



IMC Holdings Limited

2001
Interim Report

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The directors have pleasure to present the Group's Interim Report and condensed accounts for the six months ended 30 June 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 30 June 2001, and the consolidated balance sheet as at 30 June 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 24 of this report.

Management Discussion and Analysis

Group Operations and Outlook

The Group's net profit at HK\$100,738,000 for the six months ended 30 June 2001 was an improvement over the corresponding period last year when it recorded a net profit of HK\$63,753,000. This better performance is mainly due to a relatively stronger freight market during the first half of 2001.

The slowdown of the world economy and the regular flow of new vessels into the market-place are beginning to have an adverse impact on the freight market. Freight rates are under immense downward pressure. The results for the second half year will accordingly be much poorer than that of the first half.

Drybulk Vessels

Despite concerns of a general economic slow down and a constant stream of new ships coming into the system, the drybulk market for the first six months of this year was stronger than the Group had initially expected. The effects of the strong growth of the steel industry experienced during the second half of 2000 continued to support the relatively firmer market into the early months of the year.

The Group's Panamax business performed particularly well during the period. Maintaining a strong presence in the short-haul pacific coal trades, its geared Panamax fleet performed better than it did on average last year. Activities in the gearless sector also increased. More ships were chartered in to service committed cargo positions.

The performance of the Handymax sector was fairly steady, with earnings marginally better than that recorded for the same period in 2000. However, the same could not be said about the smaller vessels as the earnings of the Handysizes was lower than that of the same period last year, mainly due to a slackening of the movements of cargo meant for this sector.

Chemical Tankers

The first quarter of this year saw very firm freight rates in the clean petroleum trade which helped to stimulate rates in the chemical and vegetable trades to move higher. The second quarter saw a weakening in rates from earlier peaks and since then the market has lost momentum. Still, rates and earnings recorded during the first half of 2001 were much better than those recorded during the corresponding period of 2000.

From the beginning of this year, the tanker fleet of six 46,000 dwt IMO II chemical tankers have been utilized to service various contracts of affreightments concluded with some of the major players in the chemical trade. The company, through its Malaysian associated companies, is now one of the significant players in the Middle East Gulf to Asia providing regular monthly sailings for the transport of bulk liquid petrochemical feedstocks.

Management Discussion and Analysis (continued)

Chemical Tankers (continued)

Operating results for the first six months of 2001 for the tankers were positive with the overall financial performance better than expected. The better performance was partly attributable to the company's success in fixing suitable backhaul cargoes to reposition the vessels for loading in the Middle East Gulf.

UTSE

Unithai Shipyard and Engineering in which the Company has a 25% interest, had a more successful start in 2001. The conclusion of a joint venture with Unocal and Clough Offshore provided the shipyard with an entry into the Oil and Gas fabrication business which helped to generate additional revenue and significantly improved the bottomline of the yard's operation. The forward contracts secured by the joint venture will provide more steady income for the shipyard and serve well as a buffer to offset any possible negative impact on other sector of the shipyard's business arising from further expected decline in the Thai and regional economy.

Newbuildings

The Group has, under the joint venture investment with GATX Capital Corporation contracted to build six new IMO II chemical tankers. To date, the construction schedule of all the six IMO II chemical tankers were in line with the contracts with the first tanker successfully delivered to the Group in July 2001. The remaining five tankers will be delivered in 2002 and 2003. The Group's share of the capital commitments in respect of these newbuildings as at 30 June 2001 amounted to HK\$572,992,000, of which, approximately HK\$426,562,000 would be financed by independent financial institutions.

Financial Resources

The Group's bank borrowings at the balance sheet date was HK\$536,898,000 (31 December 2000: HK\$623,444,000), out of which HK\$50,022,000 (31 December 2000: HK\$16,582,000) is repayable within 12 months. All borrowing facilities are committed on a floating rate basis and are denominated in US Dollars except the borrowing for a property (office) investment in Singapore (Singapore Dollars 12,600,000) which was in Singapore Dollars. 73% of the outstanding loan at the balance sheet date are hedged against fixed interest rate swap derivatives. As at the balance sheet date, the net book value of leasehold building and vessels pledged as securities for bank loans amounted to HK\$932 million (31 December 2000: HK\$962 million). The net book value of the vessels under finance lease amounted to HK\$246 million (31 December 2000: HK\$252 million).

