JINHUI

JINHUI SHIPPING
AND TRANSPORTATION LIMITED

First Quarter Report
For the quarter ended
31 March 2015

HIGHLIGHTS

For the First Quarter of 2015

- Revenue for the quarter declined 39% to US$22 million
- Net profit for the quarter: US$5 million
- Basic earnings per share: US$0.056
- Gearing ratio as at 31 March 2015: 24%
- EBITDA : US$19 million

The Board of **Jinhui Shipping and Transportation Limited** (the “Company” or “Jinhui Shipping”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the quarter ended 31 March 2015.

FIRST QUARTER RESULTS

Revenue for the first quarter of 2015 declined 39% to US$22,208,000, comparing to US$36,688,000 for the last corresponding quarter in 2014. The Company recorded a consolidated net profit of US$4,686,000 for current quarter as compared to a consolidated net loss of US$3,195,000 for the last corresponding quarter in 2014. Basic earnings per share was US$0.056 for the first quarter of 2015 while basic loss per share was US$0.038 for the last corresponding quarter in 2014.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2015.

REVIEW OF OPERATIONS

First Quarter of 2015. Dry bulk shipping market experienced another depressing quarter in 2015 as the sharp reduction in China’s dry bulk commodities importing activities added severe price pressure to the weak and fragile shipping market. Baltic Dry Index, as well as Baltic Supramax Index had plunged once again to new record lows in the quarter following a slump in market freight rates of different kinds of vessels. The slowing dry bulk commodities import demand from the emerging countries and the oversupply of tonnage remained as key hurdles to the long-awaited cyclical upturn in the market.

Revenue for the first quarter of 2015 was US$22,208,000, representing a decrease of 39% as compared to US$36,688,000 for the first quarter of 2014. The drop in revenue was mainly due to the large exposure to spot market as freight rates kept declining to unexpectedly low levels in the current quarter. The average daily time charter equivalent rates (“TCE”) earned by the Group’s fleet dropped 36% to US$6,749 for the first quarter of 2015 as compared to US$10,558 for the corresponding quarter in 2014.

Average daily TCE	**Q1 2015** ***US$***	Q1 2014 *US$*	2014 *US$*
Capesize fleet	**-**	13,477	13,477
Post-Panamax / Panamax fleet	**3,996**	11,727	9,139
Supramax / Handymax / Handysize fleet	**7,047**	10,380	9,235
In average	**6,749**	10,558	9,234

Shipping related expenses dropped from US$30,393,000 for the first quarter in 2014 to US$21,986,000 for the current quarter. The decrease was mainly attributable to the lower direct costs on voyage charters due to less voyage charters were engaged in the quarter, coupled with the reduction in vessels' running costs under the Group's continuing effort on cost reduction strategy in order to remain competitive in the current tough market environment.

Other operating income for the quarter included settlement income of US$18,500,000 from a charterer in relation to repudiation claims. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards. Other operating income also included fair value gain of US$389,000 on investment portfolio of equity and debt securities for the first quarter of 2015. For the first quarter of 2014, there was a settlement income of US$5,232,000 while fair value loss of US$3,069,000 on investment portfolio of equity and debt securities was recorded in other operating expenses.

Finance costs for the quarter decreased by 18% from US$1,493,000 in 2014 to US$1,227,000 in 2015. The decrease was mainly attributable to the reduction in average outstanding loan principal under aggressive loan repayment schedules of the Group.

