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## **JINHUI HOLDINGS COMPANY LIMITED**

**金輝集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 137

### **OVERSEAS REGULATORY ANNOUNCEMENT**

#### **FIRST QUARTER REPORT FOR THE QUARTER ENDED 31 MARCH 2011 OF JINHUI SHIPPING AND TRANSPORTATION LIMITED**

*(This overseas regulatory announcement is made by Jinhui Holdings Company Limited in compliance with Rule 13.09(1) and 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)*

Please refer to the attached announcement released on 31 May 2011 through the Oslo Stock Exchange by Jinhui Shipping and Transportation Limited (“Jinhui Shipping”), an approximately 54.77% owned subsidiary of Jinhui Holdings Company Limited, in accordance with the regulations of the Oslo Stock Exchange.

The principal accounting policies and methods of computation used in the preparation of the attached unaudited consolidated results of Jinhui Shipping and its subsidiaries are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board  
**Jinhui Holdings Company Limited**  
**Ng Siu Fai**  
*Chairman*

Hong Kong, 31 May 2011

*As at date of this announcement, the Executive Directors of Jinhui Holdings Company Limited are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of Jinhui Holdings Company Limited are Cui Jianhua, Tsui Che Yin Frank and William Yau.*

**JINHUI SHIPPING  
AND TRANSPORTATION LIMITED**



# **FIRST QUARTER REPORT**

**FOR THE QUARTER ENDED  
31 MARCH 2011**



## HIGHLIGHTS FOR THE FIRST QUARTER OF 2011

-  Revenue for the quarter improved 15% to US\$87 million
-  Net profit for the quarter reached US\$36 million
-  Basic earnings per share: US\$0.424
-  Gearing ratio as at 31 March 2011: 37%

The Board of **Jinhui Shipping and Transportation Limited** (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the quarter ended 31 March 2011.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>3 months ended 31/3/2011 (Unaudited) US\$'000</b>	3 months ended 31/3/2010 (Unaudited) US\$'000	Year ended 31/12/2010 (Audited) US\$'000
	<i>Note</i>			
<b>Revenue</b>	2	<b>86,975</b>	75,625	348,276
Other operating income		<b>5,658</b>	800	33,077
Interest income		<b>857</b>	786	2,122
Shipping related expenses	3	<b>(38,222)</b>	(29,014)	(131,037)
Staff costs		<b>(1,419)</b>	(1,214)	(24,631)
Impairment loss on owned vessels and vessels under construction		<b>-</b>	-	(74,033)
Other operating expenses	4	<b>(4,614)</b>	(2,183)	(18,251)
<b>Operating profit before depreciation and amortization</b>		<b>49,235</b>	44,800	135,523
Depreciation and amortization		<b>(12,020)</b>	(9,534)	(43,154)
<b>Operating profit</b>		<b>37,215</b>	35,266	92,369
Finance costs		<b>(1,540)</b>	(1,081)	(5,538)
<b>Profit before taxation</b>		<b>35,675</b>	34,185	86,831
Taxation	5	<b>-</b>	-	-
<b>Net profit for the period / year</b>		<b>35,675</b>	34,185	86,831
<b>Other comprehensive income</b>				
Change in fair value of available-for-sale financial assets		<b>-</b>	-	13
<b>Total comprehensive income for the period / year attributable to shareholders of the Company</b>		<b>35,675</b>	34,185	86,844
<b>Earnings per share</b>				
- Basic and diluted	6	<b>US\$0.424</b>	US\$0.407	US\$1.033