The Group's gearing ratio was 23% (31 December 2000: 27%), which was calculated based on the Group's borrowings of HK\$536,898,000 (31 December 2000: HK\$623,444,000) and the total assets of HK\$2,333,132,000 (31 December 2000: HK\$2,281,850,000).

There was no currency hedging as most of our main income and expenditure are in US Dollars.

Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: HK\$ Nil per share).

Number and remuneration of employees, remuneration policies and bonus

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As at 30 June 2001, the Group had 142 shore staff and 461 sea staff.

Interests of Directors in Shares of the Company

As at 30 June 2001, the directors and their associates had the following interests in the share capital of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Ordinary Shares of HK\$0.50 each

	No. of shares		
	Personal Interests	Corporate Interests	Total
Chavalit TSAO	–	249,382,405	249,382,405
Danny D. B. HO	4,749,000	–	4,749,000
Peter T. S. CHEW	675,000	–	675,000

Apart from the foregoing, none of the directors nor their associates had a beneficial or non-beneficial interest in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) as at 30 June 2001 or at any time during the period.

Corporate interests represent the Company's shares held by companies in which Mr. Chavalit TSAO is the beneficial shareholder.

Substantial interests in the Share Capital of the Company

As at 30 June 2001, the following persons or corporations were recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance as having an interest of 10% or more in the issued share capital of the Company:–

	No. of shares held
Alliance Group Company Incorporated	152,160,205
Saratoga Navigation Company Incorporated	62,233,402

As at 30 June 2001, Mr. Chavalit TSAO was interested in these companies as the beneficial shareholder. Such holdings have also been included as corporate interests of Mr. TSAO under "Interests of Directors in Shares of the Company".

No pre-emptive rights exist in the jurisdiction in which the company is incorporated.

Share Option Scheme

- (a) The IMC Holdings Ltd (Bermuda) Share Option Scheme [“the Scheme”] was approved by the shareholders of the Company at a Special General Meeting on 11 May 1995. The Scheme has an expiry date which is the earlier of 10 May 2005 or the termination of the management service agreement with IMC Pan Asia Alliance Corporation.
- (b) The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed such number of shares having an aggregate nominal value equal to 10 per cent of the aggregate nominal value of all the issued shares from time to time, excluding for this purpose the aggregate number of shares issued on the exercise of options granted under the Scheme.
- (c) The maximum number of shares in respect of which options may be granted in any one year shall not exceed such number of shares as is equal to two and one-half per cent of the aggregate number of shares at the time of granting of the options.
- (d) Pursuant to the Scheme, options granted to the ultimate holding company, IMC Pan Asia Alliance Corporation up to 30 June 2001 are as follows:

Date of Option	No. of Shares	Exercise Price
1998	9,354,934	HK\$0.85 per share
1997	9,354,934	HK\$2.52 per share
1996	9,354,934	HK\$4.50 per share
	28,064,802	

- (e) As at 30 June 2001, none of the options granted has been exercised. The options granted would expire at the end of the fifth calendar year after the date of the grant of the options.

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Group is not or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”) at any time during the six months ended 30 June 2001.

Corporate Governance

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2001 with the directors.

The interim accounts, which are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting”, have been reviewed by the Company’s independent auditors PricewaterhouseCoopers in accordance with the Statement of Auditing Standard 700 “Engagements To Review Interim Financial Reports”.

Financial assistance and Guarantee for banking facilities provided to affiliated companies

The Group has provided financial assistance in proportion to the Group's equity interest to certain of its affiliated companies amounting to HK\$311,340,000 as at 30 June 2001. The Company has provided guarantees to financial institutions in proportion to the Group's equity interest for the securing of several banking facilities granted to its affiliated companies amounting to HK\$559,333,000 as at 30 June 2001, of which, HK\$538,246,000 was drawn down. The aggregate of the financial assistance given and the guarantees provided amounted to HK\$870,673,000 or 55% of the Group's net assets as at 30 June 2001. Subsequent to 30 June 2001, the Group has provided financial assistance amounting to HK\$19,110,000 in relation to the joint venture investment with GATX Capital Corporation.

Taking into account this subsequent advance, the aggregate financial assistance given and guarantees provided to affiliated companies would be HK\$889,783,000 or 56% of the Group's net assets as at 30 June 2001.

