

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated interim results of the Group for the six months ended 30 June 2003 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.

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 2002.

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 2002 except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2003. The effect of such changes to the results for the period are not material and details of the changes in the accounting policies will be given in the 2003 annual financial statements.

2. 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 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Chartering freight and hire	362,709	267,333	(970)	12,030
Trading	110,308	104,797	(270)	2,004
Investments in China	-	1,986	737	635
Other operations	-	-	10,108	(63,159)
	<u>473,017</u>	<u>374,116</u>	<u>9,605</u>	<u>(48,490)</u>

The Group's chartering freight and hire business is carried out internationally and cannot be attributable to any particular geographical location. During the period, about 90% (six months ended 30 June 2002: 95%) of the Group's turnover from trading operations was carried out in Hong Kong 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.

3. Other net income (expenses)

Other net expenses for the preceding period ended 30 June 2002 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.

4. Taxation

	Six months ended	
	30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group		
Hong Kong Profits Tax		
Current period	-	(342)
Over-provision in respect of prior periods	279	2
	<u>279</u>	<u>2</u>
	<u>279</u>	<u>(340)</u>

Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the period. Hong Kong Profits Tax has been provided at the rate of 16% on the estimated assessable profits for the period ended 30 June 2002. 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.

5. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$1,524,000 (six months ended 30 June 2002: HK\$30,464,000) and the weighted average number of 52,624,248 (six months ended 30 June 2002: 52,624,248) ordinary shares in issue during the period. The weighted average number of ordinary shares outstanding for both periods presented have been adjusted for the consolidation of shares effective on 2 June 2003.

Diluted loss per share is not presented as there is no potential ordinary share in issue during both periods.

6. 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 aging analysis of trade receivables (net of provision for doubtful debts) is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 90 days	60,137	41,640
91 – 180 days	15,680	22,102
181 – 365 days	2,901	2,484
Over 365 days	1,655	786
	<u>80,373</u>	<u>67,012</u>

7. Trade payables

The aging analysis of trade payables is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 90 days	56,385	45,623
91 – 180 days	463	711
181 – 365 days	1,356	740
Over 365 days	6,971	10,030
	<u>65,175</u>	<u>57,104</u>

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period (six months ended 30 June 2002: Nil).