FINANCIAL REVIEW

As at 31 March 2015, the total of the Group's equity and debt securities, bank balances and cash decreased to US$199,368,000 (31/12/2014: US$202,903,000) and bank borrowings decreased to US$387,379,000 (31/12/2014: US$402,498,000). 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 24% (31/12/2014: 25%) as at 31 March 2015. 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$2,361,000 (31/3/2014: US$1,817,000). As at 31 March 2015, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was US$26,190,000 (31/12/2014: US$26,190,000), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2014: one) newbuilding at contract price of US$29,100,000 (31/12/2014: US$29,100,000) under the contract dated 10 April 2014 entered into between a wholly-owned subsidiary of the Company and a contractor. Subsequent to the reporting date, the subsidiary and the contractor entered into a deed of novation on 28 May 2015. Upon signing the deed of novation, the parties agreed to novate the subsidiary's rights and obligations under the said contract to a new incoming party, which is an independent third party and the subsidiary agreed to the forfeiture of US$2,910,000 already paid under the said contract. The Company will make appropriate adjustments to its consolidated financial statements in the second quarter of 2015 to reflect the forfeiture of US$2,910,000 already paid under the said contract, which is recorded as "Vessel under construction" in the consolidated financial statements. The financial position and operations of the Group will not be adversely affected by entering into the deed of novation and will have benefit of reducing future capital expenditure during an extremely challenging operating environment.

FLEET

Owned Vessels

The Group's strategy is to maintain a young and modern fleet to serve the growing needs of our customers. As at 28 May 2015, 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**

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

We expected the 2015 dry bulk shipping market will be a tough market, and have been getting ready for this.

A number of factors continue to hinder the long-expected dry bulk market recovery: (1) slower demand growth in key dry bulk commodities importing activities from China due to economic slowdown; (2) a much lower oil price which discourages slow steaming and effectively releasing further supply to the market; (3) excess newbuilding orders driven by irrational expectations of financial return by parties with limited operating experience, backed by access to cheap funding in the capital market, and fee driven intermediary institutions.

We remain positive with the longer term market given the long term import requirement from China and Asian countries will experience positive growth. Recent actions in adjusting the monetary policy in China may be an encouraging signal to the market that China intends to further loosen its lending restrictions to support its slowing economic growth, its various economic policy from "One Belt One Road" to the China led "Asian Infrastructure Investment Bank" may in turn benefit the dry bulk shipping market in the longer term given more infrastructure projects will take place going forward. This growth will further strengthen, if the recovery of U.S. and European economies proved to be sustainable. Of course, most important of all, supply needs to be in balance with demand, where minimal or no more irrational ordering of newbuildings will take place further.

On a positive note, this newbuilding order frenzy has significantly slowed down given this extremely challenging operating environment. The lower oil price has proved that the "eco ship" investment story is not so attractive after all for dry bulk vessels, and lenders have become highly cautious at this juncture when offering new financing for ships. Recently, more private shipyards in China are experiencing financial distress, as they either failed to attract further newbuilding orders or failed to deliver products of contractual specifications. The market seems to have woken up and realise they need to be careful when choosing shipyards, look at fundamentals when ordering ships, rather than blindly relying on ability to access cheap funding in the capital market, seemingly lower purchasing price and hope for merely asset price appreciation. Going forward, we hope aspiring buyers may remember this industry is highly capital intensive, requires commitment and careful consideration.

Given the recent and expected uncertainties and volatilities in markets associated with our business, we will continue to refrain from using freight, bunker or interest rate derivatives.

With slowing supply growth, healthy demand growth expectation and increasing scrapping activities, we are cautiously optimistic on the rebalancing of seaborne tonnages in the next couple of years expect a stronger market going forward and aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise, though in the immediate future we will remain in the defensive mode.