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31/3/2011 (Unaudited) US\$'000	31/3/2010 (Unaudited) US\$'000	31/12/2010 (Audited) US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1,102,235	1,058,717	1,073,705
Available-for-sale financial assets		372	359	372
		<b>1,102,607</b>	1,059,076	1,074,077
<b>Current assets</b>				
Inventories		3,284	42	418
Trade and other receivables		38,970	29,463	33,127
Financial assets at fair value through profit or loss		66,568	14,774	59,748
Pledged deposits	8	12,346	67,238	12,328
Bank balances and cash	9	203,758	135,118	205,174
		<b>324,926</b>	246,635	310,795
<b>Total assets</b>		<b>1,427,533</b>	1,305,711	1,384,872
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital		4,202	4,202	4,202
Reserves		787,800	699,466	752,125
<b>Total equity</b>		<b>792,002</b>	703,668	756,327
<b>Non-current liabilities</b>				
Advance receipt		-	6,872	-
Secured bank loans		502,963	453,650	498,619
		<b>502,963</b>	460,522	498,619
<b>Current liabilities</b>				
Trade and other payables		72,773	81,794	72,878
Secured bank loans		59,795	59,727	57,048
		<b>132,568</b>	141,521	129,926
<b>Total equity and liabilities</b>		<b>1,427,533</b>	1,305,711	1,384,872

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Capital redemption reserve (Unaudited) US\$'000	Contributed surplus (Unaudited) US\$'000	Employee share-based compensation reserve (Unaudited) US\$'000	Reserve for available-for- sale financial assets (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2010	4,202	72,087	719	16,297	4,758	12	571,408	669,483
Net profit and total comprehensive income for the period	-	-	-	-	-	-	34,185	34,185
At 31 March 2010	4,202	72,087	719	16,297	4,758	12	605,593	703,668
At 1 January 2011	4,202	72,087	719	16,297	4,758	25	658,239	756,327
Net profit and total comprehensive income for the period	-	-	-	-	-	-	35,675	35,675
At 31 March 2011	4,202	72,087	719	16,297	4,758	25	693,914	792,002

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3 months ended 31/3/2011 (Unaudited) US\$'000	3 months ended 31/3/2010 (Unaudited) US\$'000	Year ended 31/12/2010 (Audited) US\$'000
<b>OPERATING ACTIVITIES</b>				
Cash generated from operations		32,876	29,955	138,389
Interest paid		(1,516)	(1,066)	(5,457)
<b>Net cash from operating activities</b>		<b>31,360</b>	<b>28,889</b>	<b>132,932</b>
<b>INVESTING ACTIVITIES</b>				
Interest received		597	783	1,959
Decrease (Increase) in bank deposits with more than three months to maturity when placed		10,000	1,000	(14,000)
Dividend income received from listed equity securities		14	2	141
Dividend income received from unlisted investment		-	-	44
Purchase of property, plant and equipment		(40,550)	(90,942)	(223,867)
Proceeds from disposal of property, plant and equipment		90	32	411
<b>Net cash used in investing activities</b>		<b>(29,849)</b>	<b>(89,125)</b>	<b>(235,312)</b>
<b>FINANCING ACTIVITIES</b>				
New secured bank loans		21,600	72,200	163,780
Repayment of secured bank loans		(14,509)	(21,199)	(70,489)
(Increase) Decrease in pledged deposits		(18)	(1,268)	53,642
<b>Net cash from financing activities</b>		<b>7,073</b>	<b>49,733</b>	<b>146,933</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,584</b>	<b>(10,503)</b>	<b>44,553</b>
<b>Cash and cash equivalents at the beginning of period / year</b>		<b>190,174</b>	<b>145,621</b>	<b>145,621</b>
<b>Cash and cash equivalents at the end of period / year</b>	9	<b>198,758</b>	<b>135,118</b>	<b>190,174</b>

## **NOTES:**

### **1. Basis of preparation and accounting policies**

The unaudited 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 auditors, Grant Thornton Jingdu Tianhua. 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 2010.

### **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**

The shipping related expenses for the quarter ended 31 March 2011 included provision for loss on charter hire of US\$2,800,000, being the expected economic benefits derived from the spot voyage charter contract to be expired in mid June 2011 less the unavoidable costs under a long term chartered-in contract. There was no such provision recognized in 2010.

### **4. Other operating expenses**

The other operating expenses for the quarter ended 31 March 2011 included an impairment loss of US\$2,226,000 on trade receivables due from Korea Line Corporation (“KLC”) which is under protective receivership and has ceased payment of charter hire since February 2011. This led to the Group’s other operating expenses for the quarter increased to US\$4,614,000 as compared to US\$2,183,000 for the last corresponding quarter. The Group is now pursuing legal action against this charterer for the unpaid hire and damages and losses on early termination of the time-charter contract.

