing there would be very few irrational ordering of newbuildings in future, in particular those ordered by parties with no intention to be long term committed in shipping.

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, lock in longer term charters to enhance the stability of income at the right time, 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

29 May 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended 31/3/2014 (Unaudited) US$'000	3 months ended 31/3/2013 (Unaudited) US$'000	Year ended 31/12/2013 (Audited) US$'000
Revenue	2	**36,688**	53,875	217,502
Other operating income		**11,348**	3,010	34,355
Interest income		**1,450**	866	3,913
Shipping related expenses		**(30,393)**	(34,451)	(127,089)
Staff costs		**(2,271)**	(1,858)	(11,613)
Impairment loss on assets held for sale		**-**	-	(12,844)
Other operating expenses		**(4,348)**	(1,900)	(12,482)
Operating profit before depreciation and amortization		**12,474**	19,542	91,742
Depreciation and amortization		**(14,176)**	(14,871)	(59,412)
Operating profit (loss)		**(1,702)**	4,671	32,330
Finance costs		**(1,493)**	(1,842)	(6,931)
Profit (Loss) before taxation		**(3,195)**	2,829	25,399
Taxation	6	**-**	-	-
Net profit (loss) and total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**(3,195)**	2,829	25,399
Earnings (Loss) per share	7			
- Basic and diluted		**US$(0.038)**	US$0.034	US$0.302

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31/3/2014 (Unaudited) *US$'000***	31/3/2013 (Unaudited) *US$'000*	31/12/2013 (Audited) *US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		**1,051,904**	1,190,818	1,064,266
Investment properties		**3,513**	3,333	3,513
Available-for-sale financial assets	*9*	**373**	203	373
		1,055,790	1,194,354	1,068,152
Current assets				
Inventories		**5,263**	3,422	4,509
Trade and other receivables		**24,799**	29,047	50,935
Financial assets at fair value through profit or loss	*11*	**146,832**	100,204	130,975
Pledged deposits		**22,912**	23,989	23,577
Bank balances and cash	*12*	**106,872**	91,492	78,671
		306,678	248,154	288,667
Assets held for sale		**-**	-	55,440
		306,678	248,154	344,107
Total assets		**1,362,468**	1,442,508	1,412,259
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**4,202**	4,202	4,202
Reserves		**871,501**	852,126	874,696
Total equity		**875,703**	856,328	878,898
Non-current liabilities				
Secured bank loans		**387,380**	476,737	402,498
Current liabilities				
Trade and other payables		**38,855**	37,515	40,367
Provisions		**-**	5,906	-
Amount due to holding company		**56**	68	58
Secured bank loans		**60,474**	65,954	90,438
		99,385	109,443	130,863
Total equity and liabilities		**1,362,468**	1,442,508	1,412,259

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 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
At 1 January 2014	4,202	72,087	719	16,297	4,758	48	780,787	878,898
Net loss and total comprehensive loss for the period	-	-	-	-	-	-	(3,195)	(3,195)
At 31 March 2014	**4,202**	**72,087**	**719**	**16,297**	**4,758**	**48**	**777,592**	**875,703**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**3 months ended 31/3/2014 (Unaudited) US$'000**	3 months ended 31/3/2013 (Unaudited) US$'000	Year ended 31/12/2013 (Audited) US$'000
OPERATING ACTIVITIES				
Cash generated from (used in) operations		**18,463**	(8,857)	32,997
Interest paid		**(1,569)**	(1,886)	(7,048)
Net cash from (used in) operating activities		**16,894**	(10,743)	25,949
INVESTING ACTIVITIES				
Interest received		**1,459**	890	3,358
Decrease in bank deposits with more than three months to maturity when placed		**-**	9,885	15,083
Dividend income received		**82**	9	1,082
Purchase of property, plant and equipment		**(1,817)**	(2,151)	(5,729)
Proceeds from disposal of assets held for sale		**56,000**	-	-
Proceeds from disposal of property, plant and equipment		**-**	-	38
Proceeds from termination of unlisted investments		**-**	474	474
Purchase of available-for-sale financial assets		**-**	-	(170)
Net cash from investing activities		**55,724**	9,107	14,136
FINANCING ACTIVITIES				
New secured bank loans		**1,369**	501	2,620
Repayment of secured bank loans		**(46,451)**	(20,045)	(71,920)
Decrease (Increase) in pledged deposits		**665**	(4,213)	(3,801)
Net cash used in financing activities		**(44,417)**	(23,757)	(73,101)
Net increase (decrease) in cash and cash equivalents		**28,201**	(25,393)	(33,016)
Cash and cash equivalents at beginning of the period / year		**78,671**	111,687	111,687
Cash and cash equivalents at end of the period / year	*12*	**106,872**	86,294	78,671

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 2013.

