



JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137



Interim Report **2012**

Contents

	<i>Page</i>
Corporate Information	2
Financial Highlights	3
Chairman’s Statement	4
Disclosure of Interests	11
Corporate Governance	15
Supplementary Information	19
Independent Review Report	22
Condensed Consolidated Statement of Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	24
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Interim Financial Statements	27



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
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

Tel: (852) 2545 0951
Fax: (852) 2541 9794
E-mail: info@jinhuiship.com

WEBSITE

www.jinhuiship.com

SHARE LISTING

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



Financial Highlights

HIGHLIGHTS FOR THE FIRST HALF OF 2012

- Revenue for the period: HK\$1,067 million
- Net profit attributable to shareholders for the period: HK\$68 million
- Basic earnings per share: HK\$0.128
- Gearing ratio as at 30 June 2012: 43%



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 2012.

INTERIM RESULTS

The Group's revenue for the first half of 2012 was HK\$1,066,674,000, representing a decline of 31% as compared to HK\$1,544,617,000 for the first half of 2011. The net profit attributable to shareholders of the Company for the first half of 2012 was HK\$67,992,000 whereas HK\$234,328,000 was reported in the same period in 2011.

Basic earnings per share was HK\$0.128 for the six months ended 30 June 2012 as compared to basic earnings per share of HK\$0.442 for the last corresponding period in 2011.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: 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.

Dry bulk shipping market was under severe challenges in the first half of 2012. China and India, the main driving forces for global seaborne trade, showed signs of slowing down in economic growth, reflecting economic distress in western countries has cascaded into the emerging countries. The continual delivery of new dry bulk tonnages rapidly outpaced market demand for dry bulk carriers, and caused market freight rates to drop rigorously. The market sentiment was further weighed down by the worsening Eurozone financial crisis when Spain recently revealed its banking crisis that immediately triggered a chain reaction on the financial markets across peripheral Europe. Given the weak macroeconomic market environment, the Baltic Dry Index opened at 1,738 points at the beginning of 2012 and collapsed to its record low at 647 points on 3 February 2012 and closed at 1,004 points by end of June 2012.



Chairman's Statement

The Group's operating results from chartering freight and hire for the first half of 2012 was constrained by the depressed market charter rates coupled with rising vessels operating expenses. Revenue from chartering freight and hire for the first half of year dropped from HK\$1,325,901,000 in 2011 to HK\$930,286,000 in 2012. Segment profit from chartering freight and hire for the first half of 2012 declined to HK\$149,446,000 as compared to HK\$423,936,000 for the same corresponding period in 2011. The decline in revenue and segment profit from chartering freight and hire was mainly due to the expiration of some high earning charter contracts in late 2011 and early 2012, and lower charter rates upon redeployment of our fleet in prevailing weak market upon contract renewal in particular to larger size fleet. In addition, revenue contributed from expanded owned Supramax fleet was offset by the decrease in revenue earned from chartered-in Capesize fleet, reflected in the sharp fall in the average daily time charter equivalent rates ("TCE") of the Group's fleet.

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

	2012	2011	
	1st half	1st half	2011
	US\$	US\$	US\$
Capesize Fleet	11,253	61,294	35,532
Post-Panamax / Panamax Fleet	15,261	20,867	19,660
Supramax / Handymax / Handysize Fleet	16,531	23,004	21,224
<hr/>			
In average	16,128	24,722	21,785

Two chartered-in Capesizes were chartered-out at operating loss in June 2011 with lease period expiring in April 2012 after the previous high earning chartered-out contracts were terminated in early 2011. The Group is exposed to the low freight rate environment mainly due to an oversupply of tonnages, and therefore had to enter into some loss-making chartered-out contracts in early 2012 as part of our fleet is due for contract renewal in the prevailing market conditions. Hence, TCE of Capesize fleet dropped from US\$61,294 for the first half of 2011 to US\$11,253 for the first half of 2012.