(A) *Details of amounts due to the Group as at 30 June 2001 are as follows:*

Affiliated Companies	Amount HK\$
Ayu Navigation Sdn. Bhd.	11,383,000
Cardinal Marine Investments LLC	83,671,000
Discovery Marine S. A.	3,302,000
Gemala Navigation Sdn. Bhd.	21,112,000
Intan Navigation Sdn. Bhd.	20,551,000
Kasa Navigation Sdn. Bhd.	12,095,000
Kencana Navigation Sdn. Bhd.	6,282,000
Mayang Navigation Sdn. Bhd.	16,703,000
Nilam Navigation Sdn. Bhd.	9,710,000
Permata Navigation Sdn. Bhd.	3,710,000
Ratna Navigation Sdn. Bhd.	12,668,000
Sari Navigation Sdn. Bhd.	16,271,000
Transocean Grabbulk Pool Pte. Ltd.	4,680,000
United Bulk Carriers International S.A.	42,900,000
Unithai Shipyard & Engineering Limited	30,395,000
Wawasan Maritime Sdn. Bhd.	15,907,000
	311,340,000

These financial assistance granted are unsecured, interest-free and have no fixed term of repayment except for the advance to Unithai Shipyard & Engineering Limited which bears interest at 1.7 percent above the 3 month LIBOR per annum on the outstanding balance.

Financial assistance and Guarantee for banking facilities provided to affiliated companies (continued)

(B) *Details of guarantees given by the Group as at 30 June 2001 are as disclosed below:*

Affiliated Companies	Guarantee Amount Provided HK\$	Guarantee Amount Drawdown HK\$
Ayu Navigation Sdn. Bhd.	38,189,000	38,189,000
Beverlee Maritime LLC	62,956,000	62,956,000
Cavalier Maritime LLC	60,410,000	60,410,000
Discovery Marine S.A.	1,402,000	1,402,000
Gemala Navigation Sdn. Bhd.	49,375,000	49,375,000
Intan Navigation Sdn. Bhd.	27,096,000	27,096,000
Kasa Navigation Sdn. Bhd.	22,184,000	22,184,000
Kencana Navigation Sdn. Bhd.	49,375,000	49,375,000
Mayang Navigation Sdn. Bhd.	24,484,000	24,484,000
Nilam Navigation Sdn. Bhd.	29,865,000	29,865,000
Ratna Navigation Sdn. Bhd.	52,836,000	52,836,000
Sari Navigation Sdn. Bhd.	47,210,000	47,210,000
Tiara Navigation Sdn. Bhd.	39,471,000	39,471,000
Unithai Shipyard & Engineering Limited	30,684,000	9,597,000
Wolverine Maritime LLC	23,796,000	23,796,000
	559,333,000	538,246,000

As far as the directors are aware, other than the financial assistance and guarantees given as disclosed above, the Group had no other financial assistance or committed capital injections to its affiliated companies as at 30 June 2001.

Specific performance of the controlling shareholder

The Company, in its own name and via its subsidiaries and associated companies, have also entered into loan agreements with covenants relating to specific performance of the controlling shareholder as follows:

- (a) *US\$50million (HK\$390million) Revolving Credit Facility dated July 1997 To The Company Expiring in July 2002 (subsequently extended to July 2005)*

The major shareholder of the Company and his family would continue to beneficially own and maintain a controlling interest of more than 50% in the Company.

- (b) *Singapore Dollars 12.6million (HK\$54million) Fixed Term Loan Facility dated August 1999 (Previously October 1995) To A Subsidiary Expiring in June 2008*

The subsidiary must continue to be majority owned or controlled by the major shareholder of the Company.

Specific performance of the controlling shareholder (continued)

- (c) ***US\$35million (HK\$273million) Reducing Revolving Credit Facility dated July 1995 To A Subsidiary Expiring in July 2003***

The major shareholder of the Company and his family would continue to beneficially own and maintain a controlling interest of more than 50% in the Company.

- (d) ***Term Loans Amounting to US\$31.28million (HK\$244million) dated December 1997 to Four Associated Companies of Wawasan Shipping Sdn. Bhd. Expiring in Year 2008/2009***

The major shareholder of the Company and his family would through their shareholding interests in the Company continue to beneficially own and maintain a controlling interest in Wawasan Shipping Sdn. Bhd., a wholly owned subsidiary of the Group.

Purchase, sale or redemption of shares of the Company

During the six months ended 30 June 2001, neither the Company nor any of its subsidiary companies made any purchase, sale or redemption of the listed shares of the Company.

