



# JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137

## INTERIM REPORT 2011



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ng Siu Fai, *Chairman*  
Ng Kam Wah Thomas, *Managing Director*  
Ng Ki Hung Frankie  
Ho Suk Lin

### Independent Non-executive Directors

Cui Jianhua  
Tsui Che Yin Frank  
William Yau

## AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*  
Cui Jianhua  
William Yau

## REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*  
Tsui Che Yin Frank  
William Yau

## COMPANY SECRETARY

Ho Suk Lin

## AUDITORS

Grant Thornton Jingdu Tianhua  
*Certified Public Accountants*

## SHARE REGISTRAR

Tricor Standard Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

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

## CONTACTS

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## WEBSITE

[www.jinhuiship.com](http://www.jinhuiship.com)

## SHARE LISTING

The Company's shares are listed on the Hong Kong Stock Exchange (stock code: 137)

## HIGHLIGHTS FOR THE FIRST HALF OF 2011

- Revenue for the period: HK\$1,545 million
- Net profit attributable to shareholders for the period: HK\$234 million
- Basic earnings per share: HK\$0.442
- Gearing ratio as at 30 June 2011: 40%

# Chairman's Statement

The Board is pleased to present the interim report of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2011.

## INTERIM RESULTS

The Group's revenue for the first half of 2011 was HK\$1,544,617,000, representing an increase of 3% as compared to HK\$1,498,436,000 for the first half of 2010. The net profit attributable to shareholders of the Company for the first half of 2011 was HK\$234,328,000 whereas HK\$318,122,000 was reported in the same period in 2010.

Basic earnings per share was HK\$0.442 for the period ended 30 June 2011 as compared to basic earnings per share of HK\$0.600 for the last corresponding period.

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period ended 30 June 2011 (2010: nil).

## BUSINESS REVIEW

**Chartering freight and hire.** The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 54.77% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

The first half of 2011 had been a tough period for dry bulk shipping market. At the beginning of the year, unfortunate natural disasters in Australia and Japan had disrupted dry bulk transportation activities in Asian region. The raw materials importing activities of China were slowing down apparently under the government's efforts to rein the inflation and overheating economy. The ripple effect of the imminent collapse of Korea Line Corporation ("KLC"), a major Korean shipping company, began to spread across the shipping market. Increasing default events were seen in the market and a number of vessels were re-entered into the market due to the breaking of hire payment clause; those vessels were then chartered at depressed rates and intensified the overcapacity of dry bulk vessels. Whilst the sovereign debt issues of the United States and various European countries brought uncertainty of sustainability of global economy recovery, the dry bulk market became more vulnerable to the oversupply threats and depressing demand. The Baltic Dry Index ("BDI") plummeted from 1,773 points at the beginning of 2011 to the lowest 1,043 points on 4 February 2011 and closed at 1,413 points on 30 June 2011.

## Chairman's Statement

The Group's revenue from chartering freight and hire for the first half of 2011 increased slightly from HK\$1,291,111,000 in 2010 to HK\$1,325,901,000 in 2011 due to the expansion of the Group's owned fleet. Yet, revenue contributed from expanded owned Supramax fleet was offset by the decrease in revenue arising from the early termination of the two Capesize charter contracts, including the long term time-charter contract with KLC. Consequentially, the Group took over the vessels and re-entered into short term charter contracts at spot market at fairly low rates as compared to the original contract rates earned in last corresponding period.

Despite the increase in the average number of owned and chartered-in vessels in operations from thirty one vessels during the first half of 2010 to thirty seven vessels in current period, the increased revenue from the expanded owned fleet was offset by lower freight rates earned from new charter contracts upon expiration or termination of high earning charter contracts.