### **5. Taxation**

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



## 6. Earnings per share

The calculation of basic and diluted earnings per share for the quarter ended 31 March 2011 is based on the net profit for the quarter of US\$35,675,000 (31/3/2010: US\$34,185,000) and the weighted average number of 84,045,341 (31/3/2010: 84,045,341) ordinary shares in issue during the quarter.

The calculation of basic and diluted earnings per share for the year ended 31 December 2010 is based on the net profit for the year of US\$86,831,000 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 2011 (31/3/2010: nil).

## 8. Pledged deposits

As at 31 March 2011 and 31 December 2010, the amount included US\$1.5 million security money held in the High Court of Hong Kong. As at 31 March 2010, the amount included US\$44.4 million deposits placed with a bank as security for the issuance of a bank guarantee in September 2009 in relation to legal proceedings. The relevant bank guarantee was cancelled in September 2010 and the pledged bank deposits of US\$44.4 million was paid to the High Court of Hong Kong pursuant to the order of Mr. Justice STONE of the Court of First Instance of the High Court of Hong Kong made by consent as security money. In November 2010, Mr. Justice REYES of the Court of First Instance of the High Court of Hong Kong ordered a release of the security money of US\$42.9 million to the Group. The Group received such amount in cash in 2010 and maintained security money of US\$1.5 million as at 31 March 2011. On 20 May 2011, Mr. Justice REYES ordered a release of the aforesaid security money of US\$1.5 million. Arrangement for the release has been made and it is expected to be received shortly. The legal proceeding was completed, save as to the remaining issue of costs.

## 9. Bank balances and cash

	<b>31/3/2011</b> <b>(Unaudited)</b> <b>US\$'000</b>	31/3/2010 (Unaudited) US\$'000	31/12/2010 (Audited) US\$'000
Cash and cash equivalents for consolidated statement of cash flows purpose	<b>198,758</b>	135,118	190,174
Bank deposits with more than three months to maturity when placed	<b>5,000</b>	-	15,000
	<b>203,758</b>	135,118	205,174

#### 10. Future operating lease arrangements

At the reporting date, the Group had future minimum lease income receivables under non-cancellable operating leases as follows:

	<b>31/3/2011</b> <b>(Unaudited)</b> <b>US\$'000</b>	31/12/2010 (Audited) US\$'000
Within one year:		
Owned vessels	<b>171,124</b>	181,306
Chartered-in vessels	<b>20,421</b>	56,297
	<b>191,545</b>	237,603
In the second to fifth year:		
Owned vessels	<b>252,572</b>	299,344
Chartered-in vessels	<b>-</b>	41,968
	<b>252,572</b>	341,312
	<b>444,117</b>	578,915

The Group's future operating lease income receivables under non-cancellable operating leases of chartered-in vessels changed significantly as compared to the information disclosed in the last published annual report. The decrease was mainly due to the nonperformance and early termination of a chartered-out contract by KLC in March 2011.

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2011.

## REVIEW OF OPERATIONS

The year 2011 has so far been rather challenging for dry bulk shipping. Deliveries of new tonnages have accelerated, and lower than expected commodities imports of Asian countries since late 2010 prompted a sharp correction of dry bulk freight rates. Queensland's flooding in January 2011 has caused serious disruption of coal and iron ore exporting activities in Australia. The market sentiment was further exacerbated by the filing for protective receivership of a major Korean shipping company, as well as the unfortunate natural disaster that occurred in Japan. The Baltic Dry Index recorded a sharp fall from 1,773 points at beginning of 2011 to the lowest 1,043 points on 4 February 2011 and closed at 1,530 points on 31 March 2011.

The Group recorded revenue of US\$86,975,000 and net profit of US\$35,675,000 for the first quarter of 2011, comparing to US\$75,625,000 and US\$34,185,000 for last corresponding quarter. Basic earnings per share was US\$0.424 for the quarter as compared to US\$0.407 for the last corresponding quarter.

