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 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 28 November 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, 28 November 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

JINHUI SHIPPING
AND TRANSPORTATION LIMITED

JINHUI

THIRD QUARTER AND NINE MONTHS REPORT 2011

HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

- Revenue for the period: US$241 million
- Net profit for the period: US$77 million
- Basic earnings per share: US$0.920
- Gearing ratio as at 30 September 2011: 40%

HIGHLIGHTS FOR THE THIRD QUARTER OF 2011

- Revenue for the quarter: US$71 million
- Net profit for the quarter: US$22 million
- Basic earnings per share: US$0.266

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 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**3 months ended 30/9/2011 (Unaudited) *US$'000***	3 months ended 30/9/2010 (Unaudited) *US$'000*	**9 months ended 30/9/2011 (Unaudited) *US$'000***	9 months ended 30/9/2010 (Unaudited) *US$'000*	Year ended 31/12/2010 (Audited) *US$'000*
Revenue	*2*	**71,310**	89,549	**241,297**	255,076	348,276
Other operating income	*3*	**2,661**	2,970	**13,657**	4,034	33,077
Interest income		**963**	267	**2,629**	1,259	2,122
Shipping related expenses	*4*	**(28,335)**	(32,453)	**(119,796)**	(93,807)	(131,037)
Staff costs		**(1,435)**	(1,272)	**(4,322)**	(3,847)	(24,631)
Impairment loss on owned vessels and vessels under construction		**-**	-	**-**	-	(74,033)
Other operating expenses	*5*	**(7,667)**	(1,026)	**(12,817)**	(5,572)	(18,251)
Operating profit before depreciation and amortization		**37,497**	58,035	**120,648**	157,143	135,523
Depreciation and amortization		**(13,261)**	(11,254)	**(38,168)**	(31,497)	(43,154)
Operating profit		**24,236**	46,781	**82,480**	125,646	92,369
Finance costs		**(1,875)**	(1,590)	**(5,168)**	(4,035)	(5,538)
Profit before taxation		**22,361**	45,191	**77,312**	121,611	86,831
Taxation	*6*	**-**	-	**-**	-	-
Net profit for the period / year		**22,361**	45,191	**77,312**	121,611	86,831
Other comprehensive income						
Change in fair value of available-for-sale financial assets		**-**	-	**-**	-	13
Total comprehensive income for the period / year attributable to shareholders of the Company		**22,361**	45,191	**77,312**	121,611	86,844
Earnings per share	*7*					
- Basic and diluted		**US$0.266**	US$0.538	**US$0.920**	US$1.447	US$1.033

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30/9/2011 (Unaudited) US$'000	30/9/2010 (Unaudited) US$'000	31/12/2010 (Audited) US$'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1,171,831**	1,112,193	1,073,705
Available-for-sale financial assets		**372**	359	372
		1,172,203	1,112,552	1,074,077
Current assets				
Inventories		**56**	460	418
Trade and other receivables		**36,814**	34,357	33,127
Financial assets at fair value through profit or loss		**56,990**	25,117	59,748
Pledged deposits		**11,145**	67,876	12,328
Bank balances and cash	9	**207,721**	176,752	205,174
		312,726	304,562	310,795
Total assets		**1,484,929**	1,417,114	1,384,872
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**4,202**	4,202	4,202
Reserves		**829,437**	786,892	752,125
Total equity		**833,639**	791,094	756,327
Non-current liabilities				
Secured bank loans		**529,827**	493,464	498,619
Current liabilities				
Trade and other payables		**55,000**	78,254	72,878
Secured bank loans		**66,463**	54,302	57,048
		121,463	132,556	129,926
Total equity and liabilities		**1,484,929**	1,417,114	1,384,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited)	Share premium (Unaudited)	Capital redemption reserve (Unaudited)	Contributed surplus (Unaudited)	Employee share-based compensation reserve (Unaudited)	Reserve for available-for-sale financial assets (Unaudited)	Retained profits (Unaudited)	Total equity (Unaudited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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	-	-	-	-	-	-	121,611	121,611
At 30 September 2010	4,202	72,087	719	16,297	4,758	12	693,019	791,094
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9 months ended 30/9/2011 (Unaudited) US$'000	9 months ended 30/9/2010 (Unaudited) US$'000	Year ended 31/12/2010 (Audited) US$'000
OPERATING ACTIVITIES				
Cash generated from operations		**98,938**	115,628	138,389
Interest paid		**(4,934)**	(3,939)	(5,457)
Net cash from operating activities		**94,004**	111,689	132,932
INVESTING ACTIVITIES				
Interest received		**2,378**	1,192	1,959
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**8,343**	(9,000)	(14,000)
Dividend income received from listed equity investments		**358**	112	141
Dividend income received from unlisted investment		**-**	44	44
Purchase of property, plant and equipment		**(136,378)**	(166,468)	(223,867)
Proceeds from disposal of property, plant and equipment		**379**	78	411
Net cash used in investing activities		**(124,920)**	(174,042)	(235,312)
FINANCING ACTIVITIES				
New secured bank loans		**86,575**	142,180	163,780
Repayment of secured bank loans		**(45,952)**	(56,790)	(70,489)
Decrease (Increase) in pledged deposits		**1,183**	(1,906)	53,642
Net cash from financing activities		**41,806**	83,484	146,933
Net increase in cash and cash equivalents		**10,890**	21,131	44,553
Cash and cash equivalents at the beginning of period / year		**190,174**	145,621	145,621
Cash and cash equivalents at the end of period / year	9	**201,064**	166,752	190,174