Looking ahead, we will continue to focus on the basics: maintain a strong financial position, 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 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**3 months ended 31/3/2015 (Unaudited) *US$'000***	3 months ended 31/3/2014 (Unaudited) *US$'000*	Year ended 31/12/2014 (Audited) *US$'000*
Revenue	*2*	**22,208**	36,688	132,249
Other operating income		**21,929**	11,348	21,091
Interest income		**1,335**	1,450	5,599
Shipping related expenses		**(21,986)**	(30,393)	(107,099)
Staff costs		**(2,822)**	(2,271)	(11,138)
Impairment loss on owned vessels		**-**	-	(50,586)
Other operating expenses		**(1,409)**	(4,348)	(14,058)
Operating profit (loss) before depreciation and amortization		**19,255**	12,474	(23,942)
Depreciation and amortization		**(13,342)**	(14,176)	(57,365)
Operating profit (loss)		**5,913**	(1,702)	(81,307)
Finance costs		**(1,227)**	(1,493)	(5,441)
Profit (Loss) before taxation		**4,686**	(3,195)	(86,748)
Taxation	*5*	**-**	-	-
Net profit (loss) and total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**4,686**	(3,195)	(86,748)
Earnings (Loss) per share	*6*			
- Basic and diluted		**US$0.056**	US$(0.038)	US$(1.032)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31/3/2015**	31/3/2014	31/12/2014
		(Unaudited)	(Unaudited)	(Audited)
		US$'000	*US$'000*	*US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		**956,960**	1,051,904	967,941
Investment properties	*8*	**8,546**	3,513	8,546
Available-for-sale financial assets	*9*	**373**	373	373
		965,879	1,055,790	976,860
Current assets				
Inventories		**1,499**	5,263	2,452
Trade and other receivables		**22,924**	24,799	20,879
Financial assets at fair value through profit or loss	*10*	**129,381**	146,832	132,339
Pledged deposits		**22,784**	22,912	22,617
Bank balances and cash	*11*	**69,987**	106,872	70,564
		246,575	306,678	248,851
Total assets		**1,212,454**	1,362,468	1,225,711
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**4,202**	4,202	4,202
Reserves		**792,634**	871,501	787,948
Total equity		**796,836**	875,703	792,150
Non-current liabilities				
Secured bank loans		**323,872**	387,380	338,638
Current liabilities				
Trade and other payables		**28,145**	38,855	30,961
Amount due to holding company		**94**	56	102
Secured bank loans		**63,507**	60,474	63,860
		91,746	99,385	94,923
Total equity and liabilities		**1,212,454**	1,362,468	1,225,711

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 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
At 1 January 2015	4,202	72,087	719	16,297	4,758	48	694,039	792,150
Net profit and total comprehensive income for the period	-	-	-	-	-	-	4,686	4,686
At 31 March 2015	**4,202**	**72,087**	**719**	**16,297**	**4,758**	**48**	**698,725**	**796,836**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**3 months ended 31/3/2015 (Unaudited) *US$'000***	3 months ended 31/3/2014 (Unaudited) *US$'000*	Year ended 31/12/2014 (Audited) *US$'000*
OPERATING ACTIVITIES				
Cash generated from operations		**16,735**	18,463	40,239
Interest paid		**(1,247)**	(1,569)	(5,553)
Net cash from operating activities		**15,488**	16,894	34,686
INVESTING ACTIVITIES				
Interest received		**1,453**	1,459	5,454
Increase in bank deposits with more than three months to maturity when placed		**(16)**	-	(14,408)
Dividend income received		**129**	82	1,912
Purchase of property, plant and equipment		**(2,361)**	(1,817)	(11,629)
Purchase of investment properties		**-**	-	(5,052)
Proceeds from disposal of assets held for sale		**-**	56,000	56,000
Net cash from (used in) investing activities		**(795)**	55,724	32,277
FINANCING ACTIVITIES				
New secured bank loans		**1,351**	1,369	4,144
Repayment of secured bank loans		**(16,470)**	(46,451)	(94,582)
Decrease (Increase) in pledged deposits		**(167)**	665	960
Net cash used in financing activities		**(15,286)**	(44,417)	(89,478)
Net increase (decrease) in cash and cash equivalents		**(593)**	28,201	(22,515)
Cash and cash equivalents at beginning of the period / year		**56,156**	78,671	78,671
Cash and cash equivalents at end of the period / year	*11*	**55,563**	106,872	56,156

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 2014.

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 31/3/2015	3 months ended 31/3/2014	Year ended 31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Chartering freight and hire income:			
Hire income under time charters from owned vessels	**19,026**	25,743	97,339
Hire income under time charters from chartered-in vessel	**-**	354	354
Freight income under voyage charters	**3,182**	10,591	34,556
	22,208	36,688	132,249

3. Other operating income

Other operating income for the first quarter of 2015 mainly included settlement income of US$18,500,000 from a charterer in relation to repudiation claims and fair value gain of US$389,000 on investment portfolio of equity and debt securities for the first quarter of 2015.