One of the Group's chartered-in Capesizes was chartered to Korea Line Corporation ("KLC") under a five-year time-charter contract with expiry in 2014. During the quarter, KLC filed for protective receivership in Korea and received court approval from Seoul Central District Court on 15 February 2011. KLC has ceased payment of charter hire since February 2011 and submitted a notice of termination of time-charter contract to the Group in March 2011. Then, the Group filed a claim against KLC to Seoul Central District Court in March 2011 for the unpaid hire and damages and loss on early termination of the time-charter contract such that it can be considered by the Korean Court during KLC's rehabilitation proceedings.

The Group took over the employment of the affected Capesize in March 2011 and re-entered into a short term spot voyage charter contract to be expired in mid June 2011. As the expected economic benefits that derived from the spot voyage charter contract is less than the unavoidable costs under a long term chartered-in contract, provision for loss on charter hire of US\$2,800,000 was recognized in current quarter and included in shipping related expenses. In respect of the long term chartered-in contract with lease term over twelve months after the reporting date, and with period not being covered by chartered-out contract, the management considered it cannot reliably measure the expected economic benefits to be received under the remaining lease period given the dry bulk market is highly volatile and freight rates longer than twelve months are difficult to predict with reasonable certainty. As the management cannot reasonably assess whether such chartered-in contract is onerous, except for the abovementioned provision for loss on charter hire of US\$2,800,000, no further provision is recognized in the first quarter of 2011.

Given that KLC is now under protective receivership and has ceased payment of charter hire since February 2011, the Group has provided an impairment loss of US\$2,226,000 on trade receivables due from KLC which is included in other operating expenses in current quarter.

Albeit the Group suffered from the reduction of hire income as a result of early termination of KLC's time-charter contract, the Group's revenue for the quarter rose 15% to US\$86,975,000. The improved revenue was mainly attributable to the expanded owned fleet, and increased average number of owned and chartered-in vessels in operations from twenty nine vessels during the first quarter of 2010 to thirty six vessels in the current quarter.

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

	2011 Q1	2010 Q1	2010
	US\$	US\$	US\$
Capesize	79,427	85,529	83,678
Post-Panamax / Panamax	21,393	33,484	28,982
Supramax / Handymax	23,809	24,249	25,131
In average	26,478	29,206	29,102

The Group's shipping related expenses increased by 32% to US\$38,222,000 for the first quarter of 2011 as compared to the last corresponding quarter mainly due to the recognition of aforementioned provision for loss on charter hire of US\$2,800,000. The increase was also attributable to the rising number of crew with expanded owned fleet as well as general upsurge in market crew wages and benefits to retain competent sea crew, and the higher bunker expenses incurred by a few voyage charters engaged in current quarter. For the last corresponding quarter, there was no voyage charter and hence only trifling bunker expenses was included in shipping related expenses.

Due to the expansion of owned fleet and relatively high purchase cost of newly delivered vessels, the Group's depreciation and amortization increased by 26% to US\$12,020,000 for current quarter. As at 31 March 2011, the Group had thirty two owned vessels as compared to twenty seven owned vessels as at 31 March 2010.

## FINANCIAL REVIEW

During the quarter, upon financing of vessel mortgage loan, and offset by cash used to partially finance the delivery of an additional vessel and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash increased to US\$270,256,000 (31/12/2010: US\$264,922,000) and bank borrowings increased to US\$562,758,000 (31/12/2010: US\$555,667,000) as at 31 March 2011.

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, reduced to 37% as at 31 March 2011 (31/12/2010: 38%). 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 the owned vessels and vessels under construction was US\$40,032,000 (31/3/2010: US\$90,787,000), and on other property, plant and equipment was US\$518,000 (31/3/2010: US\$156,000).

As at 31 March 2011, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US\$256,740,000 (31/12/2010: US\$301,204,000), representing the Group's outstanding capital expenditure commitments to acquire eight (31/12/2010: nine) newbuildings at a total purchase price of approximately US\$386,109,000 (31/12/2010: US\$441,782,000).

The above capital expenditure commitments included a Supramax newbuilding at original cost of US\$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US\$17,685,600 and JPY1,929,798,000 at its expected date of delivery in August 2012.