Chairman's Statement

Despite provision for loss on charter hire had been made for these two chartered-out contracts in 2011, when approaching expiration of these chartered-out contracts, the Group committed the two Capesizes to new employment contracts in March and April 2012 at operating loss due to the prevailing unfavourable freight environment. Accordingly, the Group recognized provision for loss on charter hire of HK\$174,662,000 in the first half of 2012 for the abovementioned contracts which covered minimum lease periods of eight months until December 2012 and eighteen months until October 2013 respectively. The net provision for loss on charter hire of HK\$91,117,000 for the period was included in shipping related expenses in the condensed consolidated statement of comprehensive income and the details were set out in note 4 on pages 30 and 31.

The Group recognized settlement income of HK\$123,337,000 in relation to the full settlement income from a charterer for early termination of time-charter contract, and the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving shares of KLC. The remaining settlement income from KLC will be settled by cash payments spanning through a period between 2012 and 2021. The Group would recognize the remaining settlement income from KLC when the realization of such income becomes virtually certain and cash or assets that are readily convertible to cash have been received.

Shipping related expenses for the first half of 2012 dropped to HK\$651,266,000, as comparing to HK\$718,650,000 for the last corresponding period in 2011. The decrease was primarily due to the expiration of a chartered-in contract of a Panamax in mid-2011 that led to the reduction in hire payments and the decrease in provision for loss on charter hire being recognized in the period.

Due to the expansion of owned fleet and relatively higher contract price of recently delivered owned vessels, the Group's depreciation and amortization for chartering freight and hire for the first half of 2012 increased by 10% to HK\$208,199,000 from HK\$189,485,000 for the first half of 2011. As at 30 June 2012, the Group had thirty seven owned vessels as compared to thirty four owned vessels as at 30 June 2011.

Finance costs for chartering freight and hire for the first half of 2012 rose 32% to HK\$33,794,000, as compared to HK\$25,653,000 for the last corresponding period in 2011. The increase was attributable to the increase in the number of owned vessels of the Group, as well as the increase in loan principal and higher loan interest margin being agreed under loan facilities for the recently delivered owned vessels.

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.



Chairman's Statement

The Group's segment revenue from trading business dropped 38% to HK\$136,388,000 for the first half of 2012 as comparing to HK\$218,716,000 for the first half of 2011. Given the general unfavourable market conditions and the fall in commodity prices as a result of slackening demand for industrial commodities, the Group's operating results from trading business was inevitably impacted by the reduced profit margin and reported segment loss of HK\$632,000 from trading business for the first half of 2012, whereas segment profit of HK\$5,127,000 was reported in last corresponding period in 2011.

Other financial information. The significant increase in unallocated corporate expenses was mainly attributable to the recognition of net loss on financial assets at fair value through profit or loss of HK\$25,719,000 for the first half of 2012 as comparing to HK\$2,951,000 for the first half of 2011. The net loss was mainly attributable to the recognition of fair value loss on investment portfolio, predominantly in equity securities listed in Hong Kong, of HK\$28,644,000 for the first half of 2012 as global stock markets slipped on continued concerns over deteriorating European sovereign debt crisis with the focus on Greece and Spain in particular. For the same corresponding period in 2011, fair value loss on investment portfolio was HK\$14,209,000.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. As at 30 June 2012, the total of the Group's equity and debt securities, bank balances and cash decreased to HK\$1,791,043,000 (31/12/2011: HK\$2,110,913,000) and bank borrowings increased to HK\$4,720,718,000 (31/12/2011: HK\$4,539,620,000). The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, increased to 43% as at 30 June 2012 (31/12/2011: 37%).

Secured bank loans drawn in the period comprised of vessel mortgage loans of HK\$274,170,000 drawn upon delivery of two newbuildings and demand loans denominated in Japanese Yen of approximately HK\$190,280,000. Vessel mortgage loans and trust receipt loans were denominated in U.S. Dollars and were committed on floating rate basis. Demand loans were denominated in Japanese Yen and were committed on fixed rate basis. As the exchange rates of Japanese Yen against most currencies spiked upwards recently, the Group decided to take advantage of such opportunities by borrowing relative short term Japanese Yen demand loans at very low funding costs with maturity varying from 3 to 8 days to further enhance the Group's working capital requirements. Duration of such borrowing is very short for the purpose of swiftly managing the currency exposures. As at 30 June 2012, the outstanding demand loans were JPY1,768,172,000 (approximately HK\$171,650,000) (31/12/2011: nil) which were collateralized by pledged deposit of HK\$203,893,000 (31/12/2011: nil).