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$5,232,000 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 income for the year 2014 mainly included ballast bonus income received from particular charterers for certain charter contracts, gain on disposal of assets held for sale of US$560,000, and settlement income of US$6,024,000 from certain charterers in relation to repudiation claims under arbitration awards and early redelivery of an owned vessel prior to expiry of charter contract.

4. Operating profit (loss) before depreciation and amortization

This is stated after charging / (crediting):

	3 months ended 31/3/2015	3 months ended 31/3/2014	Year ended 31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Impairment loss (Reversal of impairment loss) on trade receivables	**(217)**	27	(644)
Dividend income	**(195)**	(82)	(2,053)
Net loss (gain) on financial assets at fair value through profit or loss	**(1,110)**	2,811	5,923

5. Taxation

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

6. Earnings (Loss) per share

Basic and diluted earnings per share for the quarter ended 31 March 2015 were calculated on the net profit of US$4,686,000 for the quarter and the weighted average number of 84,045,341 ordinary shares in issue during the quarter.

Basic and diluted loss per share for the quarter ended 31 March 2014 and year ended 31 December 2014 were calculated on the respective net loss of US$3,195,000 for the first quarter of 2014 and US$86,748,000 for the year 2014 and the weighted average number of 84,045,341 ordinary shares in issue during the quarter / year.

7. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2015 (31/3/2014: nil).

8. Investment properties

	31/3/2015	31/3/2014	31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
At 1 January	**8,546**	3,513	3,513
Additions	**-**	-	5,052
Change in fair value	**-**	-	(19)
	8,546	3,513	8,546

The Group's investment properties comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases.

9. Available-for-sale financial assets

	31/3/2015	31/3/2014	31/12/2014
	(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	170
	373	373	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. Financial assets at fair value through profit or loss

	31/3/2015	31/3/2014	31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Held for trading or not qualifying as hedges			
Listed equity securities	**55,990**	69,233	56,408
Listed debt securities	**73,391**	77,599	75,931
	129,381	146,832	132,339

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. There was no transfer among the three levels of the fair value hierarchy during the periods / year.

11. Bank balances and cash

	31/3/2015	31/3/2014	31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**55,563**	106,872	56,156
Bank deposits with more than three months to maturity when placed	**14,424**	-	14,408
	69,987	106,872	70,564

12. Capital expenditures and commitments

During the quarter, capital expenditure on additions of property, plant and equipment was US$2,361,000 (31/3/2014: US$1,817,000).

As at 31 March 2015, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was US$26,190,000 (31/12/2014: US$26,190,000), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2014: one) newbuilding at contract price of US$29,100,000 (31/12/2014: US$29,100,000).

13. 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 31/3/2015	3 months ended 31/3/2014	Year ended 31/12/2014
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Salaries and other benefits	**1,594**	1,151	7,111
Contributions to retirement benefits schemes	**91**	64	254
	1,685	1,215	7,365

14. Event after the reporting date

In relation to the contract for the acquisition of a dry bulk carrier dated 10 April 2014 entered into between a wholly-owned subsidiary of the Company and a contractor, subsequent to the reporting date, the subsidiary and the contractor entered into a deed of novation on 28 May 2015. Upon signing the deed of novation, the parties agreed to novate the subsidiary's rights and obligations under the said contract to a new incoming party, which is an independent third party and the subsidiary agreed to the forfeiture of US$2,910,000 already paid under the said contract. The Company will make appropriate adjustments to its consolidated financial statements in the second quarter of 2015 to reflect the forfeiture of US$2,910,000 already paid under the said contract, which is recorded as "Vessel under construction" in the consolidated financial statements. The financial position and operations of the Group will not be adversely affected by entering into the deed of novation and will have benefit of reducing future capital expenditure during an extremely challenging operating environment.

Jinhui Shipping and Transportation Limited

JINHUI

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