JINHUI SHIPPING

AND TRANSPORTATION LIMITED

First Quarter Report

For the quarter ended

31 March 2016

HIGHLIGHTS

For the First Quarter of 2016

- Revenue for the quarter : US$10 million
- Net loss for the quarter: US$18 million
- Basic loss per share: US$0.220
- Gearing ratio as at 31 March 2016: 52%

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 2016.

FIRST QUARTER RESULTS

Revenue for the first quarter of 2016 declined 55% to US$9,959,000, comparing to US$22,208,000 for the corresponding quarter in 2015. The Company recorded a consolidated net loss of US$18,477,000 for current quarter as compared to a consolidated net profit of US$4,686,000 for the corresponding quarter in 2015. Basic loss per share was US$0.220 for the first quarter of 2016 while basic earnings per share was US$0.056 for the corresponding quarter in 2015.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2016.

REVIEW OF OPERATIONS

First Quarter of 2016. Dry bulk shipping market experienced an unprecedented depressed period in the first quarter of 2016 due to the plummeting oil and commodities prices and the sluggish seaborne dry bulk commodities trade demand driven by China's slowdown of commodities import activities. Baltic Dry Index as well as Baltic Supramax Index hit new historical lows in February 2016 and freight rates were bottoming below ship owners' operating costs. This extremely tough market conditions led to another confidence crisis since 2008 across the entire dry bulk sector. Despite there was a small uptick in freight rates in late February and March 2016, the overall recovery in dry bulk shipping market require a strong demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

Revenue for the first quarter of 2016 was US$9,959,000, representing a decrease of 55% as compared to US$22,208,000 for the first quarter of 2015. 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 57% to US$2,934 for the first quarter of 2016 as compared to US$6,749 for the corresponding quarter in 2015.

Average daily TCE	**Q1 2016** ***US$***	Q1 2015 *US$*	2015 *US$*
Post-Panamax / Panamax fleet	**1,995**	3,996	5,456
Supramax / Handymax / Handysize fleet	**3,053**	7,047	6,519
In average	**2,934**	6,749	6,412

Shipping related expenses dropped from US$21,986,000 for the first quarter in 2015 to US$16,226,000 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.

The Group entered into a memorandum of agreement to dispose a 2000-built Supramax at a consideration of US$2,900,000 in late March 2016. The vessel was delivered to the buyer and the disposal of the vessel was completed on 12 May 2016. Loss on disposal of the vessel was approximately US$4.5 million and the loss would be accounted for in the second quarter of 2016. The disposal will enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet size through this ongoing management of asset portfolio. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate.

FINANCIAL REVIEW

As at 31 March 2016, the total of the Group's equity and debt securities, bank balances and cash decreased to US$97,839,000 (31/12/2015: US$121,195,000) and bank borrowings decreased to US$302,717,000 (31/12/2015: US$317,483,000). 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, increased to 52% (31/12/2015: 47%) as at 31 March 2016. 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. As at 31 March 2016, the Group is able to service its debt obligations, including principal and interest payments. Nevertheless, the Group's liquidity would become tight if the prevailing extreme shipping market conditions continue and do not improve. In order to preserve the Group's liquidity and financial resources to weather the unprecedented storm in dry bulk shipping market, the Group has decided to manage liquidity risk ahead and initiated restructuring arrangement discussions with its lenders. Such discussions are currently ongoing and at an advanced stage. The Group expects to finalize the potential restructuring exercise before the end of second quarter of 2016. Further announcement regarding the conclusion of restructuring arrangement will be made in due course.

During the quarter, capital expenditure on additions of property, plant and equipment was US$1,394,000 (31/3/2015: US$2,361,000). As at 31 March 2016, there was no capital expenditure commitments contracted by the Group but no provided for.

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 30 May 2016, the Group had thirty five owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Panamax fleet	2
Supramax / Handymax fleet	30
Handysize fleet	1
Total fleet	**35**

The Group entered into a memorandum of agreement to dispose a 2000-built Supramax at a consideration of US$2,900,000 in late March 2016. The vessel was delivered to the buyer and the disposal of the vessel was completed on 12 May 2016. Loss on disposal of the vessel was approximately US$4.5 million and the loss would be accounted for in the second quarter of 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, availability of financing and refinancing, 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

The freight rate in the first quarter of 2016 has been extremely volatile and at times, below the Company's operating costs. Asset prices have gone in a downward spiral given the lack of confidence but have since rebounded significantly from its trough. We believe the current tough market cannot be sustainable in the long term, but the journey to recovery and equilibrium will be tough and not without casualties. Based on our observation of the dry bulk market, more shipyards are expected to run into financial distress, owners are doing their utmost to delay and cancel newbuilding orders, and financiers are avoiding new exposure against such backdrop. Some participants will cease to operate in this industry, leaving those ship owners with the experience, expertise, long term commitment together with support from trusted partners operating in the market.