Condensed Consolidated Profit and Loss Account*For the six months ended 30 June 2001*

		Unaudited	
		Six months ended 30 June	
		2001	2000
	<i>Notes</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	2	314,227	244,763
Other revenues	2	7,537	20,987
		<hr/>	<hr/>
		321,764	265,750
Vessel running cost		(107,490)	(98,771)
Rental of vessels and related expenses		(74,201)	(32,829)
Administrative expenses		(35,060)	(33,621)
Other operating expenses		(11,364)	(10,155)
		<hr/>	<hr/>
Operating profit	3	93,649	90,374
Finance cost	4	(13,869)	(28,851)
		<hr/>	<hr/>
		79,780	61,523
Share of net profits of associated companies		22,028	2,968
		<hr/>	<hr/>
Profit before taxation		101,808	64,491
Taxation	5	(919)	(550)
		<hr/>	<hr/>
Profit after taxation		100,889	63,941
Minority interests		(151)	(188)
		<hr/>	<hr/>
Profit attributable to shareholders	17	100,738	63,753
		<hr/>	<hr/>
Dividend (as restated)	6	29,936	–
		<hr/>	<hr/>
Earnings per share–basic	7	HK\$0.27	HK\$0.17
		<hr/>	<hr/>
Earnings per share–fully diluted	7	N/A	HK\$0.15
		<hr/>	<hr/>

Condensed Consolidated Balance Sheet

As at 30 June 2001

		As restated (Note 6)	
		31 December 2000	
	Notes	Unaudited 30 June 2001 HK\$'000	HK\$'000
Fixed assets	8	1,394,530	1,451,785
Deferred drydocking and survey expenses	9	21,576	23,929
Interest in associated companies		443,806	439,086
Other investment		963	1,012
Hire purchase debtor		855	1,788
		<u>1,861,730</u>	<u>1,917,600</u>
Current assets			
Ship stores		18,318	17,009
Other debtors, deposits and prepayments		98,133	73,724
Amounts due from associated companies		11,269	3,972
Claims against third parties		2,969	1,418
Amounts due from charterers	10	20,033	8,500
Bank balances and deposits		320,680	259,627
		<u>471,402</u>	<u>364,250</u>
<i>Deduct:</i>			
Current liabilities			
Trade creditors	11	11,999	10,838
Provisions and accruals		115,379	89,333
Amounts due to affiliated companies		5,533	4,298
Amounts due to associated companies		24,623	24,182
Amounts due to charterers	12	3,195	2,397
Taxation		625	1,102
Bank loans – secured	13	35,560	4,048
Obligations under finance leases	14	14,462	12,534
Dividend payable	6	29,936	–
		<u>241,312</u>	<u>148,732</u>
Net current assets		230,090	215,518
Total assets less current liabilities		2,091,820	2,133,118
Non-current liabilities			
Advance on vessel working funds		8,580	3,900
Deferred taxation	15	1,102	1,139
Bank loans – secured	13	296,946	409,219
Obligations under finance leases	14	189,930	197,643
		<u>496,558</u>	<u>611,901</u>
		<u>1,595,262</u>	<u>1,521,217</u>
<i>Representing:</i>			
Shareholders' equity			
Share capital	16	187,099	187,099
Reserves	17	1,514,253	1,413,515
Exchange fluctuation account	18	(107,020)	(110,411)
Proposed final dividend	6	–	29,936
		<u>1,594,332</u>	<u>1,520,139</u>
Interest of the shareholders of the Company		930	1,078
Minority interests			
		<u>1,595,262</u>	<u>1,521,217</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	Unaudited	
	Six months ended	
	30 June 2001	
	HK\$'000	HK\$'000
Net cash inflows from operating activities		
– see Note (a)		124,110
Returns on investments and servicing of finance		
Interest received	4,120	
Bank interest paid	(9,642)	
Finance lease interest paid	(6,138)	
Dividends paid by subsidiary to minority shareholders	(334)	
Net cash outflows from returns on investments and servicing of finance		(11,994)
Taxation		
Tax paid	(1,396)	(1,396)
Investing activities		
Payments for drydocking and survey expenses	(5,896)	
Payments for acquisition of fixed assets	(1,073)	
Net proceeds from disposal of fixed assets	12,600	
Repayment of hire purchase debtors	933	
epayment of advances due from associated companies	22,840	
Net cash inflows from investing activities		29,404
Net cash inflows before financing activities		140,124
Financing activities – see Note (b)		
Advance of vessel working funds	4,680	
Repayment of bank loans/finance lease	(83,786)	
Minority interests	35	
Net cash outflows from financing activities		(79,071)
Increase in cash and cash equivalents		61,053
Bank balances and deposits at beginning of period		259,627
Bank balances and deposits at end of period		320,680