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 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. Other operating income

The other operating income for the period ended 30 September 2011 included an income of US$3,149,000 as compensation from a charterer for early redelivery of a chartered-in Capesize. There was no such compensation income recognized in 2010.

4. Shipping related expenses

The shipping related expenses for the period ended 30 September 2011 included a provision for loss on charter hire of US$12,607,000, being the expected economic benefits derived from two time-charter contracts to be expired in early 2012 less the unavoidable costs under two long term chartered-in contracts. There was no such provision recognized in last corresponding period.

The shipping related expenses for the third quarter decreased from US$32,453,000 in 2010 to US$28,335,000 in 2011 mainly due to the drop in hire payment upon expiration of a chartered-in vessel, and partially offset by rising crew expenses due to the general upsurge in market crew wages and increased in numbers of crew on board and costs on spare parts and consumables attributed by the expansion of owned fleet.

5. Other operating expenses

The other operating expenses included fair value loss on investment portfolio, predominantly in equity securities listed in Hong Kong, of approximately US$7 million for the period ended 30 September 2011 and approximately US$6 million for the quarter ended 30 September 2011 as major global stock markets plunged in September 2011 sparked by the deteriorating Eurozone sovereign debt crisis. For the last corresponding quarter, the Group recorded fair value gain on investment portfolio of approximately US$1 million when Asian stock markets were supported by booming asset prices and optimistic economic growth prospects.

6. Taxation

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

7. Earnings per share

Basic and diluted earnings per share for the quarter ended 30 September 2011 are calculated on the net profit for the quarter of US$22,361,000 (30/9/2010: US$45,191,000) and the weighted average number of 84,045,341 (30/9/2010: 84,045,341) ordinary shares in issue during the quarter.

Basic and diluted earnings per share for the nine months ended 30 September 2011 are calculated on the net profit for the period of US$77,312,000 (30/9/2010: US$121,611,000) and the weighted average number of 84,045,341 (30/9/2010: 84,045,341) ordinary shares in issue during the period.

Basic and diluted earnings per share for the year ended 31 December 2010 are calculated 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.

8. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2011 (30/9/2010: nil).

9. Bank balances and cash

	30/9/2011	30/9/2010	31/12/2010
	(Unaudited)	(Unaudited)	(Audited)
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents for condensed consolidated statement of cash flows purpose	**201,064**	166,752	190,174
Bank deposits with more than three months to maturity when placed	**6,657**	10,000	15,000
	207,721	176,752	205,174

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2011.

