

The Group's other operations recorded an operating loss of HK\$26,552,000 as compared to an operating loss of HK\$4,600,000 for last corresponding period. The loss for the period was primarily due to the net loss on the investment in financial derivatives relating to forward foreign exchange contracts and options.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the period, upon receiving the net sale proceeds on completion of the disposal of four motor vessels and offset by cash used to partially finance the delivery of one additional vessel, the total of the Group's equity and debt securities, equity linked investments, bank balances and cash increased to HK\$803,793,000 as at 30 June 2006 (31/12/2005: HK\$460,815,000). The Group's bank and other borrowings decreased to HK\$981,496,000 as at 30 June 2006 (31/12/2005: HK\$1,159,803,000), of which 15%, 8%, 27% and 50% 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 equity and debt securities, equity linked investments, cash and cash equivalents) over total equity, was 9% (31/12/2005: 38%). All the bank and other borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash, marketable equity and debt securities, and equity linked investments in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 30 June 2006, the Group's credit facilities were secured by certain of the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$1,847,723,000 (31/12/2005: HK\$2,079,281,000), financial assets at fair value through profit or loss with market value of HK\$86,191,000 (31/12/2005: nil) and bank deposits of HK\$9,517,000 (31/12/2005: HK\$19,610,000). Shares of eight (31/12/2005: ten) ship owning companies of the Group, were also pledged together with the assignment of chartering income of nine (31/12/2005: ten) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK\$295,083,000 for the period ended 30 June 2006 (year ended 31/12/2005: HK\$1,173,839,000), approximately HK\$280,973,000 (year ended 31/12/2005: HK\$1,171,864,000) was spent on the construction of the Group's vessels.

As at 30 June 2006, there were outstanding capital commitments relating to the newbuildings and acquisition of seven (31/12/2005: four) dry bulk carriers at a total purchase price of approximately HK\$1,688,250,000 (31/12/2005: HK\$766,738,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$1,519,425,000 (31/12/2005: HK\$665,494,000).

Contingent liabilities. As at 30 June 2006, except for guarantee amounting to approximately HK\$78,000,000 (31/12/2005: HK\$78,000,000) granted by the Group to a third party in its ordinary course of businesses, the Group had no other contingent liabilities.

EMPLOYEES

As at 30 June 2006, the Group had 106 full-time employees and 250 crew (31/12/2005: 107 full-time employees and 330 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

POST BALANCE SHEET EVENTS

On 24 July 2006, the Group completed the disposal of motor vessel "Jin Bi" at a consideration of US\$6,500,000 (approximately HK\$50,700,000) and realized a gain of around HK\$15,600,000.

During July 2006, the Company repurchased 6,680,000 shares of the Company at an aggregate price of HK\$10,981,580 before expenses, which were subsequently cancelled.

During July and August 2006, the Group entered into four agreements to acquire one Handymax newbuilding and three second hand Handymax vessels at a total purchase price of US\$138,900,000 (approximately HK\$1,083,420,000).

OUTLOOK

As at date of this report, the total capacity of the Group's fleet is around deadweight 1.4 million metric tons comprising nine owned vessels and ten chartered-in vessels, and approximately 86% of the Group's revenue days in 2006 have been covered. In addition, the Group will have additional seven newly built vessels and four second hand vessels for delivery going forward, where three of which will be delivered in 2006, four in 2007, three in 2008 and one in 2009.

Recently, the freight rates have increased significantly, especially the freight rates for Capesize tonnage and Handymax tonnage which are mainly driven by increasing iron ore imports to China and Western Europe, as well as the export of cement out of China respectively. Subsequent to the period ended 30 June 2006, the Baltic Dry Index further increased to around 3,880 by early September 2006. In light of the recent market conditions, future cargo volumes and trade patterns, we believe that there would be a firmer market for the rest of 2006.