Notes to Condensed Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflows from operating activities

	Unaudited Six months ended 30 June 2001 HK\$'000
Operating profit before share of associated companies' results	79,780
Interest income	(4,120)
Bank interest paid	9,642
Finance lease interest paid	6,138
Exchange difference on translation	39
Amortisation of deferred drydocking and survey expenses	8,249
Depreciation of fixed assets	40,800
Increase in ship stores	(1,309)
Increase in other debtors, deposits and prepayments	(24,409)
Decrease in amounts due from/to affiliated companies and associated companies (net)	(5,621)
Increase in claims against third parties	(1,551)
Increase in amounts due from/to charterers (net)	(10,735)
Increase in trade creditors, provisions and accruals	27,207
	<hr/>
Net cash inflows from operating activities	124,110

(b) Analysis of Changes in Financing

	Bank Loans/ Finance Lease HK\$'000	Vessel Working Funds HK\$'000
Balance brought forward	623,444	3,900
Loans/finance lease repaid	(83,786)	-
Advance of vessel working funds	-	4,680
Exchange difference on translation	(2,760)	-
	<hr/>	<hr/>
Balance carried forward	536,898	8,580

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 June 2001

		Unaudited	
		Six months ended 30 June	
		2001	2000
	Notes	HK\$'000	HK\$'000
Exchange differences arising on translation of subsidiaries and associated companies	18	<u>3,391</u>	<u>(1,634)</u>
Net gains/(losses) not recognised in the profit and loss account		3,391	(1,634)
Profit attributable to shareholders	17	<u>100,738</u>	<u>63,753</u>
Total recognised gains		<u>104,129</u>	<u>62,119</u>

Notes to Condensed Interim Accounts

1. Basis of Preparation and Accounting Policies

These unaudited consolidated condensed interim accounts are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of the standard, as permitted by the Listing Rules, no comparative figures are presented for the condensed consolidated cash flow statement.

These condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAP's) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised) Events after balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 17, opening retained profits at 1 January 2001 have increased by HK\$29,936,000 which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31 December 2000 although not declared until after 31 December 2000.

A corresponding decrease in current liabilities by HK\$29,936,000 has been reflected in the comparative presented on the balance sheet as at 31 December 2000.

Changes to headings used in the previously reported 31 December 2000 balance sheet as at 31 December 2000 and profit and loss account for the year ended 31 December 2000 relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 14 (revised) Leases

SSAP 14 (revised) prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of SSAP 14 (revised) by the Group does not have any impact on these interim accounts except that certain comparative figures and disclosure in Note 19(b) have been adjusted and extended to conform with current period's presentation.

Notes to Condensed Interim Accounts (continued)

1. Basis of Preparation and Accounting Policies (continued)

(c) SSAP 26: Segment Reporting

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format. Comparative information has been given.

No secondary reporting segment has been presented as the principal activities of the Group are carried out globally and are not attributable to any particular geographical location.

(d) SSAP 28: Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

There were no adjustments arising out of the adoption of SSAP 28.

(e) SSAP 30 Business Combinations

Goodwill / Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/joint venture at the date of acquisition. Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised.

However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions that occurred after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately. For acquisitions that occurred prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

*Notes to Condensed Interim Accounts (continued)***2. Turnover and revenues**

The Group is principally engaged in shipowning and the operation and trading of vessels. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Charterhire	292,081	220,451
Management, agency and consultancy fees	22,146	24,312
	<u>314,227</u>	<u>244,763</u>
Other revenues		
Interest	4,120	15,034
Rental income	1,918	1,950
Others	1,499	4,003
	<u>7,537</u>	<u>20,987</u>
Total revenues	<u>321,764</u>	<u>265,750</u>

The analysis of the Group's profit before taxation by principal activities is as follows:

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operation and chartering of vessels	99,688	68,160
Management, agency and consultancy services	1,195	5,065
Shipyard operations	1,121	(7,840)
Others	(196)	(894)
	<u>101,808</u>	<u>64,491</u>

A secondary reporting format according to geographical segment has not been presented as the principal activities of the Group are carried out globally and are not attributable to any particular geographical location.