Chairman's Statement

The Group's bank borrowings increased to HK\$4,720,718,000 as at 30 June 2012 (31/12/2011: HK\$4,539,620,000), of which 15%, 11%, 36% and 38% are repayable respectively within one year, one to two years, two to five years and over five years. 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.

Pledge of assets. As at 30 June 2012, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$9,059,483,000 (31/12/2011: HK\$8,584,672,000), financial assets at fair value through profit or loss of HK\$76,269,000 (31/12/2011: HK\$50,895,000) and deposits of HK\$279,711,000 (31/12/2011: HK\$61,582,000) placed with banks and other financial institution were pledged together with the assignment of thirty seven (31/12/2011: thirty five) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of thirty one (31/12/2011: twenty nine) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the six months ended 30 June 2012, capital expenditure on additions of the owned vessels and vessels under construction was HK\$597,109,000 (30/6/2011: HK\$1,038,235,000), on other property, plant and equipment was HK\$4,309,000 (30/6/2011: HK\$8,227,000), and on investment properties was HK\$31,318,000 (30/6/2011: nil).

As at 30 June 2012, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$646,950,000 (31/12/2011: HK\$1,227,135,000), representing the Group's outstanding capital expenditure commitments to acquire three (31/12/2011: five) newbuildings at total contract price of US\$17,500,000 and JPY9,810,500,000 (31/12/2011: US\$35,000,000 and JPY16,221,000,000).

The above capital expenditure commitments included a Supramax newbuilding at original cost of US\$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US\$17,685,600 and JPY1,929,798,000 at its expected date of delivery in September 2012.



Chairman's Statement

OUTLOOK

The global economic health has not been improving since early 2012. The European sovereign debt crisis continues to capture headlines of global media every now and again, with no clear solution to date; the U.S. economic growth remains tepid; in the Asian region, economic growth seems to be weakening with China in particular. China seems to be at the economic crossroads, with slowing investments and industrial activities, declining export volumes due to lower demand from the rest of the globe, and growing bad debt within Chinese domestic banks pursuant to the past credit easing. We believe maintaining healthy economic growth remains to be a prime objective for China, but delicate and controlled stimulative measures would be required as social stability must be maintained. We believe the period of double digit economic growth rates for China will not reoccur in the short term, and the overall global economic growth will remain to be stagnant.

Given such a challenging macroeconomic backdrop, we believe the volume growth of global dry seaborne trade will be limited. We remain to be cautious as we see a high level of uncertainty with the global economy, as well as increasing complications in geopolitics ahead of us.

On surface, we continue to operate in an easing monetary and low interest rate environment, but only the rare few can take advantage of this low interest rate environment and access sizeable new bank financing, as banks continue to raise their lending margins over their own increasing cost of funding while cherry picking the borrowers. With banks continue to be extremely cautious towards lending and their need to comply with new regulations, we expect scarcity of credit will intensify and cost of borrowing will rise further. Only elite corporations with sound financial position in their respective industries will gain good access to traditional bank financing. With limited credit towards the majority of businesses or investments of real economic or industrial activities, we believe downside risks remain with global economic growth.

The dry bulk shipping market remains to be extremely challenging in 2012 against this economic backdrop, where we face overwhelming oversupply in tonnages, excess shipbuilding capacity and generally lower demand growth of dry seaborne trade. Against this industry outlook, fewer banks are now offering new ship financing, especially given the extraordinary challenges they are already facing. Looking ahead, we expect further company defaults, rising counterparty risks, and further pressure on asset prices, but at the same time we believe there will be interesting opportunities for those who are patient, prepared and have placed liquidity as a priority in the past years.



Chairman's Statement

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

For the rest of the year, we will continue to focus on the basics as our top priority: maintain a strong financial position and a healthy gearing level, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, and keeping costs in check to enhance our margins. We see both headwind and mist ahead of us and will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios.

