

The Group's other operations recorded an operating profit of HK\$10,108,000 which comprised an exchange gain of HK\$5,242,000. The loss of HK\$63,159,000 for last corresponding period was mainly due to the provision made for a claim receivable of HK\$30,200,000 payable by CNMG and the realized and unrealized exchange loss of HK\$36,742,000 for the Group's foreign currency exposures in Japanese Yen as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. 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 total of the Group's pledged deposits, bank balances and cash increased to HK\$177,584,000 as at 30 June 2003 (31 December 2002: HK\$116,444,000). The Group's borrowings decreased to HK\$779,093,000 as at 30 June 2003 (31 December 2002: HK\$790,310,000), of which 16%, 8%, 24% and 52% 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, decreased to 175% (31 December 2002: 177%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. The Group has from time to time closely monitored the foreign currency exposures so as to balance the exchange rate risk associated with the fluctuation in Japanese Yen and possible interest saving from Japanese Yen borrowings. Should market conditions require, the Group would consider appropriate foreign exchange and interest rate hedging products to mitigate the Group's exposure.

### **Pledge of assets**

As at 30 June 2003, the Group's fixed assets of HK\$1,134,776,000 (31 December 2002: HK\$1,154,813,000), short-term investments of HK\$13,385,000 (31 December 2002: HK\$21,399,000), deposits of HK\$47,768,000 (31 December 2002: HK\$30,470,000) 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**

There was no material capital expenditure for the six months ended 30 June 2003. Out of the Group's capital expenditures totalling HK\$272,530,000 for the six months ended 30 June 2002, approximately HK\$272,202,000 was spent on the constructions of the Group's owned vessels.

As at 30 June 2003, the Group had capital expenditure commitments relating to the newbuilding of one motor vessel at the purchase price of HK\$171,366,000 wholly contracted but not provided for. The Group had no material capital commitment at year ended 31 December 2002.

**Contingent liabilities**

As at 30 June 2003, the Group had no material contingent liability not yet provided for. As at 31 December 2002, except for certain guarantees amounting to HK\$293,000 granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liability.

**SHARE CONSOLIDATION**

At the annual general meeting of the Company held on 30 May 2003, the resolutions regarding the consolidation of every 10 issued and unissued shares of HK\$0.10 each in the capital of the Company into 1 consolidated share of HK\$1.00 each ("Share Consolidation") were approved by the shareholders of the Company. Since 2 June 2003, the effective date of the Share Consolidation, the authorized share capital of the Company has become HK\$100 million divided into 100 million shares of HK\$1.00 each, of which 52,624,248 shares were issued and fully paid.

**EMPLOYEES**

As at 30 June 2003, the Group had approximately 110 full-time employees and 260 crew (31 December 2002: 140 full-time employees and 289 crew). The Group remunerated its employees in accordance with their performances, experiences and prevailing market practices and provided them with usual fringe benefits.

**OUTLOOK**

In general, there is modest growth in the world economy with increasing positive signs. Looking ahead, the freight rates are expected to be firm in the coming months. Given the apparent control over SARS and the possible rebound of Hong Kong economy, we expect that there should be improvement in the Group's trading business for the rest of 2003. While focusing on the core shipping business, the Group will continue taking efforts to improve efficiency, reduce the operating costs and remain conscious to the changing market conditions in mapping out its business and investment strategies.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES**

As at 30 June 2003, the directors of the Company had the following interests and long positions in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited