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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**

#### **THIRD QUARTER AND NINE MONTHS REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010 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 29 November 2010 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, 29 November 2010

*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**

**THIRD QUARTER AND NINE MONTHS REPORT  
FOR THE QUARTER AND  
NINE MONTHS ENDED 30 SEPTEMBER 2010**



## Jinhui Shipping and Transportation Limited

### HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

- ❖ Revenue for the period: US\$255 million
- ❖ Net profit for the period: US\$122 million
- ❖ Basic earnings per share: US\$1.447
- ❖ Gearing ratio as at 30 September 2010: 44%

### HIGHLIGHTS FOR THE THIRD QUARTER OF 2010

- ❖ Revenue for the quarter: US\$90 million
- ❖ Net profit for the quarter: US\$45 million
- ❖ Basic earnings per share: US\$0.538

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 and nine months ended 30 September 2010.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>3 months ended 30/9/2010 (Unaudited) US\$'000</b>	3 months ended 30/9/2009 (Unaudited) US\$'000	<b>9 months ended 30/9/2010 (Unaudited) US\$'000</b>	9 months ended 30/9/2009 (Unaudited) US\$'000	Year ended 31/12/2009 (Audited) US\$'000
	<i>Note</i>					
<b>Revenue</b>	2	<b>89,549</b>	92,396	<b>255,076</b>	266,660	349,340
Other operating income	3	<b>2,970</b>	2,763	<b>4,034</b>	45,810	53,076
Interest income		<b>267</b>	156	<b>1,259</b>	858	1,162
Shipping related expenses		<b>(32,453)</b>	(46,918)	<b>(93,807)</b>	(141,652)	(180,177)
Staff costs		<b>(1,272)</b>	(1,229)	<b>(3,847)</b>	(3,908)	(19,391)
Net gain on disposal of motor vessels		-	6,980	-	116	8,504
Other operating expenses		<b>(1,026)</b>	(1,152)	<b>(5,572)</b>	(15,170)	(16,992)
<b>Operating profit before depreciation and amortization</b>		<b>58,035</b>	52,996	<b>157,143</b>	152,714	195,522
Depreciation and amortization		<b>(11,254)</b>	(8,318)	<b>(31,497)</b>	(25,199)	(34,038)
<b>Operating profit</b>		<b>46,781</b>	44,678	<b>125,646</b>	127,515	161,484
Finance costs		<b>(1,590)</b>	(1,582)	<b>(4,035)</b>	(6,499)	(7,642)
<b>Profit before taxation</b>		<b>45,191</b>	43,096	<b>121,611</b>	121,016	153,842
Taxation	4	-	-	-	-	-
<b>Net profit for the period / year</b>		<b>45,191</b>	43,096	<b>121,611</b>	121,016	153,842
<b>Other comprehensive income</b>						
Change in fair value of available-for-sale financial assets		-	-	-	-	44
<b>Total comprehensive income for the period / year attributable to shareholders of the Company</b>		<b>45,191</b>	43,096	<b>121,611</b>	121,016	153,886
<b>Basic earnings per share</b>	5	<b>US\$0.538</b>	US\$0.513	<b>US\$1.447</b>	US\$1.440	US\$1.830

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30/9/2010 (Unaudited) US\$'000	30/9/2009 (Unaudited) US\$'000	31/12/2009 (Audited) US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1,112,193	925,288	977,323
Available-for-sale financial assets		359	315	359
		<b>1,112,552</b>	<b>925,603</b>	<b>977,682</b>
<b>Current assets</b>				
Inventories		460	31	35
Assets held for sale		-	29,673	-
Trade and other receivables		34,357	27,560	30,378
Financial assets at fair value through profit or loss		25,117	3,295	11,530
Pledged deposits	7	67,876	66,321	65,970
Bank balances and cash	8	176,752	78,868	146,621
		<b>304,562</b>	<b>205,748</b>	<b>254,534</b>
<b>Total assets</b>		<b>1,417,114</b>	<b>1,131,351</b>	<b>1,232,216</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital		4,202	4,202	4,202
Reserves		786,892	632,411	665,281
<b>Total equity</b>		<b>791,094</b>	<b>636,613</b>	<b>669,483</b>
<b>Non-current liabilities</b>				
Advance receipt		-	-	12,936
Secured bank loans		493,464	385,961	401,689
		<b>493,464</b>	<b>385,961</b>	<b>414,625</b>
<b>Current liabilities</b>				
Trade and other payables		78,254	47,378	87,421
Secured bank loans		54,302	61,399	60,687
		<b>132,556</b>	<b>108,777</b>	<b>148,108</b>
<b>Total equity and liabilities</b>		<b>1,417,114</b>	<b>1,131,351</b>	<b>1,232,216</b>