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

	<b>2011 1st half</b>	2010 1st half	2010
	<b>US\$</b>	US\$	US\$
Capesize	<b>61,294</b>	84,694	83,678
Post-Panamax / Panamax	<b>20,867</b>	33,444	28,982
Supramax / Handymax	<b>23,004</b>	25,405	25,131
In average	<b>24,722</b>	29,971	29,102

During the period, the Group received an income of HK\$24,559,000 as compensation from a charterer for early redelivery of a chartered-in Capesize prior to expiry of the charter period and was included in other operating income. That chartered-in Capesize was subsequently chartered-out at operating loss. Together with another chartered-in Capesize redelivered from KLC in March 2011 and subsequently chartered-out at operating loss, the Group recognized provision for loss on charter hire of HK\$138,910,000 during the period. The provision for loss on charter hire was calculated based on the expected economic benefits that derived from two spot chartered-out contracts less the unavoidable costs under two Capesizes' long term chartered-in contracts. As a result, the Group's shipping related expenses rose by 50% to HK\$718,650,000 for the first half of 2011 as compared to HK\$478,564,000 recognized in last corresponding period.

The increase in shipping related expenses was also attributable to the higher crew expenses due to the expansion of owned fleet and higher bunker expenses incurred by certain voyage charters engaged in current period. For the last corresponding period, there was no voyage charter and hence only trifling bunker expenses was incurred and included in shipping related expenses.

## Chairman's Statement

During the period, the Group had provided impairment loss of HK\$13,180,000 on trade receivables due from certain charterers, including KLC which is currently under protective receivership. The Group is now pursuing legal actions against these charterers for the unpaid hire and damages.

**Trading.** The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company.

The trading environment for chemical products in Asian region remained challenging in 2011. The Group's segment revenue from trading business increased from HK\$207,325,000 for the first half of 2010 to HK\$218,716,000 for the first half of 2011. Despite our efforts to establish additional supply chain sources and exploring new markets, competition among Asian rivals is fiercer and results in lower commodities prices in general. The Group's operating results from trading business for the first half of 2011 dropped slightly to HK\$5,127,000, whereas HK\$5,941,000 was reported in last corresponding period.

**Other financial information.** The drop in unallocated corporate expenses was mainly attributable to the decrease in net loss on financial assets at fair value through profit or loss from HK\$21,672,000 for the period ended 30 June 2010 to HK\$2,951,000 for the period ended 30 June 2011.

The Group's finance costs for the first half of 2011 rose 34% to HK\$25,999,000 even though the prevailed market interest rate remained fairly low. The upsurge in finance costs was attributable to the increasing loans drawn for the recently delivered owned vessels coupled with the higher loan interest margin for new loan facilities committed in recent period.

### FINANCIAL REVIEW

**Liquidity, financial resources and capital structure.** During the period ended 30 June 2011, upon financing of various vessel mortgage loans, and offset by cash used to partially finance the delivery of three additional vessels and installments paid for the newbuildings, the total of the Group's equity and debt securities, bank balances and cash dropped slightly to HK\$2,015,990,000 as at 30 June 2011 (31/12/2010: HK\$2,152,980,000). The Group's bank borrowings increased to HK\$4,673,613,000 as at 30 June 2011 (31/12/2010: HK\$4,376,178,000), of which 12%, 11%, 32% and 45% are repayable respectively within one year, one to two years, two to five years and over five years. All the bank borrowings were committed on floating rate basis and were denominated in United States Dollars. 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 June 2011 (31/12/2010: 36%). 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.

## Chairman's Statement

**Pledge of assets.** As at 30 June 2011, the Group's property, plant and equipment and investment property with an aggregate net book value of HK\$8,678,317,000 (31/12/2010: HK\$7,790,484,000), financial assets at fair value through profit or loss of HK\$74,576,000 (31/12/2010: HK\$69,216,000) and deposits of HK\$88,831,000 (31/12/2010: HK\$84,545,000) placed with banks and other financial institution were pledged together with the assignment of thirty four (31/12/2010: thirty one) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty nine (31/12/2010: twenty six) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the period ended 30 June 2011, capital expenditure on additions of the owned vessels and vessels under construction was HK\$1,038,235,000 (30/6/2010: HK\$1,044,668,000), and on other property, plant and equipment was HK\$8,227,000 (30/6/2010: HK\$10,316,000).