## **OTHER IMPORTANT EVENTS**

Regarding the legal proceedings between the subsidiaries of the Company and Parakou Shipping Pte Limited ("Parakou") in London and Hong Kong in relation to the non-performance of a charterparty as mentioned in the last published annual report, the followings are the updates of the legal proceedings:

Following the hearing held in London in July 2010, the arbitral tribunal issued and published its First Arbitration Award on 31 August 2010 ruling that there was a binding contract between Galsworthy Limited ("Galsworthy"), a subsidiary of the Company, and Parakou and that Parakou was in repudiatory breach of charterparty by refusing to take delivery of the vessel. The tribunal awarded that Galsworthy was entitled to receive US\$2.7 million from Parakou as partial damage. Parakou did not appeal against the Award. On 18 March 2011, Parakou was entered into a voluntary winding up process in Singapore. The Second Arbitration Award was granted by the arbitral tribunal in May 2011 and Galsworthy was entitled to receive US\$38.6 million together with interest and costs as legally recoverable damages flowing from Parakou's repudiatory breach of charterparty.

On the other hand, the legal proceeding filed by Parakou against the subsidiaries of the Company in Hong Kong was struck out in April 2011. In addition to the release of majority security money of US\$42.9 million to the Group in November 2010, Mr. Justice REYES of the Court of First Instance of the High Court of Hong Kong further ordered a release of the remaining security money of US\$1.5 million held in the High Court of Hong Kong in May 2011. Arrangement for the release has been made and it is expected to be received shortly.

The legal proceedings are completed, save as to the remaining issue of costs. As Parakou is now under voluntary winding up process, the management considers that the recoverability of the sum of awards of US\$41.3 million together with interest and costs is rather uncertain, and such claim income will not be accounted for in the Group's financial statements as long as its recoverability remains to be extremely challenging. Notwithstanding the above, Galsworthy will continue to enforce the awards against Parakou and related individuals and parties.

## FLEET

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

During the quarter, a newly built Supramax named as "Jin Han" was delivered to the Group.

As at 31 March 2011, the Group had thirty two owned vessels which included two modern Post-Panamaxes, one modern Panamax, twenty eight modern grabs fitted Supramaxes and one Handymax.

Apart from the owned vessels, the Group operated five chartered-in vessels which included two Capesizes, one Panamax and two Supramaxes as at 31 March 2011.

Subsequent to the quarter ended 31 March 2011, a newly built Panamax named as "Jin Chao" and a newly built Supramax named as "Jin Hong" were delivered to the Group on 21 April 2011 and 27 April 2011 respectively.

## Fleet Details

The fleet details after the quarter ended 31 March 2011 and up to 30 May 2011 were as follows:

	Number of vessels						
	In operation			Newbuildings / New charters			
	Owned	Chartered	Subtotal	Owned <sup>1</sup>	Chartered	Subtotal	Total
<b>Capesize Fleet</b>							
As at 1 April 2011 and 30 May 2011	-	2	2	-	-	-	2
<b>Post-Panamax Fleet</b>							
As at 1 April 2011 and 30 May 2011	2	-	2	-	-	-	2
<b>Panamax Fleet</b>							
As at 1 April 2011	1	1	2	1	-	1	3
Newbuilding delivery	1	-	1	(1)	-	(1)	-
As at 30 May 2011	2	1	3	-	-	-	3
<b>Supramax / Handymax Fleet</b>							
As at 1 April 2011	29	2	31	5	-	5	36
Newbuilding delivery	1	-	1	(1)	-	(1)	-
As at 30 May 2011	30	2	32	4	-	4	36
<b>Handysize Fleet</b>							
As at 1 April 2011 and 30 May 2011	-	-	-	1	-	1	1
<b>Total Fleet</b>							
As at 30 May 2011	34	5	39	5	-	5	44

*Note:*

- <sup>1</sup> Includes five newbuildings ordered by the Group as at 30 May 2011, which we expected to take deliveries of one Supramax in 2011, two Supramaxes and one Handysize in 2012 and one Supramax in 2013.