A number of factors will continue to determine the pace of dry bulk market recovery: (1) demand growth in key dry bulk commodities importing activities from China has been volatile, with coal and iron ore import volume dropping during the end of 2015, to a healthier increase in recent months; (2) a recovery in various raw material prices has instilled some stability in the commodities market; and most importantly in our view (3) how will the irrational ordering of newbuildings in the past two years pan out.

The difficulties faced by suppliers, buyers and financiers are all pointing towards a much reduced number of newbuildings in 2016 and beyond. The 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 has backfired. Despite the slight recovery in freight rates in recent weeks, the prevailing trading environment remains to be tough. Events such as delays, conversions of bulk newbuilding orders to other vessel types, cancellations, and shipyard defaults are leading to much fewer actual deliveries than previously scheduled. Many ship owners are running out of liquidity and financiers are certainly avoiding new additional exposure to the sector.

We continue to see uncertainties with respect to the global economic outlook, particularly the freight market as well as the financial, commodity and currency markets. This will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position while maintaining a young and modern fleet of an optimal size in accordance to our future expectations of the operating environment. The Company is in advanced discussion with our lenders in supporting the maximizing of our liquidity position, and we will inform shareholders accordingly once details are agreed. Our objective is to be one of the survivors out of the current crisis and be a long term preferred vessel provider in the dry bulk shipping market.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive beyond the current crisis. 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

31 May 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**3 months ended 31/3/2016 (Unaudited) *US$'000***	3 months ended 31/3/2015 (Unaudited) *US$'000*	Year ended 31/12/2015 (Audited) *US$'000*
Revenue	*2*	**9,959**	22,208	86,303
Other operating income		**3,787**	21,929	33,103
Interest income		**623**	1,335	4,198
Shipping related expenses		**(16,226)**	(21,986)	(78,749)
Staff costs		**(2,727)**	(2,822)	(10,989)
Impairment loss on owned vessels		**-**	-	(325,011)
Other operating expenses		**(3,291)**	(1,409)	(28,585)
Operating profit (loss) before depreciation and amortization		**(7,875)**	19,255	(319,730)
Depreciation and amortization		**(9,385)**	(13,342)	(54,167)
Operating profit (loss)		**(17,260)**	5,913	(373,897)
Finance costs		**(1,217)**	(1,227)	(4,846)
Profit (Loss) before taxation		**(18,477)**	4,686	(378,743)
Taxation	*5*	**-**	-	-
Net profit (loss) and total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**(18,477)**	4,686	(378,743)
Earnings (Loss) per share	*6*			
- Basic and diluted		**US$(0.220)**	US$0.056	US$(4.506)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31/3/2016 (Unaudited) *US$'000***	31/3/2015 (Unaudited) *US$'000*	31/12/2015 (Audited) *US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		**590,188**	956,960	598,179
Investment properties	*8*	**9,397**	8,546	9,397
Available-for-sale financial assets	*9*	**386**	373	386
		599,971	965,879	607,962
Current assets				
Inventories		**882**	1,499	1,917
Trade and other receivables		**16,961**	22,924	17,954
Financial assets at fair value through profit or loss	*10*	**59,573**	129,381	87,077
Pledged deposits		**8,087**	22,784	10,376
Bank balances and cash	*11*	**38,266**	69,987	34,118
		123,769	246,575	151,442
Total assets		**723,740**	1,212,454	759,404
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**4,202**	4,202	4,202
Reserves		**390,728**	792,634	409,205
Total equity		**394,930**	796,836	413,407
Non-current liabilities				
Secured bank loans		**219,898**	323,872	234,141
Current liabilities				
Trade and other payables		**26,043**	28,145	28,456
Amount due to holding company		**50**	94	58
Secured bank loans		**82,819**	63,507	83,342
		108,912	91,746	111,856
Total equity and liabilities		**723,740**	1,212,454	759,404