## CONDENSED 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 2009	4,202	72,087	719	16,297	4,758	(32)	417,566	515,597
Total comprehensive income for the period	-	-	-	-	-	-	121,016	121,016
At 30 September 2009	4,202	72,087	719	16,297	4,758	(32)	538,582	636,613
At 1 January 2010	4,202	72,087	719	16,297	4,758	12	571,408	669,483
Total comprehensive income for the period	-	-	-	-	-	-	121,611	121,611
At 30 September 2010	4,202	72,087	719	16,297	4,758	12	693,019	791,094

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended 30/9/2010 (Unaudited) US\$'000	9 months ended 30/9/2009 (Unaudited) US\$'000	Year ended 31/12/2009 (Audited) US\$'000
Net cash from operating activities	111,689	137,255	207,452
Net cash used in investing activities	(174,042)	(87,290)	(100,101)
Net cash from (used in) financing activities	83,484	(53,542)	(38,175)
Net increase (decrease) in cash and cash equivalents	21,131	(3,577)	69,176
Cash and cash equivalents at the beginning of period / year	145,621	76,445	76,445
Cash and cash equivalents at the end of period / year	166,752	72,868	145,621

## 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 auditors, Grant Thornton. 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 2009.

### 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. Other operating income

The other operating income for the period ended 30 September 2009 included an income of US\$39,842,000 received from a few counterparties to wash out foregoing time-charter contracts by mutual agreements. There is no such income recognized for the period ended 30 September 2010.

### 4. Taxation

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

### 5. Earnings per share

The calculation of basic earnings per share for the quarter ended 30 September 2010 is based on the net profit for the quarter of US\$45,191,000 (30/9/2009: US\$43,096,000) and the weighted average number of 84,045,341 (30/9/2009: 84,045,341) ordinary shares in issue during the quarter.

The calculation of basic earnings per share for the nine months ended 30 September 2010 is based on the net profit for the period of US\$121,611,000 (30/9/2009: US\$121,016,000) and the weighted average number of 84,045,341 (30/9/2009: 84,045,341) ordinary shares in issue during the period.

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the net profit for the year of US\$153,842,000 and the weighted average number of 84,045,341 ordinary shares in issue during the year.

Diluted earnings per share is not shown as there is no potential ordinary share in issue in all relevant periods / year presented.

### 6. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2010 (30/9/2009: nil).

## 7. Pledged deposits

As at 30 September 2010, the amount included US\$44.4 million security money held in the High Court of Hong Kong. As at 31 December 2009, 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 under the legal proceedings which are still underway in Hong Kong as of date of this report.

On 12 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 order of Mr. Justice REYES was subsequently affirmed by the Court of Appeal of the High Court of Hong Kong on 17 November 2010 after dismissing an appeal by the opponent.

## 8. Bank balances and cash

	<b>30/9/2010 (Unaudited) US\$'000</b>	30/9/2009 (Unaudited) US\$'000	31/12/2009 (Audited) US\$'000
Cash and cash equivalents for condensed consolidated statement of cash flows purpose	<b>166,752</b>	72,868	145,621
Bank deposits with more than three months to maturity when placed	<b>10,000</b>	6,000	1,000
	<b>176,752</b>	78,868	146,621



## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2010.

## REVIEW OF OPERATIONS

The dry bulk market environment remained volatile throughout the quarter under the continued supply of newbuildings into the market, coinciding with weaker-than-expect dry bulk commodity demand growth in emerging countries. The Baltic Dry Index opened at 2,406 points on 1 July 2010, fell to the lowest at 1,700 points on 15 July 2010 and closed at 2,446 points on 30 September 2010.

