JINHUI

# 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 2012 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 2012 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.

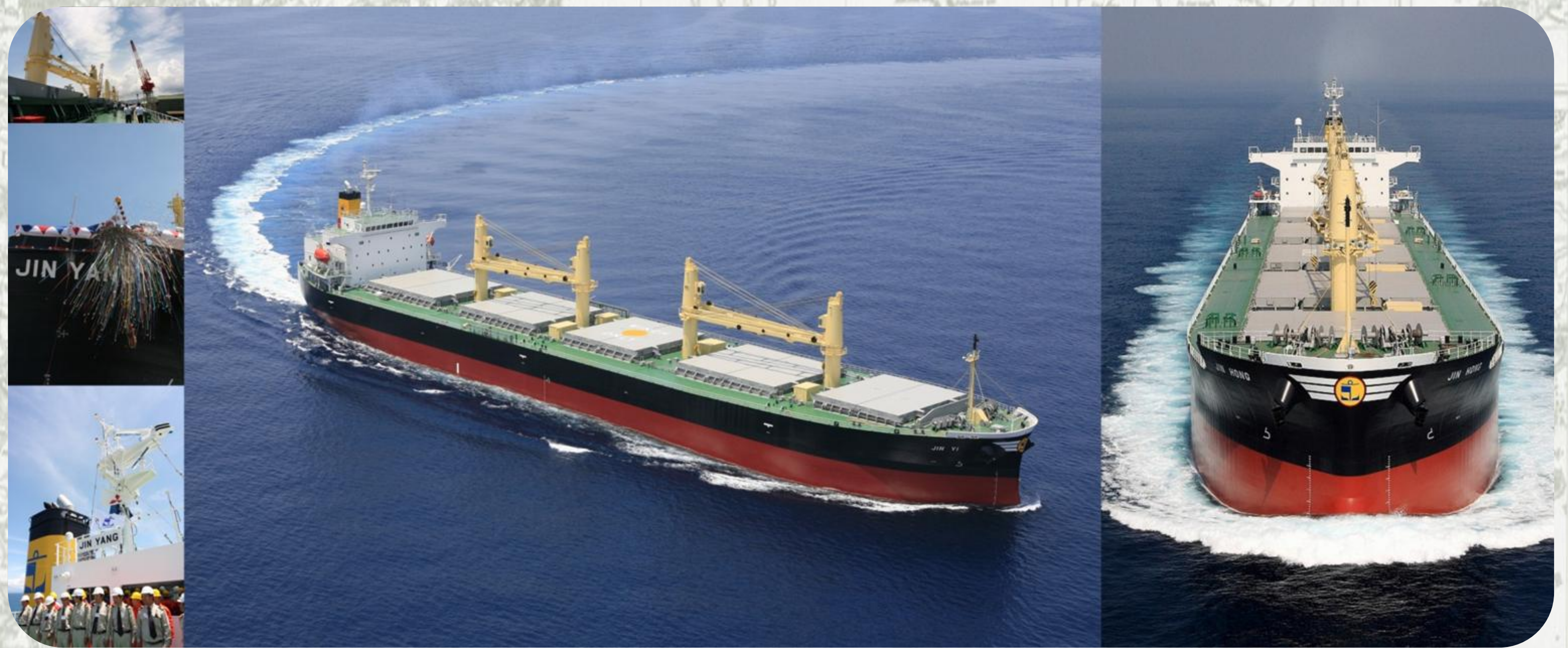
By Order of the Board
**Jinhui Holdings Company Limited**
**Ng Siu Fai**
*Chairman*

Hong Kong, 29 November 2012

*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 2012



# HIGHLIGHTS

## FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

- Revenue for the period dropped 26% to US$179 million
- Net profit for the period declined 63% to US$29 million
- Basic earnings per share: US$0.342
- Gearing ratio as at 30 September 2012: 46%

## FOR THE THIRD QUARTER OF 2012

- Revenue for the quarter dropped 16% to US$60 million
- Net profit for the quarter declined 47% to US$12 million
- Basic earnings per share: US$0.141