REVIEW OF OPERATIONS

Third Quarter of 2011. Year 2011 has certainly been a tough year for dry bulk shipping market, yet on the back of improved seaborne trade in traditional peak season, increasing iron ore and coal restocking activities in China, and upsurge in demolitions of older tonnages, signs of modest improvement were seen in the third quarter. The leading emerging countries continue to be the main driving force behind global economic growth and contribute huge and firm demand in dry bulk shipping market. Capesize freight rates rebounded remarkably in the third quarter while freight rates of smaller size vessels stayed firm during the quarter. Baltic Dry Index opened at 1,413 points on 1 July 2011 and slipped to the lowest 1,253 points on 2 August 2011 and climbed to 1,899 points on 30 September 2011. Nevertheless, shipping market environment remains under pressure as the unceasing new tonnages delivery would continually dent the market freight rates and global seaborne trade is likely to be curbed by deteriorating Eurozone sovereign debt crisis and unresolved U.S. debt challenge.

The Group recorded revenue of US$71,310,000 and net profit of US$22,361,000 for the third quarter of 2011, comparing to US$89,549,000 and US$45,191,000 for the last corresponding quarter. The drop in net profit was driven by the decline in hire revenue amid weak market environment, inflating ship operating expenses and the non-cash fair value loss on investment portfolio in the third quarter. Basic earnings per share was US$0.266 for the third quarter as compared to US$0.538 for the last corresponding quarter.

Revenue for the third quarter dropped 20% from US$89,549,000 in 2010 to US$71,310,000 in 2011. Given the persistent drop in market charter rates, our fleet was redeployed in the spot market upon expiration of its respective charter contracts at lower charter rates, reflected in overall drop in the average daily time charter equivalent rates (“TCE”) in particular Capesize fleet. In the first half of 2011, two Capesize chartered-out contracts were early terminated and the Group took over these two chartered-in vessels and subsequently chartered-out at fairly low charter rates resulting in remarkable revenue cut in the third quarter.

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

	2011 Q3	2010 Q3	**2011 1st nine months**	2010 1st nine months	2010
	US$	*US$*	***US$***	*US$*	*US$*
Capesize	**12,048**	82,801	**44,159**	84,057	83,678
Post-Panamax / Panamax	**20,391**	25,479	**20,716**	30,168	28,982
Supramax / Handymax	**20,830**	24,976	**22,247**	25,251	25,131
In average	**20,325**	28,431	**23,207**	29,414	29,102

The shipping related expenses for the third quarter decreased 13% from US$32,453,000 in 2010 to US$28,335,000 in 2011 mainly due to the drop in hire payment upon expiration of a chartered-in vessel, and partially offset by rising crew expenses due to the general upsurge in market crew wages and increased in numbers of crew on board and costs on spare parts and consumables attributed by the expansion of owned fleet. The average number of owned vessels in operations in the third quarter of 2011 increased to thirty four vessels, as compared to twenty nine vessels in the last corresponding quarter while the average number of chartered-in vessels in operations decreased from five vessels in the third quarter of 2010 to four vessels in current quarter. The Group strives to maintain a low operating cost structure by keeping a young and cost-efficient fleet with average vessel age at five years.

The Group's operating results for the third quarter of 2011 was negatively impacted by the recognition of fair value loss on investment portfolio, predominantly in equity securities listed in Hong Kong, of US$5,734,000 for the third quarter as major global stock markets plunged in September 2011 sparked by the deteriorating Eurozone sovereign debt crisis. For the last corresponding quarter, the Group recorded fair value gain on investment portfolio of US$1,010,000 when Asian stock markets were supported by booming asset prices and optimistic economic growth prospects.

Depreciation and amortization for the third quarter was US$13,261,000 as compared to US$11,254,000 for the last corresponding quarter. The increase was mainly due to the expansion of owned fleet and relatively high contract price of recently delivered owned vessels.

Even in such low market interest rate environment, finance costs for the third quarter rose from US$1,590,000 in 2010 to US$1,875,000 in 2011. The upsurge in finance costs was due to new drawdown loans for the recently delivered owned vessels coupled with the higher loan interest margin for new loan facilities committed in recent period.