As at 30 June 2011, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$1,337,814,000 (31/12/2010: HK\$2,349,390,000), representing the Group's outstanding capital expenditure commitments to acquire five (31/12/2010: nine) newbuildings at a total purchase price of approximately HK\$1,836,186,000 (31/12/2010: HK\$3,445,902,000).

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.

**Contingent liabilities.** As at 30 June 2011, the Group had contingent liability in respect of a counter-indemnity which has been issued by the Group since 2008 to a bank for issuing a guarantee on behalf of a subsidiary of Jinhui Shipping in favour of a charterer of a vessel amounted to approximately HK\$26,845,000 as security for the arbitration proceedings underway in London regarding a claim against the subsidiary for the loss and damage as a result of a stowage dispute.

### OTHER IMPORTANT EVENTS OCCURRED IN THE PERIOD

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:

## Chairman's Statement

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 HK\$21 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 HK\$301 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 HK\$334 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 HK\$12 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 HK\$322 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 HK\$294 million. The terms of the agreement are subject to the approval of the Korean Court. KLC is in the process of applying for the approval.

# Chairman's Statement

## OUTLOOK

We have repeatedly voiced our expectation that 2011 will be a challenging year for our business. 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. The delivery of new vessels has further accelerated during the year, with an average of three newbuildings being delivered worldwide on a daily basis.

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. Lenders are also increasingly aware of the risks as well as dynamics of our industry and hence very cautious with providing new credit, translating to less second hand transactions in the market place. 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.

The outcome of Korea Line Corporation receivership remains to be unclear due to the lack of transparency and ambiguous handling of the situation by the Korean courts. We continue to monitor the situation very closely.

While most of us would agree that abiding to the spirit of contract is the most important business principle, it has been disappointing to experience delayed payments by some of our charterers over legally binding contracts in recent months. No restructuring or renegotiation of contract terms which will jeopardize and/or cause any reduction/disruption to our expected/contracted income stream has taken place as of the date of this interim report. We will continue to monitor this situation closely and will take strenuous legal and commercial actions as well as further steps in accordance to relevant regulatory provisions, to safeguard the Company's and its shareholders' interests.

We will continue to exercise caution in picking our counterparties, and evaluate them not just at the company level, but also in terms of their place of incorporation to avoid any potential sovereign risks.

## Chairman's Statement

We continue to see mounting uncertainty with respect to the global economic outlook, especially concerned with the worsening debt situation of the US and European economies which will derail their traditional consumption and investment pattern. 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.

By Order of the Board

**Ng Siu Fai**  
*Chairman*

Hong Kong, 31 August 2011

## Disclosure of Interests

### SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 18 November 2004 (the "Share Option Scheme") whereby the Board was authorized to grant share options to the directors of the Company (the "Directors"), officers and employees of the Group and other person(s) selected by the Board who have contributed or will contribute to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each of the Company.

Details of share options under the Share Option Scheme during the six months ended 30 June 2011 were as follows:

Name	Date of grant	Exercise price per share HK\$	Exercisable period	Number of outstanding options as at 1 January and 30 June 2011
<b>Directors</b>				
Ng Siu Fai	23 December 2004	1.60	31 March 2006 to 22 December 2014	<b>31,570,000</b>
	29 June 2006	1.57	29 June 2006 to 28 June 2016	<b>3,184,000</b>
Ng Kam Wah Thomas	23 December 2004	1.60	31 March 2006 to 22 December 2014	<b>21,050,000</b>
	29 June 2006	1.57	29 June 2006 to 28 June 2016	<b>3,184,000</b>
Ng Ki Hung Frankie	29 June 2006	1.57	29 June 2006 to 28 June 2016	<b>3,184,000</b>
				<b>62,172,000</b>

*Notes:*

1. No share option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2011.
2. The closing price per share of the Company as at 30 June 2011 was HK\$1.71.

