

## 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 2004 have been reviewed by our auditors, Messrs. Moores Rowland Mazars, 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 2003.

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 2003.

### 2. Segmental information

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

	Turnover		(Loss) Profit from operations	
	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Chartering freight and hire	850,867	362,709	(138,143)	(970)
Trading	155,314	110,308	5,237	(270)
Investments in China	–	–	6,481	737
Other operations	–	–	(10,189)	10,108
	<u>1,006,181</u>	<u>473,017</u>	<u>(136,614)</u>	<u>9,605</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, the Group’s turnover from trading operations was carried out mainly in Hong Kong and China of about 45% (2003: 90%) and 54% (2003: 10%) respectively. 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. Taxation

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The Group		
Hong Kong Profits Tax:		
Current period	(951)	–
Over provision in respect of prior periods	–	279
	<u>(951)</u>	<u>279</u>

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for the period ended 30 June 2004. Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the six months ended 30 June 2003. 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.

### 4. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$79,691,000 (six months ended 30/6/2003: HK\$1,524,000) and the weighted average number of 52,624,248 (six months ended 30/6/2003: 52,624,248) ordinary shares in issue during the period. The weighted average number of ordinary shares outstanding for period ended 30 June 2003 has 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.

### 5. 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:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
0 – 90 days	<b>83,855</b>	60,431
91 – 180 days	<b>21,083</b>	11,953
181 – 365 days	<b>1,688</b>	1,520
Over 365 days	<b>652</b>	1,531
	<b>107,278</b>	75,435

## 6. Trade payables

The aging analysis of trade payables is as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
0 – 90 days	<b>62,561</b>	47,579
91 – 180 days	<b>481</b>	1,126
181 – 365 days	<b>805</b>	279
Over 365 days	<b>7,038</b>	7,114
	<b>70,885</b>	56,098

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the period (six months ended 30 June 2003: Nil).

## BUSINESS REVIEW

The consolidated turnover of the Group for the period was HK\$1,006,181,000, representing an increase of 113% as compared to that of last corresponding period. Net loss for the period amounted to HK\$79,691,000 whereas a net loss of HK\$1,524,000 was made for last corresponding period. Basic loss per share was HK\$1.514 for the period as against basic loss per share of HK\$0.029 for last corresponding period. The loss for the period was wholly attributed by the losses under the forward freight agreements (“FFAs”) entered into by the Group since January 2004.