FINANCIAL REVIEW

During the period ended 30 September 2011, upon financing of various vessel mortgage loans, and offset by cash used to partially finance the delivery of four additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash decreased to US$264,711,000 (31/12/2010: US$264,922,000) and bank borrowings increased to US$596,290,000 (31/12/2010: US$555,667,000) as at 30 September 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, was 40% as at 30 September 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 period ended 30 September 2011, capital expenditure on additions of the owned vessels and vessels under construction was US$134,353,000 (30/9/2010: US$165,075,000), and on other property, plant and equipment was US$2,025,000 (30/9/2010: US$1,395,000).

As at 30 September 2011, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately US$178,895,000 (31/12/2010: US$301,204,000), representing the Group's outstanding capital expenditure commitments to acquire five (31/12/2010: nine) newbuildings at total contract price of US$35,000,000 and JPY16,221,000,000 (31/12/2010: US$81,500,000 and JPY29,301,000,000).

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 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:

The arbitral tribunal in London issued and published its First Arbitration Award in 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. Such security money had been received in June 2011 and the legal proceedings were completed.

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 its recoverability remains to be extremely challenging. Notwithstanding the above, Galsworthy will continue to enforce the awards against Parakou and related individuals and parties.

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 period, KLC filed for protective receivership in Korea and received court approval from Seoul Central District Court on 15 February 2011. KLC had 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. An agreement has been reached in July 2011 in order to confirm liability and ascertain the nature and quantum of the claim which includes the loss for the damages for early termination of the time-charter contract in the amount of US$37.7 million. The terms of the agreement were approved by the Korean Court in August 2011. On 29 July 2011, the Receivers of KLC submitted a proposed rehabilitation plan for the approval of the creditors and confirmation by the Korean Court. The plan had failed to receive the required support from the creditors during the creditors meeting on 23 September 2011 but was later approved by the creditors and confirmed by the Korean Court after re-voting on 14 October 2011. So far as the unsecured claim is concerned, the plan comprised of cash payments spanning through a period between 2012 and 2021 for settling part of the debt and conversion of the remaining debt to shares of KLC.

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 Feng" was delivered to the Group.

As at 30 September 2011, the Group had thirty five owned vessels which included two modern Post-Panamaxes, two modern Panamaxes, thirty modern grabs fitted Supramaxes and one Handymax.

Apart from the owned vessels, the Group operated four chartered-in vessels which included two Capesizes and two Supramaxes as at 30 September 2011.

Fleet Details

The fleet details after the quarter ended 30 September 2011 and up to 27 November 2011 were as follows:

	Number of vessels						
	In operation			Newbuildings / New charters			
	Owned	Chartered	Subtotal	Owned [1]	Chartered	Subtotal	Total
Capesize Fleet							
As at 1 October 2011 and 27 November 2011	-	2	2	-	-	-	2
Post-Panamax Fleet							
As at 1 October 2011 and 27 November 2011	2	-	2	-	-	-	2
Panamax Fleet							
As at 1 October 2011 and 27 November 2011	2	-	2	-	-	-	2
Supramax / Handymax Fleet							
As at 1 October 2011 and 27 November 2011	31	2	33	3	-	3	36
Handysize Fleet							
As at 1 October 2011 and 27 November 2011	-	-	-	1	-	1	1
Total Fleet							
As at 27 November 2011	35	4	39	4	-	4	43

Note:

[1] Includes four newbuildings ordered by the Group as at 27 November 2011, which we expected to take deliveries of 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 27 November 2011 was as follows:

Owned and Chartered-in Fleet – revenue covered:

		Unit	2011	2012
Capesize Fleet	Coverage	*%*	98	32
	Operating days covered	*Days*	698	236
	Daily TCE	*US$*	35,888	10,748
Post-Panamax / Panamax Fleet	Coverage	*%*	94	28
	Operating days covered	*Days*	1,423	404
	Daily TCE	*US$*	21,236	35,806
Supramax / Handymax Fleet [1]	Coverage	*%*	96	32
	Operating days covered	*Days*	11,048	3,922
	Daily TCE	*US$*	21,921	28,193

Chartered-in Fleet – TCE cost:

		Unit	2011	2012
Capesize Fleet	Operating days	*Days*	713	732
	Daily TCE cost	*US$*	40,827	40,750
Panamax Fleet	Operating days	*Days*	183	N/A
	Daily TCE cost	*US$*	22,500	N/A
Supramax Fleet	Operating days	*Days*	730	457
	Daily TCE cost	*US$*	26,039	31,569

Note:

1 The above operating statistics excluded two Supramaxes chartered to Grand China Logistics Holding (Group) Co., Ltd ("GCL") under two time-charter contracts with expiry in early 2014 and late 2015. GCL has withheld considerable hire payments since the second half of 2011 and therefore we withdrew one vessel in November 2011 and intended to withdraw the other vessel as soon as practicable. Arbitration awards have been received against GCL for the non-payment of hire and further legal proceedings have been commenced against GCL to claim losses / damages for breaching the terms of the charter contracts. Nevertheless, as we excluded these long term charter contracts in our operating statistics, the coverage and operating days covered of Supramax fleet reduced as compared to the information disclosed in the last published announcement dated 30 August 2011.

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 freight market has been persistently weak throughout the year 2011 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. In fact, the freight market has further cooled down in recent weeks, with signs such as over 90 million tonnes of iron ore being stock piled in Chinese ports suggest further weakening of freight rates being a likely outcome given the level of oversupply in tonnages.

There is now no doubt in an imbalance of supply versus demand of vessels, 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. Scrapping of old tonnages has increased, but remained to be insufficient in terms of providing positive support to the freight market. The current global excess shipbuilding capacity remains to be a worry, with shipyards beginning to lower their price to attract orders for their own survival. Against such unfavorable industry backdrop, 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.

Recent developments of the European sovereign debt crisis shows that any mishandling of the situation by European political and economic leaders could send ripples or even tsunamis across global markets and a possible banking crisis in Europe. As a result, global shipping lenders have further heightened their awareness of risks towards lending. In the short run, this means a shortage of credit to companies which are short of capital; in the longer run however, less credit towards new investments means less job creations and less stimulation to economic growth. Lower economic growth is never good for shipping, and today's shipping markets pose even more challenges given a backdrop of massive oversupply in tonnages and shipbuilding capacity. The global economy is now so interconnected where though economic fundamentals in Asia remain more sound, economic troubles experienced in the west can still negatively affect Asia in magnitudes often underestimated.

Recently, we regret to reveal another default with another major Chinese shipping company, Grand China Logistics Holding (Group) Co., Ltd ("GCL"), part of the HNA Group, which we entered into a settlement agreement with in October 2010 (the "2010 Settlement Agreement"). Such agreement originated from the settlement of the disputes arose in 2009 in respect of two contracts which involved a GCL group company, where GCL agreed to pay a settlement sum of money in monthly instalments which is repayable until November 2011 and entered into two new charter contracts with minimum hire period of 36 months and 60 months at US$23,000 per day.

Despite the restructured charter contracts were being part of the settlement of the disputes arising out of the original high value charterparties in 2008, we experienced repeated delay in hire payments since this summer and such delay in payments has later turned to be non-payment of hire. The outstanding hire due from GCL has now accumulated to approximately US$4.1 million. We have already obtained two London arbitration awards against GCL in October 2011 regarding the undisputed outstanding hire and we are expecting the third arbitration award from the London Arbitration Tribunal within the next week over an outstanding settlement sum of approximately US$5 million cash under the 2010 Settlement Agreement. We are currently considering the appropriate steps to effect further legal and commercial actions against GCL and/or its related group companies to secure our rights.

We therefore expect further company defaults and rising counterparty risk ahead but we will continue to take appropriate legal and commercial actions to enforce performance of contractual obligations under each contract and honor business ethics according to the terms of contracts. On the positive side, there will be interesting opportunities for those who have saved their bullets in the past years to look at possible asset acquisitions going forward, albeit on a very selective basis and with careful due diligence given the varying quality of shipping assets that we expect will become available for sale in the market.

We continue to see mounting uncertainty with respect to the global economic outlook especially that of the U.S. and Europe, where their traditional consumption and investment patterns have been heavily disrupted. Inflationary pressure continues to be a big risk given the relentless increase in money supply. Oversupply of vessels against a weakening demand in global seaborne trade 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 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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