



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

	Note	3 months ended 30/9/2010 (Unaudited)	3 months ended 30/9/2009 (Unaudited)	9 months ended 30/9/2010 (Unaudited)	9 months ended 30/9/2009 (Unaudited)	Year ended 31/12/2009 (Audited)
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	2	89,549	92,396	255,076	266,660	349,340
Other operating income	3	2,970	2,763	4,034	45,810	53,076
Interest income		267	156	1,259	858	1,162
Shipping related expenses		(32,453)	(46,918)	(93,807)	(141,652)	(180,177)
Staff costs		(1,272)	(1,229)	(3,847)	(3,908)	(19,391)
Net gain on disposal of motor vessels		-	6,980	-	116	8,504
Other operating expenses		(1,026)	(1,152)	(5,572)	(15,170)	(16,992)
Operating profit before depreciation and amortization		58,035	52,996	157,143	152,714	195,522
Depreciation and amortization		(11,254)	(8,318)	(31,497)	(25,199)	(34,038)
Operating profit		46,781	44,678	125,646	127,515	161,484
Finance costs		(1,590)	(1,582)	(4,035)	(6,499)	(7,642)
Profit before taxation		45,191	43,096	121,611	121,016	153,842
Taxation	4	-	-	-	-	-
Net profit for the period / year		45,191	43,096	121,611	121,016	153,842
Other comprehensive income						
Change in fair value of available-for-sale financial assets		-	-	-	-	44
Total comprehensive income for the period / year attributable to shareholders of the Company		45,191	43,096	121,611	121,016	153,886
Basic earnings per share	5	US\$0.538	US\$0.513	US\$1.447	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
ASSETS				
Non-current assets				
Property, plant and equipment		1,112,193	925,288	977,323
Available-for-sale financial assets		359	315	359
		1,112,552	925,603	977,682
Current assets				
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
		304,562	205,748	254,534
Total assets		1,417,114	1,131,351	1,232,216
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		4,202	4,202	4,202
Reserves		786,892	632,411	665,281
Total equity		791,094	636,613	669,483
Non-current liabilities				
Advance receipt		-	-	12,936
Secured bank loans		493,464	385,961	401,689
		493,464	385,961	414,625
Current liabilities				
Trade and other payables		78,254	47,378	87,421
Secured bank loans		54,302	61,399	60,687
		132,556	108,777	148,108
Total equity and liabilities		1,417,114	1,131,351	1,232,216

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital				Employee compensation reserve (Unaudited)	Reserve for share-based compensation reserve (Unaudited)	available-for- sale financial assets (Unaudited)	Retained profits (Unaudited)	Total equity (Unaudited)
	Issued capital (Unaudited)	Share premium (Unaudited)	redemption reserve (Unaudited)	Contributed surplus (Unaudited)					
	US\$'000	US\$'000	US\$'000	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)	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

	30/9/2010 (Unaudited) US\$'000	30/9/2009 (Unaudited) US\$'000	31/12/2009 (Audited) US\$'000
Cash and cash equivalents for condensed consolidated statement of cash flows purpose	166,752	72,868	145,621
Bank deposits with more than three months to maturity when placed	10,000	6,000	1,000
	176,752	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 st nine months	2009 1 st 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			Total	
	Owned	Chartered	Subtotal	Owned ¹	Chartered	Subtotal		
Capesize Fleet								
As at 1 October 2010 and 28 November 2010	-	2	2	-	-	-	2	
Post-Panamax Fleet								
As at 1 October 2010 and 28 November 2010	2	-	2	-	-	-	2	
Panamax Fleet								
As at 1 October 2010 and 28 November 2010	1	1	2	1	-	1	3	
Supramax / Handymax Fleet								
As at 1 October 2010 and 28 November 2010	27	2	29	9	-	9	38	
Handysize Fleet								
As at 1 October 2010 and 28 November 2010	-	-	-	1	-	1	1	
Total Fleet								
As at 28 November 2010	30	5	35	11	-	11	46	

Note:

¹ 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>	2010	2011
Capesize Fleet	Coverage	%	100	76
	Operating days covered	<i>Days</i>	730	557
	Daily TCE	<i>US\$</i>	83,698	73,641
Post-Panamax / Panamax Fleet	Coverage	%	99	22
	Operating days covered	<i>Days</i>	1,133	353
	Daily TCE	<i>US\$</i>	29,189	29,603
Supramax / Handymax Fleet	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>	2010	2011
Capesize Fleet	Operating days	<i>Days</i>	730	730
	Daily TCE cost	<i>US\$</i>	40,750	40,750
Panamax Fleet	Operating days	<i>Days</i>	365	259
	Daily TCE cost	<i>US\$</i>	22,500	22,500
Supramax Fleet	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 particular 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.

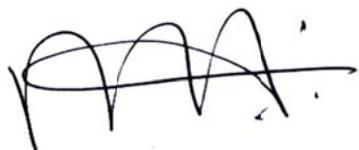
Traditional wisdom tells us that an inflationary environment is positive for shipping. However, we believe it is not so simple this time, given the complication of today's world trading activities. We believe this uncertain and unsynchronized macro backdrop may worsen and get more complicated going forward, 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 and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

By Order of the Board



Ng Siu Fai

Chairman

29 November 2010



Jinhui Shipping and Transportation Limited

Registered office:

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Correspondence address:

26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong SAR, PRC

Tel: (852) 2545 0951 E-mail: info@jinhuisher.com

Fax: (852) 2541 9794 Website: www.jinhuisher.com