## Disclosure of Interests

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 30 June 2011, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### Long positions

##### (i) Directors' interests in shares of the Company

Name	Number of shares in the Company held and capacity			Total	Percentage of total issued shares of the Company
	Beneficial owner	Interest of spouse	Beneficiary of trust		
Ng Siu Fai	19,917,000	15,140,000	342,209,280 <i>Note</i>	377,266,280	71.15%
Ng Kam Wah Thomas	5,909,000	-	342,209,280 <i>Note</i>	348,118,280	65.65%
Ng Ki Hung Frankie	3,000,000	-	342,209,280 <i>Note</i>	345,209,280	65.10%
Ho Suk Lin	3,850,000	-	-	3,850,000	0.73%
Cui Jianhua	960,000	-	-	960,000	0.18%
Tsui Che Yin Frank	1,000,000	-	-	1,000,000	0.19%
William Yau	441,000	-	-	441,000	0.08%

*Note:* As at 30 June 2011, Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline Consultants Limited ("Fairline") which is the legal and beneficial owner of 342,209,280 shares of the Company (representing approximately 64.53% of the total issued shares of the Company). The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

## Disclosure of Interests

### (ii) Directors' interests in underlying shares of the Company (rights to acquire shares of the Company under the Share Option Scheme)

The interests of the Directors' rights to acquire shares of the Company under the Share Option Scheme are stated in details in the preceding section of "Share Option Scheme" on page 11.

### (iii) Directors' interests in associated corporation

Name	Number of shares in Jinhui Shipping held and capacity			Total	Percentage of total issued shares of Jinhui Shipping
	Beneficial owner	Interest of spouse	Beneficiary of trust		
Ng Siu Fai	1,214,700	708,100	46,534,800 <i>Note</i>	48,457,600	57.66%
Ng Kam Wah Thomas	50,000	–	46,534,800 <i>Note</i>	46,584,800	55.43%
Ng Ki Hung Frankie	–	–	46,534,800 <i>Note</i>	46,534,800	55.37%

*Note:* Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the controlling shareholder of the Company as disclosed hereinabove.

As at 30 June 2011, each of Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie, the eligible beneficiaries of the Ng Hing Po 1991 Trust, is deemed to be interested in 46,034,800 shares of Jinhui Shipping (representing approximately 54.77% of the total issued shares of Jinhui Shipping) held by the Company and 500,000 shares of Jinhui Shipping (representing approximately 0.59% of the total issued shares of Jinhui Shipping) held by Fairline through their beneficial interests in the Company and Fairline respectively.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executives of the Company) had interests representing 5% or more of the issued share capital of the Company:

### Long positions

Name of shareholders	Capacity	Number of shares in the Company	Number of share options in the Company	Percentage of total issued shares of the Company
Fairline Consultants Limited	Beneficial owner	342,209,280	–	64.53%
Wong Yee Man Gloria	Beneficial owner and interest of spouse	377,266,280 <i>Note 1</i>	–	71.15%
	Interest of spouse	–	34,754,000 <i>Note 2</i>	6.55%

Notes:

1. The interest in shares includes 15,140,000 shares of the Company in which Ms. Wong Yee Man Gloria is interested as a beneficial owner and 362,126,280 shares of the Company in which she is deemed to be interested through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).
2. Ms. Wong Yee Man Gloria is deemed to be interested in the options to subscribe for 34,754,000 shares of the Company held by her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

Save as disclosed herein, as at 30 June 2011, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

# Corporate Governance

## COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the period ended 30 June 2011, with deviations from code provisions A.2.1, A.4.2 and A.4.1 of the CG Code in respect of the roles of chairman and chief executive officer, the rotation of directors and the service term for non-executive directors.

**Code provision A.2.1** Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes a deviation from code provision A.2.1 of the CG Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group’s operations is clearly beneficial to the Group. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company.