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 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
At 1 January 2016	4,202	72,087	719	16,297	4,758	48	315,296	413,407
Net loss and total comprehensive loss for the period	-	-	-	-	-	-	(18,477)	(18,477)
At 31 March 2016	**4,202**	**72,087**	**719**	**16,297**	**4,758**	**48**	**296,819**	**394,930**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3 months ended 31/3/2016 (Unaudited) US$'000	3 months ended 31/3/2015 (Unaudited) US$'000	Year ended 31/12/2015 (Audited) US$'000
OPERATING ACTIVITIES				
Cash generated from operations		**17,820**	16,735	47,612
Interest paid		**(1,185)**	(1,247)	(4,902)
Net cash from operating activities		**16,635**	15,488	42,710
INVESTING ACTIVITIES				
Interest received		**1,152**	1,453	4,560
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**-**	(16)	14,408
Dividend income received		**164**	129	1,815
Purchase of property, plant and equipment		**(1,394)**	(2,361)	(12,307)
Purchase of investment properties		**-**	-	(450)
Proceeds from disposal of property, plant and equipment		**68**	-	-
Net cash from (used in) investing activities		**(10)**	(795)	8,026
FINANCING ACTIVITIES				
New secured bank loans		**-**	1,351	1,683
Repayment of secured bank loans		**(14,766)**	(16,470)	(86,698)
Decrease (Increase) in pledged deposits		**2,289**	(167)	12,241
Net cash used in financing activities		**(12,477)**	(15,286)	(72,774)
Net increase (decrease) in cash and cash equivalents		**4,148**	(593)	(22,038)
Cash and cash equivalents at beginning of the period / year		**34,118**	56,156	56,156
Cash and cash equivalents at end of the period / year	*11*	**38,266**	55,563	34,118

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 2015.

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

	3 months ended 31/3/2016	3 months ended 31/3/2015	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Chartering freight and hire income:			
Hire income under time charters	**9,009**	19,026	71,477
Freight income under voyage charters	**950**	3,182	14,826
	9,959	22,208	86,303

3. Other operating income

Other operating income for the first quarter of 2016 mainly included settlement income of US$2,100,000 (31/3/2015: US$18,500,000) from a charterer in relation to repudiation claims.

Other operating income for the quarter ended 31 March 2015 also included fair value gain of US$389,000 on investment portfolio of equity and debt securities. Other operating income for the year 2015 mainly included settlement income of US$23,496,000 from charterers in relation to repudiation claims.

4. Operating profit (loss) before depreciation and amortization

This is stated after charging / (crediting):

	3 months ended 31/3/2016	3 months ended 31/3/2015	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Realized loss (gain) on financial assets at fair value through profit or loss	**2,057**	(721)	5,767
Unrealized loss (gain) on financial assets at fair value through profit or loss	**(190)**	(389)	13,510
Net loss (gain) on financial assets at fair value through profit or loss	**1,867**	(1,110)	19,277
Impairment loss (Reversal of impairment loss) on trade receivables	**(21)**	(217)	701
Dividend income	**(164)**	(195)	(2,069)
Loss on write-off of vessel under construction	**-**	-	2,910

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 loss per share for the quarter ended 31 March 2016 were calculated on the net loss of US$18,477,000 for the quarter 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 2015 were calculated on the net profit of US$4,686,000 for the first quarter of 2015 and the weighted average number of 84,045,341 ordinary shares in issue during the quarter.

Basic and diluted loss per share for the year 2015 were calculated on the net loss of US$378,743,000 for the year 2015 and the weighted average number of 84,045,341 ordinary shares in issue during the year.

7. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2016 (31/3/2015: nil).

8. Investment properties

	31/3/2016	31/3/2015	31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	US$'000	*US$'000*
At 1 January	**9,397**	8,546	8,546
Additions	**-**	-	450
Change in fair value	**-**	-	401
	9,397	8,546	9,397

The Group's investment properties were stated at fair value and 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.

The investment properties of the Group were not revalued at 31 March 2016 by independent valuers. The management was aware of the possible change in the conditions of the property market and considered that the carrying amount of the Group's investment properties did not differ significantly from that which had been determined using fair values at 31 December 2015. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.

9. Available-for-sale financial assets

	31/3/2016	31/3/2015	31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Unlisted club membership, at fair value	**216**	203	216
Unlisted club membership, at cost	**170**	170	170
	386	373	386

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

	31/3/2016	31/3/2015	31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Held for trading or not qualifying as hedges			
Listed equity securities	**24,267**	55,990	39,119
Listed debt securities	**35,306**	73,391	47,958
	59,573	129,381	87,077

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

	31/3/2016	31/3/2015	31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**38,266**	55,563	34,118
Bank deposits with more than three months to maturity when placed	**-**	14,424	-
	38,266	69,987	34,118

12. Capital expenditures and commitments

During the quarter, capital expenditure on additions of property, plant and equipment was US$1,394,000 (31/3/2015: US$2,361,000). At the reporting date, there was no capital expenditure commitments contracted by the Group but not provided for.

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 31/3/2016	3 months ended 31/3/2015	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Salaries and other benefits	**1,636**	1,594	6,951
Contributions to retirement benefits schemes	**91**	91	363
	1,727	1,685	7,314

14. Event after the reporting date

The Group entered into a memorandum of agreement to dispose a 2000-built Supramax at a consideration of US$2,900,000 in late March 2016. The vessel was delivered to the buyer and the disposal of the vessel was completed on 12 May 2016. Loss on disposal of the vessel was approximately US$4.5 million and the loss would be accounted for in the second quarter of 2016. The disposal will enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet size through this ongoing management of asset portfolio. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate.

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