*Notes to Condensed Interim Accounts (continued)*3. *Operating profit*

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after charging:		
Auditors' remuneration		
– Current year	546	480
Depreciation:		
– Owned fixed assets	34,902	31,196
– Leased fixed assets	5,898	5,896
Operating lease:		
– Rental of office premises	2,157	2,644
– Rental of staff premises	216	164
– Rental of vessels	69,670	30,567
Amortisation of deferred drydocking and survey expenses	8,249	9,113
Management fees paid to ultimate holding company	9,360	9,360
Staff cost		
– Shore staff	25,954	25,022
– Sea staff	30,186	27,928
and after crediting:		
Gain on exchange	50	930
Gain on disposal of a motor vessel	–	1,783
	<hr/>	<hr/>

4. *Finance cost*

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank loans		
– Wholly repayable within five years	638	8,130
– Not wholly repayable within five years	9,004	13,449
	<hr/>	<hr/>
	9,642	21,579
Interest element of finance leases	6,138	7,350
Gain on interest rate swap	(1,911)	(78)
	<hr/>	<hr/>
	13,869	28,851
	<hr/>	<hr/>

5. *Taxation*

No provision for Hong Kong profits tax was required for the Company as the Company has no assessable profit during the period (2000: NIL). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

*Notes to Condensed Interim Accounts (continued)*6. *Dividend*

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
2000 Final dividend of HK\$0.08 per share	29,936	–

The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 December 2000 was HK\$29,936,000. Under the Group's new accounting policy as described in Note 1(a), this has been written back against opening reserves as at 1 January 2001 in Note 17 and is now charged in the period in which they were proposed.

The 2000 final dividend will be paid in cash with an option to receive new, fully paid shares in lieu of the cash dividend ("Scrip Dividend Scheme") which was approved by the shareholders on 18 June 2001. For the purpose of calculating the number of new shares to be allotted, the value of new shares set by the Board of Directors is HK\$1.0554 which represents approximately 3% discount to HK\$1.088 being the average closing market price of the shares listed on The Hong Kong Stock Exchange for the 5 trading days immediately preceding 18 June 2001. Subsequent to 30 June 2001, 24,745,766 shares were allotted as partial payment of 2000 final dividend.

7. *Earnings per share*

Earnings per share for the six months ended 30 June 2001 as shown in the consolidated profit and loss account is calculated on the Group's profit after taxation and minority interests of HK\$100,738,000 (2000: HK\$63,753,000) and on 374,197,380 shares (2000: 374,197,380 shares) in issue during the period.

Diluted earnings per share is not shown for the six months ended 30 June 2001 as the potential ordinary shares in respect of the share options granted are anti-dilutive. Diluted earnings per share in respect of the six months ended 30 June 2000 has been calculated based on the profit of HK\$63,753,000 and 411,617,116 shares after taking into account the effect arising from the exercise of the share options of the Company, if exercised.

*Notes to Condensed Interim Accounts (continued)*8. *Fixed assets*

	Vessels in Operation HK\$'000	Vessels Under Construction HK\$'000	Leasehold Land and Buildings HK\$'000	Leasehold Improvements HK\$'000	Furniture and Fixtures and Office Equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
COST							
At 1 January 2001	2,255,765	12,588	104,802	3,526	14,659	851	2,392,191
Exchange rate fluctuation	-	-	(5,102)	(172)	(650)	(19)	(5,943)
Additions	780	-	-	-	293	-	1,073
Disposals	-	-	-	-	(47)	-	(47)
Disposals to associated companies	-	(12,588)	-	-	-	-	(12,588)
At 30 June 2001	2,256,545	-	99,700	3,354	14,255	832	2,374,686
DEPRECIATION							
At 1 January 2001	919,619	-	6,893	3,237	10,489	168	940,406
Exchange rate fluctuation	-	-	(348)	(159)	(505)	(3)	(1,015)
Charge for the period	39,212	-	706	82	722	78	40,800
Disposals	-	-	-	-	(35)	-	(35)
At 30 June 2001	958,831	-	7,251	3,160	10,671	243	980,156
Net book value at 30 June 2001	1,297,714	-	92,449	194	3,584	589	1,394,530
Net book value at 31 December 2000	1,336,146	12,588	97,909	289	4,170	683	1,451,785

The net book value of leasehold land and buildings comprises:

Location	Tenure	30 June 2001	31 December 2000
		HK\$'000	HK\$'000
Singapore	(99 years leasehold with effect from 1 March 1989)	88,829	94,024
People's Republic of China	(40 years leasehold with effect from 3 October 1993)	3,620	3,885
		92,449	97,909

At the balance sheet date, the net book value of leasehold building and vessels in operation of the Group pledged as securities for bank loans amounted to HK\$932 million (31 December 2000: HK\$962 million).