**Code provision A.4.2** Under code provision A.4.2 of the CG Code, all directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation. This constitutes a deviation from code provision A.4.2 of the CG Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group’s business continuity and stability, and there should be planned and orderly succession for these offices. Any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company’s annual general meeting.

# Corporate Governance

**Code provision A.4.1** Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from code provision A.4.1 of the CG Code. According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director (who are ordinarily executive directors) will be subject to retirement provisions. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the six months ended 30 June 2011.

## AUDIT COMMITTEE

The audit committee comprises of three Independent Non-executive Directors. The audit committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

# Supplementary Information

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2011.

## **EMPLOYEES**

As at 30 June 2011, the Group had 108 (31/12/2010: 105) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

## **FLEET**

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

During the period, two newly built Supramaxes named as "Jin Han" and "Jin Hong", and one newly built Panamax named as "Jin Chao" were delivered to the Group.

As at 30 June 2011, the Group had thirty four owned vessels which included two modern Post-Panamaxes, two modern Panamaxs, twenty nine 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 June 2011.

Subsequent to the period ended 30 June 2011, a newly built Supramax named as "Jin Feng" was delivered to the Group on 6 July 2011.

# Supplementary Information

## FLEET DETAILS

The fleet details after the period ended 30 June 2011 and up to 29 August 2011 were as follows:

	Number of vessels						Total
	In operation			Newbuildings / New charters			
	Owned	Chartered	Subtotal	Owned <sup>1</sup>	Chartered	Subtotal	
<b>Capesize Fleet</b>							
As at 1 July 2011 and 29 August 2011	-	2	2	-	-	-	2
<b>Post-Panamax Fleet</b>							
As at 1 July 2011 and 29 August 2011	2	-	2	-	-	-	2
<b>Panamax Fleet</b>							
As at 1 July 2011	2	1	3	-	-	-	3
Expiry of charter	-	(1)	(1)	-	-	-	(1)
As at 29 August 2011	2	-	2	-	-	-	2
<b>Supramax / Handymax Fleet</b>							
As at 1 July 2011	30	2	32	4	-	4	36
Newbuilding delivery	1	-	1	(1)	-	(1)	-
As at 29 August 2011	31	2	33	3	-	3	36
<b>Handysize Fleet</b>							
As at 1 July 2011 and 29 August 2011	-	-	-	1	-	1	1
<b>Total Fleet</b>							
As at 29 August 2011	35	4	39	4	-	4	43

Note:

- <sup>1</sup> Includes four newbuildings ordered by the Group as at 29 August 2011, which we expected to take deliveries of two Supramaxes and one Handysize in 2012 and one Supramax in 2013.

## Supplementary Information

According to the Company's best estimation, the activity of the Group's fleet as at 29 August 2011 was as follows:

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

		<i>Unit</i>	<b>2011</b>	<b>2012</b>
<b>Capesize Fleet</b>	Coverage	%	98	32
	Operating days covered	<i>Days</i>	717	236
	Daily TCE	<i>US\$</i>	37,200	10,748
<b>Post-Panamax/Panamax Fleet</b>	Coverage	%	83	25
	Operating days covered	<i>Days</i>	1,267	366
	Daily TCE	<i>US\$</i>	21,161	38,200
<b>Supramax/Handymax Fleet</b>	Coverage	%	89	37
	Operating days covered	<i>Days</i>	10,356	4,573
	Daily TCE	<i>US\$</i>	22,560	27,520

### Chartered-in Fleet – TCE cost:

		<i>Unit</i>	<b>2011</b>	<b>2012</b>
<b>Capesize Fleet</b>	Operating days	<i>Days</i>	730	732
	Daily TCE cost	<i>US\$</i>	40,750	40,750
<b>Panamax Fleet</b>	Operating days	<i>Days</i>	183	N/A
	Daily TCE cost	<i>US\$</i>	22,500	N/A
<b>Supramax Fleet</b>	Operating days	<i>Days</i>	730	457
	Daily TCE cost	<i>US\$</i>	26,039	31,569