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. Revenue recognized during the periods / year are as follows:

	3 months ended 31/3/2014	3 months ended 31/3/2013	Year ended 31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Chartering freight and hire income:			
Hire income under time charters	**26,097**	43,705	178,147
Freight income under voyage charters	**10,591**	10,170	39,355
	36,688	53,875	217,502

3. Other operating income

Other operating income for the quarter ended 31 March 2014 included increased ballast bonus income received from particular charterers for certain charter contracts and settlement income of US$5.2 million which comprised of partial settlement on an arbitration award granted in relation to a repudiation claim against a charterer; and settlement income received from a charterer for early redelivery of an owned vessel to the Group.

For the year 2013, other operating income included an income of US$8.7 million relating to the elimination of impairment loss, previously recognized on a vessel under construction, upon termination of a newbuilding contract, and settlement income of US$5.4 million from certain claims, including the settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving cash and shares of KLC.

4. Shipping related expenses

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

5. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	3 months ended 31/3/2014	3 months ended 31/3/2013	Year ended 31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Impairment loss on trade receivables	**27**	165	519
Dividend income	**(82)**	(9)	(1,143)
Net loss (gain) on financial assets at fair value through profit or loss	**2,811**	(1,060)	(3,230)

6. Taxation

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

7. Earnings (Loss) per share

Basic and diluted loss per share for the quarter ended 31 March 2014 were calculated on the net loss for the quarter of US$3,195,000 and the weighted average number of 84,045,341 ordinary shares in issue during the quarter.

Basic and diluted earnings per share for the quarter ended 31 March 2013 and year ended 31 December 2013 were calculated on the respective net profit of US$2,829,000 for the first quarter of 2013 and US$25,399,000 for year 2013 and the weighted average number of 84,045,341 ordinary shares in issue during the quarter / year.

8. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2014 (31/3/2013: nil).

9. Available-for-sale financial assets

	31/3/2014	31/3/2013	31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Unlisted club membership, at fair value	**203**	203	203
Unlisted club membership, at cost	**170**	-	170
	373	203	373

Unlisted club membership stated at fair value represented investment in club membership which its fair value can be determined directly by reference to published price quotation in active market. At the reporting date, the fair value measurement of this unlisted club membership was categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the periods / year.

For the unlisted club membership stated at cost, as there is no quoted market price in active market, the range of reasonable fair value estimates can be varied significantly that its fair value cannot be measured reliably.

10. Trade and other receivables

As at 31 December 2013, trade and other receivables included a short term receivable of approximately US$24 million in relation to the termination of a newbuilding contract. In March 2014, the vendor refunded the amount to the Group and hence trade and other receivables reduced significantly as at 31 March 2014.

11. Financial assets at fair value through profit or loss

	31/3/2014	31/3/2013	31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Held for trading or not qualifying as hedges			
Equity securities			
Listed equity securities	**69,233**	48,509	55,426
Debt securities			
Listed debt securities	**77,599**	30,823	75,549
Unlisted debt securities	**-**	20,872	-
	77,599	51,695	75,549
	146,832	100,204	130,975

At the reporting date, the fair value measurements of listed equity securities and listed debt securities were determined by reference to their quoted bid prices in active markets and were categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. The fair value measurements of unlisted debt securities were determined by reference to price quotations for equivalent financial instruments in active markets provided by financial institutions and were categorized as Level 2 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the periods / year.

12. Bank balances and cash

	31/3/2014	31/3/2013	31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**106,872**	86,294	78,671
Bank deposits with more than three months to maturity when placed	**-**	5,198	-
	106,872	91,492	78,671

13. Assets held for sale

As at 31 December 2013, assets held for sale represented two owned vessels which were ready for sale with recoverable amount of US$55.4 million, which were measured at the lower of the net book value of US$68.3 million or estimated fair value less costs to sell of US$55.4 million. As a result, impairment loss of US$12.9 million for these two vessels was recognized for the year 2013.

In mid-February 2014, the Group entered into agreements to dispose these two vessels at a total consideration of US$56 million to a purchaser. Both vessels were delivered to the purchaser in early March 2014 as scheduled.

14. Related party transactions

During the periods / year, the Group had related party transactions in relation to compensation of key management personnel as follows:

	3 months ended 31/3/2014	3 months ended 31/3/2013	Year ended 31/12/2013
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Salaries and other benefits	**1,151**	760	7,482
Contributions to retirement benefits schemes	**64**	40	163
	1,215	800	7,645

15. Event after the reporting date

Subsequent to the reporting date, a wholly-owned subsidiary of the Company, entered into a construction and sale contract on 10 April 2014 to acquire a deadweight 60,000 metric tons type single screw diesel propelled bulk carrier at a contract price of US$29,100,000 with expected date of delivery on or before 31 March 2016. The first installment in the sum of US$2,910,000 was paid to the vendor in April 2014.

16. Comparative figures

Certain comparative figures have been included in order to conform to the presentation of current period.

Jinhui Shipping and Transportation Limited

JINHUI

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