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 and nine months ended 30 September 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | **3 months ended 30/9/2012 (Unaudited)** | 3 months ended 30/9/2011 (Unaudited) | **9 months ended 30/9/2012 (Unaudited)** | 9 months ended 30/9/2011 (Unaudited) | Year ended 31/12/2011 (Audited) |
|---|---|---|---|---|---|---|
| | *Note* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| **Revenue** | *2* | **59,768** | 71,310 | **179,035** | 241,297 | 305,196 |
| Other operating income | *3* | **4,366** | 2,661 | **21,800** | 13,657 | 17,273 |
| Interest income | | **1,209** | 963 | **3,626** | 2,629 | 3,763 |
| Shipping related expenses | *4* | **(32,650)** | (28,335) | **(116,146)** | (119,796) | (149,047) |
| Staff costs | | **(1,665)** | (1,435) | **(4,938)** | (4,322) | (17,616) |
| Impairment loss on owned vessels and vessels under construction | | **-** | - | **-** | - | (25,427) |
| Other operating expenses | | **(2,231)** | (7,667) | **(5,933)** | (12,817) | (13,742) |
| **Operating profit before depreciation and amortization** | | **28,797** | 37,497 | **77,444** | 120,648 | 120,400 |
| Depreciation and amortization | | **(14,682)** | (13,261) | **(42,084)** | (38,168) | (51,609) |
| **Operating profit** | | **14,115** | 24,236 | **35,360** | 82,480 | 68,791 |
| Finance costs | | **(2,305)** | (1,875) | **(6,645)** | (5,168) | (7,223) |
| **Profit before taxation** | | **11,810** | 22,361 | **28,715** | 77,312 | 61,568 |
| Taxation | *5* | **-** | - | **-** | - | - |
| **Net profit for the period / year** | | **11,810** | 22,361 | **28,715** | 77,312 | 61,568 |
| **Other comprehensive income** | | | | | | |
| Change in fair value of available-for-sale financial assets | | **-** | - | **-** | - | 23 |
| **Total comprehensive income for the period / year attributable to shareholders of the Company** | | **11,810** | 22,361 | **28,715** | 77,312 | 61,591 |
| **Earnings per share** | *6* | | | | | |
| - Basic and diluted | | **US$0.141** | US$0.266 | **US$0.342** | US$0.920 | US$0.733 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30/9/2012** | 30/9/2011 | 31/12/2011 |
|---|---|---|---|---|
| | | **(Unaudited)** | (Unaudited) | (Audited) |
| | | ***US$'000*** | *US$'000* | *US$'000* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **1,207,549** | 1,171,831 | 1,148,003 |
| Investment properties | | **4,015** | - | - |
| Available-for-sale financial assets | | **395** | 372 | 395 |
| | | **1,211,959** | 1,172,203 | 1,148,398 |
| **Current assets** | | | | |
| Inventories | | **3,727** | 56 | 2,574 |
| Trade and other receivables | | **57,956** | 36,814 | 46,230 |
| Financial assets at fair value through profit or loss | | **69,909** | 56,990 | 58,580 |
| Pledged deposits | *8* | **36,359** | 11,145 | 7,894 |
| Bank balances and cash | *9* | **143,411** | 207,721 | 205,121 |
| | | **311,362** | 312,726 | 320,399 |
| **Total assets** | | **1,523,321** | 1,484,929 | 1,468,797 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Issued capital | | **4,202** | 4,202 | 4,202 |
| Reserves | | **842,431** | 829,437 | 813,716 |
| **Total equity** | | **846,633** | 833,639 | 817,918 |
| **Non-current liabilities** | | | | |
| Secured bank loans | *10* | **512,064** | 529,827 | 513,211 |
| **Current liabilities** | | | | |
| Trade and other payables | *11* | **73,775** | 54,975 | 71,160 |
| Amount due to holding company | | **36** | 25 | 45 |
| Secured bank loans | *10* | **90,813** | 66,463 | 66,463 |
| | | **164,624** | 121,463 | 137,668 |
| **Total equity and liabilities** | | **1,523,321** | 1,484,929 | 1,468,797 |