# Independent Review Report



**Grant Thornton**

京都天华

Member of Grant Thornton International Ltd

## **To the Board of Directors of Jinhui Holdings Company Limited**

*(Incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the interim financial report set out on pages 21 to 30 which comprise the condensed consolidated statement of financial position of Jinhui Holdings Company Limited as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

### **Grant Thornton Jingdu Tianhua**

*Certified Public Accountants*

20th Floor, Sunning Plaza

10 Hysan Avenue, Causeway Bay

Hong Kong

31 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

		<b>Six months ended 30/6/2011 (Unaudited) HK\$'000</b>	Six months ended 30/6/2010 (Unaudited) HK\$'000
	Note		
<b>Revenue</b>	2	<b>1,544,617</b>	1,498,436
Other operating income	3	<b>102,401</b>	19,490
Interest income		<b>13,361</b>	8,187
Shipping related expenses	4	<b>(718,650)</b>	(478,564)
Cost of trading goods sold		<b>(205,669)</b>	(193,065)
Staff costs		<b>(28,423)</b>	(27,308)
Other operating expenses		<b>(55,522)</b>	(58,989)
<b>Operating profit before depreciation and amortization</b>		<b>652,115</b>	768,187
Depreciation and amortization		<b>(196,049)</b>	(159,671)
<b>Operating profit</b>		<b>456,066</b>	608,516
Finance costs		<b>(25,999)</b>	(19,336)
<b>Profit before taxation</b>		<b>430,067</b>	589,180
Taxation	5	<b>(882)</b>	(52)
<b>Net profit for the period</b>		<b>429,185</b>	589,128
<b>Other comprehensive income</b>		<b>-</b>	-
<b>Total comprehensive income for the period</b>		<b>429,185</b>	589,128
<b>Net profit for the period attributable to:</b>			
Shareholders of the Company		<b>234,328</b>	318,122
Non-controlling interests		<b>194,857</b>	271,006
		<b>429,185</b>	589,128
<b>Total comprehensive income for the period attributable to:</b>			
Shareholders of the Company		<b>234,328</b>	318,122
Non-controlling interests		<b>194,857</b>	271,006
		<b>429,185</b>	589,128
<b>Earnings per share</b>	6		
- Basic		<b>HK\$0.442</b>	HK\$0.600
- Diluted		<b>HK\$0.430</b>	HK\$0.572

# Condensed Consolidated Statement of Financial Position

As at 30 June 2011

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,278,928	8,429,089
Investment properties		51,460	51,460
Goodwill		39,040	39,040
Available-for-sale financial assets		18,701	18,701
Intangible assets		2,015	2,097
		<b>9,390,144</b>	<b>8,540,387</b>
<b>Current assets</b>			
Inventories		26,508	28,689
Trade and other receivables	8	348,304	339,423
Financial assets at fair value through profit or loss		615,799	511,364
Pledged deposits		88,831	96,181
Bank balances and cash	9	1,400,191	1,641,616
		<b>2,479,633</b>	<b>2,617,273</b>
<b>Current liabilities</b>			
Trade and other payables	10	600,272	615,329
Provision for taxation		854	300
Secured bank loans		542,587	486,952
		<b>1,143,713</b>	<b>1,102,581</b>
<b>Net current assets</b>		<b>1,335,920</b>	<b>1,514,692</b>
<b>Total assets less current liabilities</b>		<b>10,726,064</b>	<b>10,055,079</b>
<b>Non-current liabilities</b>			
Secured bank loans		4,131,026	3,889,226
<b>Net assets</b>		<b>6,595,038</b>	<b>6,165,853</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital		53,029	53,029
Reserves		3,651,799	3,417,471
<b>Non-controlling interests</b>		<b>3,704,828</b>	<b>3,470,500</b>
		<b>2,890,210</b>	<b>2,695,353</b>
<b>Total equity</b>		<b>6,595,038</b>	<b>6,165,853</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to shareholders of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other asset revaluation reserve (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Reserve for available-for-sale financial assets (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2010	53,029	324,590	4,020	4,392	26,259	7,641	2,682,512	3,102,443	2,385,980	5,488,423
Net profit and total comprehensive income for the period	-	-	-	-	-	-	318,122	318,122	271,006	589,128
At 30 June 2010	53,029	324,590	4,020	4,392	26,259	7,641	3,000,634	3,420,565	2,656,986	6,077,551
At 1 January 2011	53,029	324,590	4,020	4,777	26,259	8,496	3,049,329	3,470,500	2,695,353	6,165,853
Net profit and total comprehensive income for the period	-	-	-	-	-	-	234,328	234,328	194,857	429,185
At 30 June 2011	53,029	324,590	4,020	4,777	26,259	8,496	3,283,657	3,704,828	2,890,210	6,595,038