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 31 August 2012



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 acquire the shares of the Company 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 2012 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 2012
Directors				
Ng Siu Fai	23 December 2004	1.60	31 March 2006 to 22 December 2014	31,570,000
	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000
Ng Kam Wah Thomas	23 December 2004	1.60	31 March 2006 to 22 December 2014	21,050,000
	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000
Ng Ki Hung Frankie	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000
				62,172,000

Notes:

- No share option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2012.
- As at the dates of grant of options on 23 December 2004 and 29 June 2006, the closing prices per share of the Company were HK\$1.53 and HK\$1.57 respectively.
- The closing price per share of the Company as at 30 June 2012 was HK\$1.44.



Disclosure of Interests

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

As at 30 June 2012, 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 2012, 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 2012, 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 2012.

Save as disclosed above, as at 30 June 2012, 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 2012, 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:

- 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).
- 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 2012, 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 “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 from 1 January 2012 to 31 March 2012, and with the amended Corporate Governance Code (the “CG Code”) throughout the period from 1 April 2012 to 30 June 2012, with deviations as explained in following sections.

Code provision A.2.1 / CG Code provision A.2.1

Under code provision A.2.1 of the Code and the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes deviations from code provision A.2.1 of the Code and the CG Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive.

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 as one-third of the Board members are represented by the Independent Non-executive Directors and the Board will meet regularly to consider major matters affecting the operations of the Group and all directors of the Company (the “Directors”) are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The current structure also allows flexibility and enhances the efficiency of decision making process in response to the constantly changing competitive environment.

As the Chairman’s major responsibility is to manage the Board whereas the Managing Director’s major responsibility is to manage the Group’s businesses, the Board considers that the responsibilities of the Chairman and the Managing Director are clear and distinctive and hence written terms thereof are not necessary. Although the respective responsibilities of the Chairman and the Managing Director are not set out in writing, power and authority are not concentrated in any one individual and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as senior management.

Going forward, the Board will periodically review the effectiveness of this arrangement, the board composition as well as division of responsibilities to enhance best interests of the Company and its shareholders as a whole.



Corporate Governance

Code provision A.4.2 / CG Code provision A.4.2

Under code provision A.4.2 of the Code and the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. 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 at least once every three years and any new directors appointed to fill casual vacancies or as an addition to the Board shall be subject to election by shareholders at the annual general meeting after their appointments.

As the Chairman and the Managing Director are not subject to retirement by rotation in accordance with the Articles of Association of the Company, this constitutes deviations from code provision A.4.2 of the Code and 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. Since continuation is a key factor to the successful implementation of the Company's business plans and strategies, 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 and the Board believes this arrangement is most beneficial to the Company and its shareholders.

Code provision A.4.1 / CG Code provision A.4.1

Under code provision A.4.1 of the Code and 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 deviations from code provision A.4.1 of the Code and the CG Code. In accordance with the Articles of Association of the Company, non-executive directors will be subject to retirement by rotation at least once every three years and re-appointed at annual general meeting of the Company. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code and the CG Code.



Corporate Governance

CG Code provisions A.5.1 to A.5.5

In respect of code provisions A.5.1 to A.5.5 of the CG Code, the Company has not established a nomination committee. In view of the current structure of the Board and business operations of the Group, the Board believes that it is not necessary to establish a nomination committee as the procedures for shareholders of the Company (the “Shareholders”) to elect a director has properly published in the Company’s website and the Board could monitor its structure, size and composition, review the succession plan for the Directors, in particular the Chairman and the Managing Director, and understand the need for any changes as well as maintaining contacts with Shareholders, board committee members and senior management. The relevant function performed by the Board as a whole is considered sufficient to maintain the corporate governance practices of the Company.

