According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Based on the valuation made by an independent professional valuer, the market values of the Group's ten owned vessels as at 30 June 2004 was approximately HK$1,606.8 million as compared to their net book values of approximately HK$1,263.8 million.

Trading and investments in China. The turnover for the Group's trading of chemical and industrial raw materials was HK$155,314,000, representing an increase of 41% as compared to that of last corresponding period. The Group's trading business was affected by the outbreak of Severe Acute Respiratory Syndrome during last corresponding period. Due to the increase in demand and price for chemical and industrial raw materials as a result of the economic recovery, the performance of the Group's trading business was improved with a profit of HK$5,237,000 for the period against a loss of HK$270,000 for last corresponding period. Due to the increase in demand and price for commodities, the performance of the Group's investment in a co-operative joint venture producing metallurgical coke in Shanxi Province of China was rather promising. The Group's investments in China reported a profit of HK$6,481,000 for the period against a profit of HK$737,000 for last corresponding period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. The total of the Group's pledged deposits, bank balances and cash increased to HK$440,876,000 as at 30 June 2004 (31 December 2003: HK$153,107,000). The Group's borrowings decreased to HK$694,236,000 as at 30 June 2004 (31 December 2003: HK$749,540,000), of which 12%, 9%, 27% 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 net debts (total interest bearing debts net of securities, cash and cash equivalents) over shareholders' equity decreased to 66% (31 December 2003: 125%). All the borrowings were committed on a floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars.

Pledge of assets. As at 30 June 2004, the Group's fixed assets of HK$1,168,356,000 (31 December 2003: HK$1,192,488,000), short-term investments of HK$2,550,000 (31 December 2003: HK$1,767,000), deposits of HK$30,301,000 (31 December 2003: HK$30,551,000) and shares of seven (31 December 2003: seven) ship owning companies were pledged together with the assignment of chartering income of seven (31 December 2003: seven) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$98,487,000 (31 December 2003: HK$29,998,000) for the period ended 30 June 2004, approximately HK$93,151,000 (31 December 2003: HK$24,644,000) was spent on the constructions of the Group's newbuildings.

As at 30 June 2004, there were outstanding capital commitments relating to the newbuildings of five (31 December 2003: two) dry bulk carriers at total purchase prices of approximately HK$1,037,556,000 (31 December 2003: HK$321,516,000) and the total amount contracted but not yet provided for, net of deposits paid, was approximately HK$919,760,000 (31 December 2003: HK$296,872,000).

Contingent liabilities. As at 30 June 2004, except for certain guarantees amounting to HK$2,340,000 granted by the Company's subsidiary to a third party in its ordinary course of businesses, the Group had no other contingent liabilities. As at 31 December 2003, the Group had no material contingent liability not yet provided for.

EMPLOYEES

As at 30 June 2004, the Group had 102 full-time employees and 260 crew (31 December 2003: 100 full-time employees and 262 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits. The Group has not adopted any share option scheme during the period.

OUTLOOK

The shipping industry and, the freight market in particular, are becoming more and more volatile, evidenced by the wide variations in freight rates and vessel prices. To manage this risk and avoid significant losses, the Board has recognised the need for a more conservative and effective strategies for its business in FFAs so as to limit and monitor the market-related and financial risks.

Apart from the Group's ten owned vessels, the Group currently operates around thirteen chartered-in dry bulk carriers including one Capesize, seven Panamaxes and five Handymaxes. By the end of June 2004, the freight rates for all dry bulk sectors started to recover with the Baltic Dry Index picked up to around 4,100 during early August 2004. The Board is also aware of the recent rises in bunker prices, which may affect the shipping industry. The Board believes that the fundamentals of demand in dry bulk shipping remain unchanged with the supply of vessels remaining tight in the next few years. The Board is confident that the continued strength in freight rates bode well for the Group in the coming years and therefore, will consider to expand the Group's own fleet at appropriate timing. The Board also expects that the Group's trading business and investments in China will also continue to contribute steady returns to the Group.