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30/6/2011 (Unaudited) HK\$'000	Six months ended 30/6/2010 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	505,317	544,058
Interest paid	(24,424)	(18,646)
Hong Kong Profits Tax refunded	–	23
PRC Corporate Income Tax paid	(328)	(200)
<b>Net cash from operating activities</b>	<b>480,565</b>	<b>525,235</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	12,852	8,068
Decrease in bank deposits with more than three months to maturity when placed	78,000	7,800
Dividend income received from listed equity investments	1,983	143
Dividend income received from unlisted investment	–	343
Purchase of property, plant and equipment	(1,046,462)	(1,054,964)
Proceeds from disposal of property, plant and equipment	2,399	606
<b>Net cash used in investing activities</b>	<b>(951,228)</b>	<b>(1,038,004)</b>
<b>FINANCING ACTIVITIES</b>		
New secured bank loans	532,545	882,960
Repayment of secured bank loans	(232,657)	(340,348)
Decrease (Increase) in pledged deposits	7,350	(11,290)
<b>Net cash from financing activities</b>	<b>307,238</b>	<b>531,322</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(163,425)</b>	<b>18,553</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,524,616</b>	<b>1,197,956</b>
<b>Cash and cash equivalents at 30 June</b>	<b>1,361,191</b>	<b>1,216,509</b>

# Notes to the Interim Financial Statements

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 have been reviewed by our auditors, Grant Thornton Jingdu Tianhua, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). An unmodified review conclusion has been issued by the auditors.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure provisions of Appendix 16 of the Listing Rules.

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. Segment information

The Group is principally engaged in the businesses of ship chartering and ship owning, and trading and the management has regarded these two businesses as the operating segments to be reported to the chief operating decision maker.

The following tables present the Group’s reportable segment revenue and segment results for the six months ended 30 June 2011 and 2010, and reconcile the Group’s total reportable segment results to the Group’s net profit for the period as presented in the condensed consolidated statement of comprehensive income.

# Notes to the Interim Financial Statements

## 2. Segment information (Continued)

	Chartering freight and hire (Unaudited) <i>HK\$'000</i>	Trading (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<i>Six months ended 30 June 2011</i>			
<b>Segment revenue</b>	<b>1,325,901</b>	<b>218,716</b>	<b>1,544,617</b>
<b>Segment results</b>	<b>423,936</b>	<b>5,127</b>	<b>429,063</b>
<i>Unallocated income and expenses</i>			
Interest income			13,361
Unallocated other operating income			5,471
Unallocated corporate expenses			(17,828)
<b>Profit before taxation</b>			<b>430,067</b>
<b>Taxation</b>			<b>(882)</b>
<b>Net profit for the period</b>			<b>429,185</b>

