

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Review by auditors

The consolidated interim results of the Group for the six months ended 30 June 2002 have been reviewed by our auditors, Messrs. Moores Rowland, in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants ("HKSA"). An unmodified review conclusion has been issued by the auditors.

2. Basis of preparation and accounting policies

These interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They should be read in conjunction with the annual financial statements and notes thereto included in the annual report of the Group for the year ended 31 December 2001.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 except that the Group has adopted several new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002. The effect of such changes to the results for the period are not material and details of these changes in the accounting policies will be given in the 2002 annual financial statements.

3. Segmental information

An analysis of the Group's turnover and profit (loss) from operations by principal activities is as follows:

	Turnover		Profit (Loss) from operations	
	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Chartering freight and hire	267,333	341,468	12,030	20,505
Trading	104,797	115,337	2,004	3,866
Investments in China	1,986	833	635	(3,745)
Other operations	-	-	(63,159)	49,978
	374,116	457,638	(48,490)	70,604

The Group's chartering freight and hire businesses were carried out internationally and cannot be attributable to any particular geographical location. During the period, about 95% of the Group's turnover from trading operations was carried out in Hong Kong (six months ended 30 June 2001: 26%) and the balance was mainly carried out in mainland China. The Group's other operations, including property investments, foreign currency transactions and short-term investments, were mainly carried out in Hong Kong in both periods.

4. Other net (expenses) income

Other net expenses for the period included a provision for a claim receivable of HK\$30,200,000 payable by China Nonferrous Metals Group (Hong Kong) Limited ("CNMG") as an order for winding-up CNMG was issued by the High Court of Hong Kong on 8 May 2002.

5. Taxation

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
The Company and its subsidiaries		
Hong Kong Profits Tax		
Current period	342	–
(Over) Under-provision in respect of prior periods	(2)	402
	<u>340</u>	<u>402</u>

Hong Kong Profits Tax has been provided at the rate of 16% (*six months ended 30 June 2001: 16%*) on the estimated assessable profits for the period. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is also not subject to taxation in any other jurisdictions in which the Group operates.

6. (Loss) Earnings per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$30,464,000 (*six months ended 30 June 2001: net profit of HK\$32,426,000*) and the weighted average number of 526,242,488 (*six months ended 30 June 2001: 526,242,488*) shares in issue during the period.

Diluted earnings or loss per share is not shown as there was no potential ordinary shares in issue during both periods.

7. Trade receivables

The credit terms given to charterers vary from 15 to 60 days according to the types of vessel's employment. The credit terms given to trading customers vary based on the financial assessments and payment track records. Credit limits are set for all customers and are revised only with the approval of senior management. General credit terms are payments by the end of 60 to 120 days following the month in which sales took place.

The ageing analysis of trade receivables (net of provision for bad and doubtful debts) is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 90 days	71,672	58,518
91 – 180 days	11,728	16,823
181 – 365 days	1,446	1,618
Over 365 days	344	1,337
	<u>85,190</u>	<u>78,296</u>

8. Trade payables

The ageing analysis of trade payables is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 90 days	45,183	54,792
91 – 180 days	3,956	984
181 – 365 days	511	637
Over 365 days	8,150	12,140
	<u>57,800</u>	<u>68,553</u>

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period (*six months ended 30 June 2001: Nil*).

BUSINESS REVIEW

Turnover for the six months ended 30 June 2002 was HK\$374,116,000, representing a decrease of 18% as compared to the last corresponding period. Net loss for the period amounted to HK\$30,464,000 whereas a profit of HK\$32,426,000 was made for the last corresponding period. Basic loss per share was HK5.79 cents for the period as against basic earnings per share of HK6.16 cents for the last corresponding period.

Contrary to the first half of 2001 in which the shipping market was firm and healthy, the slowdown in the world's economies and rising in operating costs such as fuel costs and maintenance expenses greatly affected the shipping industry during the first half of 2002. During the period, the freight rates remained low as a whole though the dry bulk freight markets have arisen and improved gradually since the end of 2001. The Baltic Freight Index opened at 876 and closed at 1,005 during the period. This was still 381 points below that at 1,386 by the end of June 2001. The decline in freight rates exerted a negative impact on the Group's shipping activities as its committed tonnage was yet to be unwound. The shipping turnover was HK\$267,333,000 for the period, representing a decrease of 22% as compared to that of the last corresponding period. During the period, the Company put every effort to improve efficiency and adopted active measures to reduce its main operating costs. Under such circumstances, the Group's shipping operations managed to operate at a profit of HK\$12,030,000 for the period; whereas an operating profit of HK\$20,505,000 was reported for the last corresponding period.

Meanwhile, the Group remains its strategy of expanding fleet of well-equipped and modernized owned vessels. During the period, two motor vessels namely "Jin Tai" and "Jin Kang" were delivered respectively in January and March 2002 as scheduled. As at 30 June 2002, the Group owned eleven dry bulk vessels with total dead weight tonnages of about 544,000 tonnes.

Affected by the downturn of the economy, the turnover for the Group's trading of chemical products was HK\$104,797,000, representing a decrease of 9% as compared to the last corresponding period. A modest profit was reported for both the trading activities and investments in China during the period.