CG Code provision D.1.4

Under code provision D.1.4 of the CG Code, directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

There are no formal letters of appointment for Directors setting out the key terms and conditions of their appointments. This constitutes a deviation from code provision D.1.4 of the CG Code. It is not the Company’s practice to have formal letters of appointment for Directors. Nevertheless, Directors understand clearly about their duties to the Company, to which they are collectively and individually responsible for. In addition, part of these duties relate to fiduciary duties, duties of skill, care and diligence established under common law over a long period of time, and it is not feasible to attempt to formulate these duties in writing or set out in formal letters of appointment. The difficulty in reducing these duties comprehensively into written form may be inferred by the fact that, currently, directors’ duties are only set out in non-statutory guidelines issued by the Companies Registry instead of being provided for in the Companies Ordinance.



Corporate Governance

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 2012.

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 2012.



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 2012.

EMPLOYEES

As at 30 June 2012, the Group had 108 (31/12/2011: 106) 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, a newly built Handysize named as "Jin Yu" and a newly built Supramax named as "Jin Ze" were delivered to the Group.

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

Apart from the owned vessels, the Group operated four chartered-in vessels which included two Capesizes and two Supramaxes as at 30 June 2012.

Subsequent to the six months ended 30 June 2012, a newly built Supramax named as "Jin Xiang" was delivered to the Group on 23 July 2012.



Supplementary Information

FLEET DETAILS

The fleet details after the six months ended 30 June 2012 and up to 29 August 2012 were as follows:

	Number of vessels						Total
	In operation			Newbuildings / New charters			
	Owned	Chartered	Subtotal	Owned	Chartered	Subtotal	
Capesize Fleet							
As at 1 July 2012 and 29 August 2012	-	2	2	-	-	-	2
Post-Panamax Fleet							
As at 1 July 2012 and 29 August 2012	2	-	2	-	-	-	2
Panamax Fleet							
As at 1 July 2012 and 29 August 2012	2	-	2	-	-	-	2
Supramax / Handymax / Handysize Fleet							
As at 1 July 2012	33	2	35	2	-	2	37
Newbuilding delivery	1	-	1	(1)	-	(1)	-
Expiry of charter	-	(1)	(1)	-	-	-	(1)
As at 29 August 2012	34	1	35	1	-	1	36
Total Fleet							
As at 29 August 2012	38	3	41	1	-	1	42



Supplementary Information

According to the Company's best estimation, the activity of the Group's fleet as at 29 August 2012 was as follows:

Owned and Chartered-in Fleet – revenue covered:

		<i>Unit</i>	2012	2013
Capesize Fleet	Coverage	%	98	61
	Operating days covered	<i>Days</i>	716	283
	Daily TCE	<i>US\$</i>	11,745	13,400
Post-Panamax / Panamax Fleet	Coverage	%	78	25
	Operating days covered	<i>Days</i>	1,125	365
	Daily TCE	<i>US\$</i>	17,517	38,200
Supramax / Handymax / Handysize Fleet	Coverage	%	77	20
	Operating days covered	<i>Days</i>	9,456	2,558
	Daily TCE	<i>US\$</i>	17,974	32,489

Chartered-in Fleet – TCE cost:

		<i>Unit</i>	2012	2013
Capesize Fleet	Operating days	<i>Days</i>	732	466
	Daily TCE cost	<i>US\$</i>	40,750	42,591
Supramax Fleet	Operating days	<i>Days</i>	596	300
	Daily TCE cost	<i>US\$</i>	26,656	36,000



Independent Review Report



Grant Thornton

致同

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 23 to 38 which comprises the condensed consolidated statement of financial position of Jinhui Holdings Company Limited as of 30 June 2012 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 the 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

Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue, Causeway Bay
Hong Kong

31 August 2012



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30/6/2012 (Unaudited) HK\$'000	Six months ended 30/6/2011 (Unaudited) HK\$'000
Revenue	2	1,066,674	1,544,617
Other operating income	3	159,890	102,401
Interest income		19,063	13,361
Shipping related expenses	4	(651,266)	(718,650)
Cost of trading goods sold		(129,655)	(205,669)
Staff costs		(31,319)	(28,423)
Other operating expenses		(56,573)	(55,522)
Operating profit before depreciation and amortization	5	376,814	652,115
Depreciation and amortization		(215,373)	(196,049)
Operating profit		161,441	456,066
Finance costs		(33,943)	(25,999)
Profit before taxation		127,498	430,067
Taxation	6	(118)	(882)
Net profit and total comprehensive income for the period		127,380	429,185
Net profit and total comprehensive income for the period attributable to:			
Shareholders of the Company		67,992	234,328
Non-controlling interests		59,388	194,857
		127,380	429,185
Earnings per share	7		
– Basic		HK\$0.128	HK\$0.442
– Diluted		HK\$0.128	HK\$0.430