# Notes to the Interim Financial Statements

## 2. Segment information (Continued)

	Chartering freight and hire (Unaudited) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>Six months ended 30 June 2010</i>			
Segment revenue	1,291,111	207,325	1,498,436
Segment results	611,919	5,941	617,860
<i>Unallocated income and expenses</i>			
Interest income			8,187
Unallocated other operating income			1,274
Unallocated corporate expenses			(38,141)
Profit before taxation			589,180
Taxation			(52)
Net profit for the period			589,128

## 3. Other operating income

The other operating income for the period ended 30 June 2011 included an income of HK\$24,559,000 as compensation from a charterer for early redelivery of a chartered-in Capesize. There was no such compensation income recognized in 2010. In addition, as the bunker price has been continuously rising in 2011, there was an upsurge of gain on bunker price of HK\$16,280,000 for current period as compared to last corresponding period.

## 4. Shipping related expenses

The shipping related expenses for the period ended 30 June 2011 included a provision for loss on charter hire of HK\$138,910,000, being the expected economic benefits derived from two spot 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.

# Notes to the Interim Financial Statements

## 5. Taxation

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	<b>Six months ended 30/6/2011 (Unaudited) HK\$'000</b>	Six months ended 30/6/2010 (Unaudited) HK\$'000
Hong Kong Profits Tax:		
Current period	<b>656</b>	–
PRC Corporate Income Tax:		
Current period	<b>226</b>	52
	<b>882</b>	52

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the period ended 30 June 2011 and 2010. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax.

PRC Corporate Income Tax has been provided at the applicable rate on the estimated assessable profits of a PRC subsidiary for the period ended 30 June 2011 and 2010.

Apart from tax charges on estimated assessable profits arising in Hong Kong and mainland China, the Group is not subject to taxation in any other jurisdictions in which the Group operates.

## 6. Earnings per share

Basic earnings per share is calculated on the net profit attributable to shareholders of the Company for the period of HK\$234,328,000 (30/6/2010: HK\$318,122,000) and the weighted average number of 530,289,480 (30/6/2010: 530,289,480) ordinary shares in issue during the period.

Diluted earnings per share is calculated on the net profit attributable to shareholders of the Company for the period of HK\$234,328,000 (30/6/2010: HK\$318,122,000) and the weighted average number of 530,289,480 ordinary shares in issue during the period and adjusting for the dilutive potential ordinary shares of 14,849,176 (30/6/2010: 25,772,499) arising from the share options granted under the Company's share option scheme.

# Notes to the Interim Financial Statements

## 7. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the period ended 30 June 2011 (2010: nil).

## 8. Trade and other receivables

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade receivables	<b>105,171</b>	73,101
Prepayments, deposits and other receivables	<b>243,133</b>	266,322
	<b>348,304</b>	339,423

The aging analysis of trade receivables (net of impairment loss) is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 3 months	<b>86,129</b>	66,343
Over 3 months but within 6 months	<b>12,678</b>	4,859
Over 6 months but within 12 months	<b>5,834</b>	750
Over 12 months	<b>530</b>	1,149
	<b>105,171</b>	73,101

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. Credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount.

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment. The credit terms given to trading customers vary based on the financial assessments and payment track records. General credit terms for trading customers range from 30 to 90 days following the month in which sales take place.

# Notes to the Interim Financial Statements

## 9. Bank balances and cash

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Cash and cash equivalents for condensed consolidated statement of cash flows purpose	<b>1,361,191</b>	1,524,616
Bank deposits with more than three months to maturity when placed	<b>39,000</b>	117,000
	<b>1,400,191</b>	1,641,616

## 10. Trade and other payables

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade payables	<b>28,125</b>	27,229
Accrued charges and other payables	<b>572,147</b>	588,100
	<b>600,272</b>	615,329

The aging analysis of trade payables is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 3 months	<b>12,408</b>	5,369
Over 3 months but within 6 months	<b>104</b>	9,799
Over 6 months but within 12 months	<b>3,979</b>	–
Over 12 months	<b>11,634</b>	12,061
	<b>28,125</b>	27,229