According to the Company's best estimation, the activity of the Group's fleet as at 30 May 2011 was as follows:

**Owned and Chartered-in Fleet – revenue covered:**

			<i>Unit</i>	2011	2012
<b>Capesize Fleet <sup>1</sup></b>	Coverage	%		49	0
	Operating days covered	<i>Days</i>		358	0
	Daily TCE	<i>US\$</i>		70,806	N/A
<b>Post-Panamax / Panamax Fleet</b>	Coverage	%		66	26
	Operating days covered	<i>Days</i>		1,051	360
	Daily TCE	<i>US\$</i>		23,256	38,200
<b>Supramax / Handymax Fleet</b>	Coverage	%		75	37
	Operating days covered	<i>Days</i>		8,679	4,514
	Daily TCE	<i>US\$</i>		24,379	28,843

**Chartered-in Fleet – TCE cost:**

			<i>Unit</i>	2011	2012
<b>Capesize Fleet</b>	Operating days	<i>Days</i>		730	732
	Daily TCE cost	<i>US\$</i>		40,750	40,750
<b>Panamax Fleet</b>	Operating days	<i>Days</i>		259	N/A
	Daily TCE cost	<i>US\$</i>		22,500	N/A
<b>Supramax Fleet</b>	Operating days	<i>Days</i>		730	457
	Daily TCE cost	<i>US\$</i>		26,039	31,569

*Note:*

- <sup>1</sup> The above operating statistics excluded one Capesize chartered to KLC under a five-year time-charter contract with expiry in 2014. KLC submitted a notice of termination of time-charter contract to the Group in March 2011. As a result, the coverage, operating days covered and daily TCE of Capesize fleet reduced remarkably as compared to the information disclosed in the last published announcement dated 25 February 2011. The Group is now pursuing legal action in Korea against KLC for the damages and losses for nonperformance and early termination of the time-charter contract.



## 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

The year 2011 has been, and will remain to be a challenging year for our business. The freight market has been persistently weakening since the last quarter of 2010 when China reduced its government stimulus package, stepped up its efforts to combat inflation, and cool down the domestic real estate market by restricting lending. The delivery of new vessels that gathered pace since the final months of 2010, as well as unfortunate natural disasters that occurred recently both caused additional pressure on the already weak freight environment.

There is now no doubt of an imbalance of supply versus demand of vessels in the market, in particular with regards to the larger size vessels due to their limited trading flexibility, high breakeven costs in the current operating environment, as well as a cannibalization of their market by the even larger, dedicated ore carriers. Lenders are also increasingly aware of the risks as well as dynamics of the industry and hence very cautious with providing new credit, translating to less second hand transactions in the market place. Scrapping of old tonnages remained to be insignificant, albeit the recent increase in activities. With the current global excess shipbuilding capacity as an additional overhang, we believe this oversupply of tonnages will continue for some time, with the rebalancing of supply versus demand likely to take place later rather than sooner.

The outcome of Korea Line Corporation receivership remains to be unclear due to the lack of transparency and ambiguous handling of the situation by the Korean courts. We continue to monitor the situation very closely. We will continue to exercise caution in picking our counterparties, and evaluate them not just at the company level, but also in terms of their place of incorporation to avoid any potential sovereign risks.

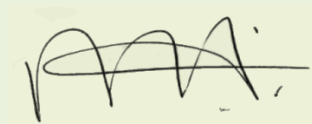
We continue to see uncertainty with respect to the macro economic outlook, and see inflationary pressure to be the main risk. On a positive note, inflation should be positive for shipping from a traditional perspective, together with a shortage in agricultural products in the fast growing economies acting as a possible wildcard. However, the oversupply of vessels remains to haunt our industry. We believe this uncertain and unsynchronized macro and industry backdrop will become increasingly fluid and complex going forward. We will therefore continue to remind ourselves of the rainy days and continue to run our business in a conservative manner.

As we see conflicting economic and industry indicators, we will continue to operate with a cautious and nimble mindset, maintain a first class modern fleet to better serve our customers, seek revenue stability by working with credible counterparties, and further strengthen our financial position with reduction of debt as our top priorities to ensure the long term success of the Company.

## **PUBLICATION OF FINANCIAL INFORMATION**

This report is available on the website of the Company at [www.jinhuiship.com](http://www.jinhuiship.com) and the NewsWeb of the Oslo Stock Exchange at [www.newsweb.no](http://www.newsweb.no).

By Order of the Board



**Ng Siu Fai**

*Chairman*

31 May 2011



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