## 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 2011 | 4,202 | 72,087 | 719 | 16,297 | 4,758 | 25 | 658,239 | 756,327 |
| Net profit and total comprehensive income for the period | - | - | - | - | - | - | 77,312 | 77,312 |
| At 30 September 2011 | 4,202 | 72,087 | 719 | 16,297 | 4,758 | 25 | 735,551 | 833,639 |
| At 1 January 2012 | 4,202 | 72,087 | 719 | 16,297 | 4,758 | 48 | 719,807 | 817,918 |
| Net profit and total comprehensive income for the period | - | - | - | - | - | - | 28,715 | 28,715 |
| **At 30 September 2012** | **4,202** | **72,087** | **719** | **16,297** | **4,758** | **48** | **748,522** | **846,633** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 9 months ended 30/9/2012 (Unaudited) US$'000 | 9 months ended 30/9/2011 (Unaudited) US$'000 | Year ended 31/12/2011 (Audited) US$'000 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Cash generated from operations | | **52,746** | 98,938 | 125,401 |
| Interest paid | | **(6,514)** | (4,934) | (6,901) |
| **Net cash from operating activities** | | **46,232** | 94,004 | 118,500 |
| **INVESTING ACTIVITIES** | | | | |
| Interest received | | **3,042** | 2,378 | 3,514 |
| Decrease (Increase) in bank deposits with more than three months to maturity when placed | | **1,595** | 8,343 | (11,678) |
| Dividend income received | | **456** | 358 | 528 |
| Purchase of property, plant and equipment | | **(101,638)** | (136,378) | (151,415) |
| Proceeds from disposal of property, plant and equipment | | **-** | 379 | 379 |
| Purchase of investment properties | | **(4,015)** | - | - |
| **Net cash used in investing activities** | | **(100,560)** | (124,920) | (158,672) |
| **FINANCING ACTIVITIES** | | | | |
| New secured bank loans | | **94,058** | 86,575 | 86,575 |
| Repayment of secured bank loans | | **(71,380)** | (45,952) | (62,568) |
| Decrease (Increase) in pledged deposits | | **(28,465)** | 1,183 | 4,434 |
| **Net cash from (used in) financing activities** | | **(5,787)** | 41,806 | 28,441 |
| **Net increase (decrease) in cash and cash equivalents** | | **(60,115)** | 10,890 | (11,731) |
| **Cash and cash equivalents at the beginning of period / year** | | **178,443** | 190,174 | 190,174 |
| **Cash and cash equivalents at the end of period / year** | *9* | **118,328** | 201,064 | 178,443 |

## 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. 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 2011.

### 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

Other operating income for the nine months ended 30 September 2012 mainly included settlement income of US$15,812,000 in relation to the full settlement income from a charterer for early termination of time-charter contract, and the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving shares of KLC. These shares had been accounted for as financial assets at fair value through profit or loss as at 30 September 2012.

For the same corresponding period in 2011, there was a compensation income of US$3,149,000 received from a charterer for early redelivery of a chartered-in Capesize prior to expiry of the charter period.

### 4. Shipping related expenses

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

Provision for loss on charter hire is recognized when the Group has present obligation arising under onerous charter contracts, where the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits to be received under the contracts.

The following table illustrated the net provision for loss on charter hire charged / (credited) to the Group's condensed consolidated statement of comprehensive income for the periods / year.

| | **3 months ended 30/9/2012** | 3 months ended 30/9/2011 | **9 months ended 30/9/2012** | 9 months ended 30/9/2011 | Year ended 31/12/2011 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Provision recognized | **-** | - | **22,392** | 21,179 | 21,179 |
| Provision utilized | **(5,253)** | (5,202) | **(15,963)** | (8,572) | (14,092) |
| Net provision for loss on charter hire | **(5,253)** | (5,202) | **6,429** | 12,607 | 7,087 |

In 2011, the Group's two chartered-in Capesizes were chartered-out at operating loss under two spot chartered-out contracts to be expired in April 2012. When approaching expiration of two chartered-out contracts, the Group committed the two Capesizes to new employment contracts in March and April 2012. Both employments were loss-making as the expected economic benefits derived from the contracts were below the fixed costs under two Capesizes' long term chartered-in contracts. Accordingly, the Group recognized provision for loss on charter hire of US$22,392,000 in early 2012 for contracts which covered minimum lease periods of eight months until December 2012 and eighteen months until October 2013.

## 5. Taxation

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

## 6. Earnings per share

Basic and diluted earnings per share for the quarter ended 30 September 2012 were calculated on the net profit for the quarter of US$11,810,000 (30/9/2011: US$22,361,000) and the weighted average number of 84,045,341 (30/9/2011: 84,045,341) ordinary shares in issue during the quarter.

Basic and diluted earnings per share for the nine months ended 30 September 2012 were calculated on the net profit for the period of US$28,715,000 (30/9/2011: US$77,312,000) and the weighted average number of 84,045,341 (30/9/2011: 84,045,341) ordinary shares in issue during the period.

Basic and diluted earnings per share for the year ended 31 December 2011 were calculated on the net profit for the year of US$61,568,000 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 30 September 2012 (30/9/2011: nil).

