

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 Panamaxs 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.

Going forward, the Board would continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet size as appropriate; maintain a balance in its employment mix by engaging part of its fleet in longer term charters to ensure certainty in future earnings for the Group; and adopt more stringent risk management procedures.

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

As at 30 June 2004, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Name	Type of interests	The Company		Jinhui Shipping	
		No. of shares in the Company	Percentage of total issued shares of the Company	No. of shares in Jinhui Shipping	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	Family interests	2,134,000	4.06%	–	–
	Other interests	Note	Note	Note	Note
Ng Kam Wah Thomas	Other interests	Note	Note	Note	Note
Ng Ki Hung Frankie	Other interests	Note	Note	Note	Note
So Wing Hung Peter	Family interests	218,000	0.41%	15,000	0.02%

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline Consultants Limited which is the legal and beneficial owner of 30,385,628 shares of the Company (representing 57.74% of the total issued shares of the Company) and 494,049 shares of Jinhui Shipping and Transportation Limited ("Jinhui Shipping") (representing 0.5% of the total issued shares of Jinhui Shipping) as at 30 June 2004. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline Consultants Limited.