The Group recorded revenue of US\$89,549,000 and net profit of US\$45,191,000 for the third quarter of the year, comparing to US\$92,396,000 and US\$43,096,000 for last corresponding quarter. Basic earnings per share was US\$0.538 for the third quarter whereas US\$0.513 was reported in corresponding quarter of 2009.

In view of the recent market popularity of smaller size vessels such as Supramaxes, the Group shifted chartering focus on owned Supramax fleet and ceased renewal of charter-in contracts for larger dry bulk carriers upon contract expiry. Revenue for the third quarter dropped from US\$92,396,000 in 2009 to US\$89,549,000 in 2010, which was mainly due to fewer chartered-in Capesizes and Panamax in operations. On the contrary, the Group has expanded owned Supramax fleet which contributed steady and respectable hire revenue for the quarter. On average, we operated twenty nine owned vessels and five chartered-in vessels during the third quarter of 2010 and earned an average daily time charter equivalent rates ("TCE") of US\$28,431 as compared to twenty two owned vessels and nine chartered-in vessels in the same quarter of 2009 with an average daily TCE of US\$31,338.

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

	2010 Q3	2009 Q3	2010 1 <sup>st</sup> nine months	2009 1 <sup>st</sup> nine months	2009
	US\$	US\$	US\$	US\$	US\$
Capesize	82,801	75,817	84,057	78,659	77,950
Post-Panamax / Panamax	25,479	22,812	30,168	20,005	21,376
Supramax / Handymax	24,976	24,975	25,251	25,520	25,019
In average	28,431	31,338	29,414	30,634	30,149

The Group's shipping related expenses for the quarter was US\$32,453,000, representing a decrease of 31% as compared to US\$46,918,000 in last corresponding quarter. The drop was mainly due to decreased average number of chartered-in vessels in operations from nine vessels to five vessels, and partly offset by increased average number of owned vessels in operations from twenty two vessels to twenty nine vessels. The Group strives to maintain a low operating cost structure by keeping a young and cost-efficient fleet with average vessel age at four years.

Due to the expansion of the Group's owned fleet, the Group's depreciation and amortization increased from US\$8,318,000 in last corresponding quarter to US\$11,254,000 for the quarter, representing an increase of 35%. As at 30 September 2010, the Group had thirty owned vessels as compared to twenty three owned vessels as at 30 September 2009.

Given low interest rate environment led by the US since early 2009, the Group's finance costs maintained at approximately US\$1.6 million for both third quarters of 2010 and 2009.

## **FINANCIAL REVIEW**

During the period ended 30 September 2010, upon financing of various vessel mortgage loans, and offset by cash used to partially finance the delivery of six additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash increased to US\$201,869,000 (31/12/2009: US\$158,151,000) and bank borrowings increased to US\$547,766,000 (31/12/2009: US\$462,376,000) as at 30 September 2010.

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, was 44% as at 30 September 2010 (31/12/2009: 45%). 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 period ended 30 September 2010, capital expenditure on additions of the owned vessels and vessels under construction was US\$165,075,000 (30/9/2009: US\$234,664,000), and on other property, plant and equipment was US\$1,395,000 (30/9/2009: US\$341,000).

As at 30 September 2010, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US\$485,705,000 (31/12/2009: US\$623,915,000), representing the Group's outstanding capital expenditure commitments to acquire thirteen (31/12/2009: nineteen) newbuildings at a total purchase price of approximately US\$645,528,000 (31/12/2009: US\$867,027,000).

The above capital expenditure commitments included two Supramax newbuildings at a total original cost of US\$33,820,000 and JPY3,590,500,000, which were contracted to be disposed to a third party at a total consideration of US\$34,255,100 and JPY3,703,031,000 at their expected dates of delivery in October 2010 and August 2012 respectively.

## 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 Post-Panamax named as "Jin Lang" was delivered to the Group.

As at 30 September 2010, the Group had thirty owned vessels which included two modern Post-Panamaxes, one modern Panamax, twenty six 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 30 September 2010.