## 8. Pledged deposits

At the end of the reporting period, the amount included deposits of US$24,613,000 (31/12/2011: nil) placed with a bank as collaterals for the outstanding foreign currency demand loans of JPY1,634,209,000 and EUR810,000 (approximately US$21,860,000).

## 9. Bank balances and cash

| | **30/9/2012 (Unaudited)** | 30/9/2011 (Unaudited) | 31/12/2011 (Audited) |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | *US$'000* |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | **118,328** | 201,064 | 178,443 |
| Bank deposits with more than three months to maturity when placed | **25,083** | 6,657 | 26,678 |
| | **143,411** | 207,721 | 205,121 |

## 10. Secured bank loans

| | **30/9/2012 (Unaudited)** | 30/9/2011 (Unaudited) | 31/12/2011 (Audited) |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | *US$'000* |
| Vessel mortgage loans | **581,017** | 596,290 | 579,674 |
| Demand loans | **21,860** | - | - |
| Total secured bank loans | **602,877** | 596,290 | 579,674 |
| Less: Amount repayable within one year | **(90,813)** | (66,463) | (66,463) |
| Amount repayable after one year | **512,064** | 529,827 | 513,211 |

Vessel mortgage loans were denominated in United States Dollars and were committed on floating rate basis. Demand loans were denominated in Japanese Yen and Euro and were committed on fixed rate basis with short duration varying from 3 to 14 days. The demand loans allow flexibility for the Group to further enhance its working capital requirements at very low funding costs and to swiftly manage the currency exposures. At the end of the reporting period, the outstanding foreign currency demand loans were JPY1,634,209,000 and EUR810,000 (approximately US$21,860,000) (31/12/2011: nil) which were collateralized by pledged deposit of US$24,613,000 (31/12/2011: nil).

**11. Trade and other payables**

| | **30/9/2012 (Unaudited)** | 30/9/2011 (Unaudited) | 31/12/2011 (Audited) |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | *US$'000* |
| Trade payables | **4,444** | 2,176 | 1,799 |
| Accrued charges and other payables | **69,331** | 52,799 | 69,361 |
| | **73,775** | 54,975 | 71,160 |

At the end of the reporting period, other payables included provision for loss on charter hire of US$13,516,000 (31/12/2011: US$7,087,000), being the expected economic benefits derived from chartered-out contracts less the fixed costs under the respective chartered-in contracts.

The movements for provision for loss on charter hire during the periods / year are as follows:

| | **30/9/2012 (Unaudited)** | 30/9/2011 (Unaudited) | 31/12/2011 (Audited) |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | *US$'000* |
| At 1 January | **7,087** | - | - |
| Provision recognized | **22,392** | 21,179 | 21,179 |
| Provision utilized | **(15,963)** | (8,572) | (14,092) |
| At 30 September / 31 December | **13,516** | 12,607 | 7,087 |

## 12. Capital expenditures and commitments

During the nine months ended 30 September 2012, capital expenditure on additions of the owned vessels and vessels under construction was US$101,175,000 (30/9/2011: US$134,353,000), on other property, plant and equipment was US$463,000 (30/9/2011: US$2,025,000), and on investment properties was US$4,015,000 (30/9/2011: nil).

As at 30 September 2012, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$54,776,000 (31/12/2011: US$157,325,000), representing the Group's outstanding capital expenditure commitments to acquire two (31/12/2011: five) newbuildings at total contract price of US$17,500,000 and JPY6,410,500,000 (31/12/2011: US$35,000,000 and JPY16,221,000,000).

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 the second half of 2012.

## 13. Comparative figures

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

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2012.

## REVIEW OF OPERATIONS

***Third Quarter of 2012.*** Despite global economy was seemingly stabilized after massive third round of quantitative easing and Eurozone bailout funds intervened into markets, economic growth prospects varied widely across the world with sharp sectorial disparities. Dry bulk shipping sector was still curbed by the oversupply of tonnages and negative sentiment over China's economic slowdown, in particular to the contraction in volumes of infrastructure-led imports of industrial raw materials. The weaker global outlook and lower-than-expected seaborne commodity trade were again the major causes of a dull dry bulk shipping market. During the third quarter of 2012, the Baltic Dry Index opened at 1,004 points and slid to its lowest level at 661 points on 12 September 2012, and closed at 766 points by end of the quarter.