At the balance sheet date, the net book value of fixed assets of the Group under finance lease agreements included in vessels in operation amounted to HK\$246 million (31 December 2000: HK\$252 million).

*Notes to Condensed Interim Accounts (continued)***9. Deferred drydocking and survey expenses**

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period/year	23,929	28,556
New subsidiaries	–	862
Payments made during the period/year	5,896	16,187
Write-off on disposal of vessels	–	(3,776)
Amortisation for the period/year	(8,249)	(17,900)
	<hr/>	<hr/>
At end of period/year	<u>21,576</u>	<u>23,929</u>

10. Amounts due from charterers

The credit terms given to charterers vary according to the type of vessels' employment. The credit terms could vary from 15–60 days credit period to advance payment by charterers. The ageing analysis of the amounts due from charterers is as follows:

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	8,305	2,067
31–60 days	2,732	56
61–90 days	3,235	1,108
91–120 days	254	1,726
Over 120 days	5,507	3,543
	<hr/>	<hr/>
	<u>20,033</u>	<u>8,500</u>

11. Trade creditors

The ageing analysis of the trade creditors is as follows:

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,080	3,184
31–60 days	6,617	4,862
61–90 days	1,926	1,840
91–120 days	954	418
Over 120 days	1,422	534
	<hr/>	<hr/>
	<u>11,999</u>	<u>10,838</u>

*Notes to Condensed Interim Accounts (continued)***12. Amounts due to charterers**

The ageing analysis of the amounts due to charterers is as follows:

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	–	–
31–60 days	534	107
61–90 days	245	–
91–120 days	423	48
Over 120 days	1,993	2,242
	<hr/>	<hr/>
	3,195	2,397
	<hr/>	<hr/>

13. Bank loans – secured

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one year	35,560	4,048
	<hr/>	<hr/>
In the second year	63,422	85,652
In the third to fifth years	190,258	247,603
After the fifth year	43,266	75,964
	<hr/>	<hr/>
	296,946	409,219
	<hr/>	<hr/>
	332,506	413,267
	<hr/>	<hr/>

- (a) The Company has a revolving credit facility of US\$50 million (HK\$390 million) which expires in July 2005. As at 30 June 2001, this facility was not utilised. This facility is secured by a mortgage on a motor vessel with a net book value of HK\$133 million (31 December 2000: HK\$137 million).
- (b) A subsidiary of the Group has a reducing revolving credit facility with a bank for a total amount of US\$35 million (HK\$273 million) which expires in July 2003. There was no outstanding loan as at 30 June 2001. The outstanding loan amount as at 31 December 2000 of US\$10 million was repaid during the period. This facility is secured by a mortgage on two motor vessels with a total net book value of HK\$170 million (31 December 2000: HK\$174 million).
- (c) A subsidiary of the Group secured a revolving credit facility of US\$50 million (HK\$390 million) in August 1996. As at 30 June 2001, US\$35.7 million (HK\$279 million) was drawn down. The loan is repayable by 14 equal semi-annual instalments of US\$3.571 million commencing April 2000. The loan is secured by a mortgage on seven motor vessels with a total net book value of HK\$540 million (31 December 2000: HK\$557 million).
- (d) A subsidiary company of the Group secured a fixed term loan of S\$12.6 million (HK\$54 million) which expires in June 2008. As at 30 June 2001, S\$12.6 million (HK\$54 million) was utilised. The loan is repayable by 14 equal semi-annual instalments of S\$0.9million commencing December 2001. The facility is secured by a mortgage on certain land and building with a book value of HK\$89 million (31 December 2000: HK\$94 million).

*Notes to Condensed Interim Accounts (continued)***14. Obligations under finance leases**

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments payable		
Within one year	35,213	33,690
In the second year	38,081	36,678
In the third to fifth years	129,045	125,554
After the fifth year	97,213	120,083
	<hr/>	<hr/>
	299,552	316,005
Finance charges allocated to future periods	(95,160)	(105,828)
	<hr/>	<hr/>
	204,392	210,177
	<hr/>	<hr/>
Included in:		
Current liabilities	14,462	12,534
Non-current liabilities	189,930	197,643
	<hr/>	<hr/>
	204,392	210,177
	<hr/>	<hr/>

15. Deferred taxation

The amount of deferred taxation in the consolidated balance sheet represents the full provision for the effect of timing differences arising from accelerated depreciation allowances.