## Fleet Details

The fleet details after the quarter ended 30 September 2010 and up to 28 November 2010 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 October 2010 and 28 November 2010	-	2	2	-	-	-	2
<b>Post-Panamax Fleet</b>							
As at 1 October 2010 and 28 November 2010	2	-	2	-	-	-	2
<b>Panamax Fleet</b>							
As at 1 October 2010 and 28 November 2010	1	1	2	1	-	1	3
<b>Supramax / Handymax Fleet</b>							
As at 1 October 2010 and 28 November 2010	27	2	29	9	-	9	38
<b>Handysize Fleet</b>							
As at 1 October 2010 and 28 November 2010	-	-	-	1	-	1	1
<b>Total Fleet</b>							
As at 28 November 2010	30	5	35	11	-	11	46

Note:

- <sup>1</sup> Includes eleven newbuildings ordered by the Group as at 28 November 2010, which we expected to take deliveries of one Supramax in 2010, one Panamax and five Supramaxes 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 28 November 2010 was as follows:

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

		<i>Unit</i>	<b>2010</b>	<b>2011</b>
<b>Capesize Fleet</b>	Coverage	%	100	76
	Operating days covered	<i>Days</i>	730	557
	Daily TCE	<i>US\$</i>	83,698	73,641
<b>Post-Panamax / Panamax Fleet</b>	Coverage	%	99	22
	Operating days covered	<i>Days</i>	1,133	353
	Daily TCE	<i>US\$</i>	29,189	29,603
<b>Supramax / Handymax Fleet</b>	Coverage	%	98	53
	Operating days covered	<i>Days</i>	9,781	5,875
	Daily TCE	<i>US\$</i>	25,961	29,111

**Chartered-in Fleet – TCE cost:**

		<i>Unit</i>	<b>2010</b>	<b>2011</b>
<b>Capesize Fleet</b>	Operating days	<i>Days</i>	730	730
	Daily TCE cost	<i>US\$</i>	40,750	40,750
<b>Panamax Fleet</b>	Operating days	<i>Days</i>	365	259
	Daily TCE cost	<i>US\$</i>	22,500	22,500
<b>Supramax Fleet</b>	Operating days	<i>Days</i>	730	500
	Daily TCE cost	<i>US\$</i>	26,450	31,680

## 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 first nine months of 2010 has generally been better than expectations, with a strong freight market due to a favourable import policy of China, as well as a general upturn in Asia steel and coal demand, and the demand for other dry bulk commodities. However, the seas turned rough in recent months as China reduced its government stimulus package and efforts to cool the local real estate market, with the freight market also corrected with the reduction in Chinese imports.

There is a lot of expectation placed on the continued economic growth of Asia, in particularly China. It remains to be seen as to how well the Chinese demand of dry commodities will trend forward, with local real estate and steel production market continue to operate under unfavourable government directives.

So far, a relatively firm demand for dry bulk commodities from Asian countries had absorbed well the impact of continued delivery of newbuildings into the global dry bulk fleet, but there are signs of weakening strength in the freight market as more newbuilding vessels come into operation. With a renewed round of newbuilding orders backed by mining majors (on large ore carriers) as well as new aspired shipowners (on various size of bulk carriers), the risk of oversupply in global tonnages has somewhat worsened, and we see challenges ahead of us.

Looking at the global macro picture, we noticed mixed signals. Asset prices around the globe have been receiving a strong boost as a result of the concerted monetary easing policy and government stimulus packages by various countries in 2009; inflationary pressure is increasingly evident in emerging markets, with more and more rigorous monetary tightening policies likely to be introduced by developing nations in order to prevent overheating economies; uncertainties in the West due to sovereign debt / credit crisis in European countries have hit the headlines again recently; economic recovery in the US seems to experience continued struggles, hence the need of a prolonged monetary easing as evident by QE II.

Traditional wisdom tells us that an inflationary environment is positive for shipping. However, we believe it is not so simple this time, given the complication of today's world trading activities. We believe this uncertain and unsynchronized macro backdrop may worsen and get more complicated going forward, and we will 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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

**Ng Siu Fai**  
*Chairman*

29 November 2010



## **Jinhui Shipping and Transportation Limited**

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