Revenue for the third quarter of 2012 dropped to US$59,768,000, representing a decrease of 16% as compared to US$71,310,000 for the last corresponding quarter. The Group's operating results for the third quarter of 2012 remained under pressure by the depressed market charter rates. Net profit for the third quarter of 2012 fell 47% to US$11,810,000, comparing to US$22,361,000 for the third quarter of 2011. Basic earnings per share for the quarter was US$0.141 as compared to US$0.266 for the last corresponding quarter.

As mentioned in previous quarterly analysis, the Group was exposed to the low freight rate environment. Revenue contributed from expanded owned Supramax fleet was offset by the decrease in revenue earned from chartered-in Capesize fleet, reflected in the sharp fall in the average daily time charter equivalent rates ("TCE") of the Group's fleet.

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

| | **2012 Q3** | 2011 Q3 | **2012 1st nine months** | 2011 1st nine months | 2011 |
|---|---|---|---|---|---|
| | ***US$*** | *US$* | ***US$*** | *US$* | *US$* |
| Capesize Fleet | **12,118** | 12,048 | **11,545** | 44,159 | 35,532 |
| Post-Panamax / Panamax Fleet | **15,203** | 20,391 | **15,242** | 20,716 | 19,660 |
| Supramax / Handymax / Handysize Fleet | **14,915** | 20,830 | **15,969** | 22,247 | 21,224 |
| In average | **14,803** | 20,325 | **15,670** | 23,207 | 21,785 |

Shipping related expenses increased by 15% to US$32,650,000 for the third quarter of 2012 as compared to US$28,335,000 for the last corresponding quarter. The increase was primarily due to additional port expenses and bunker expenses incurred for certain voyage charters being carried out during the quarter while no voyage charter was being carried out in the last corresponding quarter.

As major stock markets rebounded mildly in the third quarter of 2012, the Group recognized fair value gain on investment portfolio, predominantly in equity securities listed in Hong Kong, of US$2,454,000 for the quarter and was recorded in other operating income. On the contrary, fair value loss on investment portfolio, of US$5,734,000 was recognized for the third quarter of 2011 and was recorded in other operating expenses. In the absence of fair value loss on investment portfolio in current quarter, other operating expenses for the third quarter fell to US$2,231,000 in 2012 from US$7,667,000 in 2011.

Due to the expansion of owned fleet and relatively higher contract price of recently delivered owned vessels, depreciation and amortization for the third quarter of 2012 increased by 11% to US$14,682,000 from US$13,261,000 for the third quarter of 2011. As at 30 September 2012, the Group had thirty eight owned vessels as compared to thirty five owned vessels as at 30 September 2011.

Finance costs for the third quarter of 2012 rose 23% to US$2,305,000, as compared to US$1,875,000 for the last corresponding quarter in 2011. The upsurge was attributable to the increase in the number of owned vessels of the Group, as well as the increase in loan principal and higher loan interest margin being agreed under loan facilities for the recently delivered owned vessels.

## FINANCIAL REVIEW

As at 30 September 2012, the total of the Group's equity and debt securities, bank balances and cash decreased to US$213,320,000 (31/12/2011: US$263,701,000) and bank borrowings increased to US$602,877,000 (31/12/2011: US$579,674,000). 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 46% as at 30 September 2012 (31/12/2011: 39%).

Secured bank loans drawn in the nine-month period comprised of vessel mortgage loans drawn upon delivery of three newbuildings and short term foreign currency demand loans denominated in Japanese Yen and Euro. The demand loans allow flexibility for the Group to further enhance its working capital requirements at very low funding costs and to swiftly manage the currency exposures. As at 30 September 2012, the outstanding foreign currency demand loans were JPY1,634,209,000 and EUR810,000 (approximately US$21,860,000) (31/12/2011: nil) which were collateralized by pledged deposit of US$24,613,000 (31/12/2011: nil). 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 nine months ended 30 September 2012, capital expenditure on additions of the owned vessels and vessels under construction was US$101,175,000 (30/9/2011: US$134,353,000), on other property, plant and equipment was US$463,000 (30/9/2011: US$2,025,000), and on investment properties was US$4,015,000 (30/9/2011: nil).

As at 30 September 2012, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$54,776,000 (31/12/2011: US$157,325,000), representing the Group's outstanding capital expenditure commitments to acquire two (31/12/2011: five) newbuildings at total contract price of US$17,500,000 and JPY6,410,500,000 (31/12/2011: US$35,000,000 and JPY16,221,000,000).

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 the second half of 2012.

## FLEET

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

During the third quarter of 2012, a newly built Supramax named as "Jin Xiang" was delivered to the Group.

