

The Group's other operations recorded an operating loss of HK\$63,159,000 for the period mainly due to the provision made for a claim receivable of HK\$30,200,000 payable by CNMG as an order for winding-up CNMG was issued by the High Court of Hong Kong on 8 May 2002. The Group also suffered from the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars during the period and incurred realized and unrealized exchange loss for the Group's foreign currency exposure in Japanese Yen. The Group has foreign currency exposures in Japanese Yen derived from the borrowings in Japanese Yen to finance the payments for the deliveries of newbuildings in previous years.

## FINANCIAL REVIEW

### Liquidity, financial resources and capital structure

The deliveries of the two dry bulk vessels, namely "Jin Tai" and "Jin Kang", during the period were mainly funded by bank loans. The total of the Group's pledged deposits, bank balances and cash decreased to HK\$111,006,000 as at 30 June 2002 (*31 December 2001: HK\$214,995,000*). The Group's borrowings increased to HK\$739,815,000 as at 30 June 2002 (*31 December 2001: HK\$540,148,000*), of which 17%, 7%, 22% and 54% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of total borrowings over shareholders' funds, increased to 154% (*31 December 2001: 106%*). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. Should market conditions require, the Group will consider appropriate foreign exchange and interest rate hedging products to mitigate the Group's exposure.

### Pledge of assets

As at 30 June 2002, the Group's fixed assets of HK\$1,113,950,000 (*31 December 2001: HK\$891,533,000*), short-term investments of HK\$40,911,000 (*31 December 2001: HK\$19,000,000*), deposits of HK\$40,981,000 (*31 December 2001: HK\$7,369,000*) and some of the shares and chartering income of ship owning subsidiaries were pledged to secure credit facilities utilized by the Group.

### Capital expenditures and commitments

Out of the Group's capital expenditures totalling HK\$272,530,000 for the six months ended 30 June 2002 (*six months ended 30 June 2001: HK\$267,235,000*), approximately HK\$272,202,000 (*six months ended 30 June 2001: HK\$262,071,000*) was spent on the constructions of the Group's owned vessels.

As at 30 June 2002, the Group had capital expenditure commitments relating to the newbuilding of one (*31 December 2001: three*) dry bulk vessel. The purchase price of the vessel was approximately HK\$163,020,000 (*31 December 2001: HK\$494,910,000*) and the amount contracted but not provided for, net of deposits paid, was approximately HK\$130,416,000 (*31 December 2001: HK\$395,226,000*).

### Contingent liabilities

Except for certain guarantees amounting to HK\$771,000 as at 30 June 2002 (*31 December 2001: HK\$486,000*) granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liabilities.