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period/year	1,139	1,641
Exchange rate fluctuation	(37)	(39)
Transfer to profit and loss account	-	(463)
	<hr/>	<hr/>
At end of period/year	1,102	1,139
	<hr/>	<hr/>

16. Share capital

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised		
450,000,000 shares of HK\$0.50 each	225,000	225,000
	<hr/>	<hr/>
Issued and fully paid		
374,197,380 shares of HK\$0.50 each	187,099	187,099
	<hr/>	<hr/>

*Notes to Condensed Interim Accounts (continued)***16. Share capital (continued)**

At a Special General Meeting of the Company held on 11 May 1995, the IMC Holdings Ltd (Bermuda) Share Option Scheme was approved by the shareholders. Pursuant to the Scheme, options granted to the ultimate holding company, IMC Pan Asia Alliance Corporation, up to 30 June 2001 are as follows:

Date of Option	No. of Shares	Exercise Price
1998	9,354,934	HK\$0.85 per share
1997	9,354,934	HK\$2.52 per share
1996	9,354,934	HK\$4.50 per share
	28,064,802	

As at 30 June 2001, none of the options granted has been exercised. The options granted would expire at the end of the fifth calendar year after the date of the grant of the options.

Pursuant to the Scrip Dividend Scheme approved by the shareholders on 18 June 2001, all shareholders are granted options to receive new shares in lieu of cash dividend. The number of shares allotted subsequent to 30 June 2001 pursuant to the Scrip Dividend Scheme was 24,745,766 shares based on a price of HK\$1.0554 per share.

17. Reserves

	Share Premium HK\$'000	Contributed Surplus HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1 January 2000	117,986	1,128,784	47,715	1,294,485
Profit retained for the year, as previously reported	-	-	119,030	119,030
At 31 December 2000, as previously reported	117,986	1,128,784	166,745	1,413,515
At 1 January 2001, as previously reported	117,986	1,128,784	166,745	1,413,515
Effect of adopting SSAP 9 (revised) – Note 6	-	-	29,936	29,936
At 1 January 2001, as restated	117,986	1,128,784	196,681	1,443,451
2000 final dividend approved	-	-	(29,936)	(29,936)
Profit for the period	-	-	100,738	100,738
At 30 June 2001	117,986	1,128,784	267,483	1,514,253

18. Exchange fluctuation account

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
At beginning of period/year	(110,411)	(108,427)
Exchange difference arising during the period/year	3,391	(1,984)
At end of period/year	(107,020)	(110,411)

Notes to Condensed Interim Accounts (continued)

19. Commitments

(a) Capital Commitments

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Shipbuilding contracts with a third party entered into by associated companies:		
– contracted but not provided for	572,992	554,494
– authorised but not contracted for	–	125,307
Contract for the construction of a floating dock with a third party entered into by an associated company:		
– contracted but not provided for	11,135	11,135
	<u>584,127</u>	<u>690,936</u>

(b) Commitments Under Operating Leases

At 30 June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2001 <i>HK\$'000</i>	As restated (Note 1(b)) 31 December 2000 <i>HK\$'000</i>
(i) Office premises		
Within one year	4,550	2,611
Between two and five years	213	2,890
	<u>4,763</u>	<u>5,501</u>
(ii) Chartered in vessels		
Within one year	97,709	79,123
In the second to fifth years inclusive	808,136	758,704
After the fifth year	565,802	664,312
	<u>1,471,647</u>	<u>1,502,139</u>

*Notes to Condensed Interim Accounts (continued)***20. Contingent liabilities**

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Guarantees given by the company in respect of bank facilities made available to:		
– associated companies	410,769	427,568
Guarantees given to a third party in respect of certain instalments due under shipbuilding contract entered into by:		
– associated companies	147,162	133,520
Guarantee given to a third party in respect of certain instalments due under a contract to construct a floating dock entered into by:		
– an associated company	1,402	1,402
Other guarantees	17,784	17,940
	<u>577,117</u>	<u>580,430</u>

21. Subsequent events

Subsequent to 30 June 2001, the issued share capital of the Company was increased by 24,745,766 shares to 398,943,146 shares through the allotment of shares pursuant to the Scrip Dividend Scheme (Note 16). As a result, the share capital and share premium account of the Company has increased by HK\$12,373,000 to HK\$199,472,000 and by HK\$13,744,000 to HK\$131,730,000 respectively.

On behalf of the Board

Chavalit TSAO

Chairman

Hong Kong SAR, 13 September 2001

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