As at 30 September 2012, the Group had thirty eight owned vessels which included two modern Post-Panamaxes, two modern Panamaxes, thirty two modern grabs fitted Supramaxes, one Handymax and one Handysize.

Apart from the owned vessels, the Group operated three chartered-in vessels which included two Capesizes and one Supramax as at 30 September 2012.

### Fleet Details

The fleet details after the quarter ended 30 September 2012 and up to 28 November 2012 were as follows:

| | Number of vessels | | | | | | |
|---|---|---|---|---|---|---|---|
| | In operation | | | Newbuildings / New charters | | | |
| | Owned | Chartered | Subtotal | Owned | Chartered | Subtotal | Total |
| **Capesize Fleet** | | | | | | | |
| As at 1 October 2012 and 28 November 2012 | - | 2 | 2 | - | - | - | 2 |
| **Post-Panamax Fleet** | | | | | | | |
| As at 1 October 2012 and 28 November 2012 | 2 | - | 2 | - | - | - | 2 |
| **Panamax Fleet** | | | | | | | |
| As at 1 October 2012 and 28 November 2012 | 2 | - | 2 | - | - | - | 2 |
| **Supramax / Handymax / Handysize Fleet** | | | | | | | |
| As at 1 October 2012 and 28 November 2012 | 34 | 1 | 35 | 1 | - | 1 | 36 |
| **Total Fleet** | | | | | | | |
| As at 28 November 2012 | 38 | 3 | 41 | 1 | - | 1 | 42 |

According to the Company's best estimation, the activity of the Group's fleet as at 28 November 2012 was as follows:

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

| | | *Unit* | 2012 | 2013 |
|---|---|---|---|---|
| **Capesize Fleet** | Coverage | *%* | 98 | 61 |
| | Operating days covered | *Days* | 716 | 283 |
| | Daily TCE | *US$* | 11,745 | 13,400 |
| **Post-Panamax / Panamax Fleet** | Coverage | *%* | 88 | 25 |
| | Operating days covered | *Days* | 1,264 | 365 |
| | Daily TCE | *US$* | 16,561 | 38,200 |
| **Supramax / Handymax / Handysize Fleet** | Coverage | *%* | 92 | 21 |
| | Operating days covered | *Days* | 11,332 | 2,675 |
| | Daily TCE | *US$* | 16,340 | 31,439 |

**Chartered-in Fleet – TCE cost:**

| | | *Unit* | 2012 | 2013 |
|---|---|---|---|---|
| **Capesize Fleet** | Operating days | *Days* | 732 | 466 |
| | Daily TCE cost | *US$* | 40,750 | 42,591 |
| **Supramax Fleet** | Operating days | *Days* | 596 | 300 |
| | Daily TCE cost | *US$* | 26,656 | 36,000 |

## 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 global economic health continues to remain weak since our last quarterly report. The European sovereign debt crisis continues to capture headlines of global media every now and again, with even the stronger nations within the Euro Zone experiencing slowdown in economic activities and deteriorating fiscal position; the U.S. economic growth remains tepid, and with the election now over, how U.S. tackles the "Fiscal Cliff" becomes the new concern; in the Asian region, economic growth continues to show weakening signs, with China in particular. We believe China is indeed at the economic crossroads, with slowing investments and industrial activities, declining export volumes due to lower demand from the rest of the globe, and growing bad debt within Chinese domestic banks pursuant to the past credit easing. We believe maintaining healthy economic growth remains to be a prime objective for China, but delicate and controlled stimulative measures would be required as social stability must be maintained. We eagerly look forward to seeing new policies and measures that will preserve healthy economic growth from the new Chinese Leaders.

The dry bulk shipping market remains to be extremely challenging in the coming months against the current economic backdrop, where we face overwhelming oversupply in tonnages, excess shipbuilding capacity and generally lower demand growth of dry seaborne trade. Although activities that positively reduced the supply side such as slippage and scrapping have been high, we expect that our industry is likely to get worse before it gets better. With falling asset prices, fewer banks are now offering ship financing, especially given the extraordinary challenges they are already facing. Looking ahead, we expect further company defaults, rising counterparty risks, and further pressure on asset prices, but at the same time we believe there will be interesting opportunities for those who are patient, prepared and have placed liquidity as a priority in the past years.

We aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise.

In the coming months, we will continue to focus on the basics as our top priority: maintain a strong financial position and a healthy gearing level, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, and keeping costs in check to enhance our margins. We see both headwind and murky waters ahead of us and 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*

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