Condensed Consolidated Statement of Financial Position

As at 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		9,391,344	9,005,279
Investment properties		90,228	58,910
Goodwill		39,040	39,040
Available-for-sale financial assets		23,681	23,681
Intangible assets		1,850	1,933
		9,546,143	9,128,843
Current assets			
Inventories		65,463	53,472
Trade and other receivables	9	407,764	410,776
Financial assets at fair value through profit or loss		545,818	492,659
Pledged deposits	10	279,711	61,582
Bank balances and cash	11	1,245,225	1,618,254
		2,543,981	2,636,743
Current liabilities			
Trade and other payables	12	593,445	577,136
Current taxation		59	308
Secured bank loans	13	727,209	536,572
		1,320,713	1,114,016
Net current assets		1,223,268	1,522,727
Total assets less current liabilities		10,769,411	10,651,570
Non-current liabilities			
Secured bank loans	13	3,993,509	4,003,048
Net assets		6,775,902	6,648,522
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		53,029	53,029
Reserves		3,749,628	3,681,636
		3,802,657	3,734,665
Non-controlling interests		2,973,245	2,913,857
Total equity		6,775,902	6,648,522



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	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 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
At 1 January 2012	53,029	324,590	4,020	4,777	26,259	13,395	3,308,595	3,734,665	2,913,857	6,648,522
Net profit and total comprehensive income for the period	-	-	-	-	-	-	67,992	67,992	59,388	127,380
At 30 June 2012	53,029	324,590	4,020	4,777	26,259	13,395	3,376,587	3,802,657	2,973,245	6,775,902



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30/6/2012 (Unaudited) HK\$'000	Six months ended 30/6/2011 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations	312,771	505,317
Interest paid	(34,015)	(24,424)
PRC Corporate Income Tax paid	(367)	(328)
Net cash from operating activities	278,389	480,565
INVESTING ACTIVITIES		
Interest received	16,012	12,852
Decrease in bank deposits with more than three months to maturity when placed	12,448	78,000
Dividend income received	1,285	1,983
Purchase of property, plant and equipment	(601,418)	(1,046,462)
Proceeds from disposal of property, plant and equipment	50	2,399
Purchase of investment properties	(31,318)	-
Net cash used in investing activities	(602,941)	(951,228)
FINANCING ACTIVITIES		
New secured bank loans	464,450	532,545
Repayment of secured bank loans	(282,350)	(232,657)
Decrease (Increase) in pledged deposits	(218,129)	7,350
Net cash from (used in) financing activities	(36,029)	307,238
Net decrease in cash and cash equivalents	(360,581)	(163,425)
Cash and cash equivalents at 1 January	1,410,161	1,524,616
Cash and cash equivalents at 30 June	1,049,580	1,361,191



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 2012 have been reviewed by our auditors, Grant Thornton (formerly known as 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011.

2. Segment information

The Group is principally engaged in the businesses of ship chartering and ship owning, and trading of chemical and industrial raw materials 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 2012 and 2011, 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) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>Six months ended 30 June 2012</i>			
Segment revenue	930,286	136,388	1,066,674
Segment results	149,446	(632)	148,814
<i>Unallocated income and expenses</i>			
Interest income			19,063
Unallocated other operating income			2,502
Unallocated corporate expenses			(42,881)
Profit before taxation			127,498
Taxation			(118)
Net profit for the period			127,380
	Chartering freight and hire (Unaudited) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>Six months ended 30 June 2011</i>			
Segment revenue	1,325,901	218,716	1,544,617
Segment results	423,936	5,127	429,063
<i>Unallocated income and expenses</i>			
Interest income			13,361
Unallocated other operating income			5,471
Unallocated corporate expenses			(17,828)
Profit before taxation			430,067
Taxation			(882)
Net profit for the period			429,185



Notes to the Interim Financial Statements

2. Segment information (Continued)

The following tables present the Group's reportable segment assets at each of the end of the reporting period, and reconcile the Group's total reportable segment assets to the Group's total assets as presented in the condensed consolidated statement of financial position.

	Chartering freight and hire (Unaudited) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>As at 30 June 2012</i>			
Segment assets	9,560,236	85,895	9,646,131
<i>Unallocated assets</i>			2,443,993
Total assets			12,090,124

	Chartering freight and hire (Audited) HK\$'000	Trading (Audited) HK\$'000	Total (Audited) HK\$'000
<i>As at 31 December 2011</i>			
Segment assets	9,167,866	83,507	9,251,373
<i>Unallocated assets</i>			2,514,213
Total assets			11,765,586



Notes to the Interim Financial Statements

3. Other operating income

Other operating income for the six months ended 30 June 2012 mainly included settlement income of HK\$123,337,000 in relation to the full settlement income from a charterer for early termination of time-charter contract, and the partial settlement of claim for damages and losses against Korea Line Corporation (“KLC”) by receiving shares of KLC. These shares had been accounted for as financial assets at fair value through profit or loss as at 30 June 2012.

For the same corresponding period in 2011, there was a compensation income of HK\$24,559,000 received from a charterer for early redelivery of a chartered-in Capesize prior to expiry of the charter period.

4. Shipping related expenses

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

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

The following table illustrated the net provision for loss on charter hire charged to the Group’s condensed consolidated statement of comprehensive income for the periods.

	Six months ended 30/6/2012 (Unaudited) HK\$’000	Six months ended 30/6/2011 (Unaudited) HK\$’000
Provision recognized	174,662	165,192
Provision utilized	(83,545)	(26,282)
Net provision for loss on charter hire	91,117	138,910



Notes to the Interim Financial Statements

4. Shipping related expenses (Continued)

In 2011, the Group's two chartered-in Capesizes were chartered-out at operating loss under two spot chartered-out contracts to be expired in April 2012. When approaching expiration of two chartered-out contracts, the Group committed the two Capesizes to new employment contracts in March and April 2012. Both employments were loss-making as the expected economic benefits derived from the contracts were below the fixed costs under two Capesizes' long term chartered-in contracts. Accordingly, the Group recognized provision for loss on charter hire of HK\$174,662,000 in the first half of 2012 for contracts which covered minimum lease periods of eight months until December 2012 and eighteen months until October 2013 respectively.

5. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	Six months ended 30/6/2012 (Unaudited) HK\$'000	Six months ended 30/6/2011 (Unaudited) HK\$'000
(Reversal of impairment loss)		
Impairment loss on trade receivables	(459)	13,180
Dividend income	(1,285)	(2,118)
Net loss on financial assets at fair value through profit or loss	25,719	2,951
Net loss (gain) on disposal / write-off of property, plant and equipment	12	(1,743)



Notes to the Interim Financial Statements

6. Taxation

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

	Six months ended 30/6/2012 (Unaudited) HK\$'000	Six months ended 30/6/2011 (Unaudited) HK\$'000
Hong Kong Profits Tax:		
Current period	–	656
PRC Corporate Income Tax:		
Current period	118	226
	118	882

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the six months ended 30 June 2012 (30/6/2011: 16.5% on the estimated assessable profits). In the opinion of the Directors, for the six months ended 30 June 2012 and 2011, 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 six months ended 30 June 2012 and 2011.

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.



Notes to the Interim Financial Statements

7. Earnings per share

Basic and diluted earnings per share for the six months ended 30 June 2012 were calculated on the net profit attributable to shareholders of the Company for the period of HK\$67,992,000 and the weighted average number of 530,289,480 ordinary shares in issue during the period. Diluted earnings per share for the period was the same as basic earnings per share as the exercise prices of the share options were greater than the average market price of the Company's share for the period and thus there was no potential dilutive effect on the basic earnings per share.

Basic earnings per share for the six months ended 30 June 2011 was calculated on the net profit attributable to shareholders of the Company for the period of HK\$234,328,000 and the weighted average number of 530,289,480 ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2011 was calculated on the net profit attributable to shareholders of the Company for the period of HK\$234,328,000 and the weighted average number of 530,289,480 ordinary shares in issue during the period and adjusting for the potential dilutive ordinary shares of 14,849,176 arising from the share options granted under the Company's share option scheme.

8. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2012 (30/6/2011: nil).



Notes to the Interim Financial Statements

9. Trade and other receivables

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	59,169	93,280
Prepayments, deposits and other receivables	348,595	317,496
	407,764	410,776

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	47,909	81,353
Over 3 months but within 6 months	7,532	3,698
Over 6 months but within 12 months	1,563	7,016
Over 12 months	2,165	1,213
	59,169	93,280

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

10. Pledged deposits

At the end of the reporting period, the amount included deposits of HK\$203,893,000 (31/12/2011: nil) placed with a bank as collaterals for demand loans denominated in Japanese Yen of JPY1,768,172,000 (approximately HK\$171,650,000) being drawn in June 2012.

11. Bank balances and cash

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,049,580	1,410,161
Bank deposits with more than three months to maturity when placed	195,645	208,093
	1,245,225	1,618,254

12. Trade and other payables

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade payables	24,584	14,612
Accrued charges and other payables	568,861	562,524
	593,445	577,136



Notes to the Interim Financial Statements

12. Trade and other payables (Continued)

The aging analysis of trade payables is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	8,471	7,652
Over 3 months but within 6 months	626	–
Over 6 months but within 12 months	9,648	1,140
Over 12 months	5,839	5,820
	24,584	14,612

At the end of the reporting period, other payables included provision for loss on charter hire of HK\$146,396,000 (31/12/2011: HK\$55,279,000), being the expected economic benefits derived from chartered-out contracts less the fixed costs under the respective chartered-in contracts.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
At 1 January	55,279	–
Provision recognized	174,662	165,192
Provision utilized	(83,545)	(109,913)
At 30 June / 31 December	146,396	55,279



Notes to the Interim Financial Statements

13. Secured bank loans

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Vessel mortgage loans	4,530,924	4,521,461
Trust receipt loans	18,144	18,159
Demand loans	171,650	–
<hr/>		
Total secured bank loans	4,720,718	4,539,620
Less: Amount repayable within one year	(727,209)	(536,572)
<hr/>		
Amount repayable after one year	3,993,509	4,003,048

Vessel mortgage loans and trust receipt loans were denominated in U.S. Dollars and were committed on floating rate basis. Demand loans were denominated in Japanese Yen and were committed on fixed rate basis with short duration varying from 3 to 8 days. The demand loans allow flexibility for the Group to further enhance its working capital requirements at very low funding costs and to swiftly manage the currency exposures. At the end of the reporting period, the outstanding demand loans were JPY1,768,172,000 (approximately HK\$171,650,000) (31/12/2011: nil) which were collateralized by pledged deposit of HK\$203,893,000 (31/12/2011: nil).



Notes to the Interim Financial Statements

14. Capital expenditures and commitments

During the six months ended 30 June 2012, capital expenditure on additions of the owned vessels and vessels under construction was HK\$597,109,000 (30/6/2011: HK\$1,038,235,000), on other property, plant and equipment was HK\$4,309,000 (30/6/2011: HK\$8,227,000), and on investment properties was HK\$31,318,000 (30/6/2011: nil).

As at 30 June 2012, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$646,950,000 (31/12/2011: HK\$1,227,135,000), representing the Group's outstanding capital expenditure commitments to acquire three (31/12/2011: five) newbuildings at total contract price of US\$17,500,000 and JPY9,810,500,000 (31/12/2011: US\$35,000,000 and JPY16,221,000,000).

The above capital expenditure commitments included a Supramax newbuilding at original cost of US\$17,500,000 and JPY1,910,500,000, which was contracted to be disposed to a third party at a consideration of US\$17,685,600 and JPY1,929,798,000 at its expected date of delivery in September 2012.

15. Comparative figures

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

