

NOTES TO CONDENSED INTERIM ACCOUNTS

1. REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to the transfer of PB Vessels Holding Limited and all its subsidiaries into the Company through an exchange of shares as detailed in the Prospectus (the "Exchange of Shares"), which was completed on 30 March 2004, the Company became the holding company of those companies.

The Exchange of Shares is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed interim accounts of the Group for the period ended 30 June 2004, including comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

Subsequent to the Exchange of Shares, the Company entered into further transactions (the "Further Acquisitions") to complete the group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company. These transactions comprise primarily acquisitions of interests in certain vessel holding companies and ship management companies as set out in the Prospectus. The results of these companies are included in the condensed profit and loss account from the effective date of acquisition, 31 March 2004.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2004 (the "Listing Date").

These unaudited condensed consolidated accounts are prepared in accordance with SSAP No. 25 "Interim Financial Reporting" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the preparation of the Accountants' Reports as set out in Appendices IA and IB of the Prospectus.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The accounting policy of goodwill which was not previously disclosed is set out below:

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill on acquisitions is amortised using the straight-line method over 15 years.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amounts and the impairment loss is charged to the profit and loss account.

3. TURNOVER

The Group is principally engaged in the provision of ship chartering services and ship management services.

An analysis of the Group's revenues and results for the period by business segment is as follows:

	Unaudited 6 months ended 30 June 2004			
	Ship chartering US\$'000	Ship management US\$'000	Inter-segment elimination US\$'000	Group US\$'000
Revenues	68,034	6,836	(3,242)	71,628
Segment results	44,501	355	—	44,856
Finance costs				(2,436)
Share of profits less losses of jointly controlled entities				800
Profit before taxation				43,220
Taxation				(147)
Profit attributable to shareholders				43,073

No business segment analysis is presented for the period ended 30 June 2003 as all of the Group's revenues and results were primarily attributable to the provision of ship chartering services.

4. OPERATING PROFIT

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2004	2003
	US\$'000	US\$'000
Amortisation of goodwill	443	—
Crew costs	3,427	2,644
Cost of marine products sold	496	—
Depreciation	5,332	3,792
Drydocking expenses	1,743	190
Operating lease expenses on		
— vessels	6,944	2,174
— land and buildings	170	—
Staff costs	3,758	—

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 June	
	2004	2003
	US\$'000	US\$'000
Hong Kong profits tax	135	—
Overseas tax	9	—
Deferred taxation relating to the origination and reversal of temporary differences	3	—
	147	—



6. DIVIDENDS

	Unaudited Six months ended 30 June	
	2004 US\$'000	2003 US\$'000
Dividend declared by companies now comprising the Group to the then shareholders (<i>Note (a)</i>)		
— paid	18,902	—
— payable	12,563	—
Interim, of US\$0.02 (2003: US\$Nil) per ordinary share (<i>Note (b)</i>)	18,347	—
	49,812	—

Notes:

- (a) The dividend rates and the number of shares ranking for the dividend in respect of the dividend declared by companies now comprising the Group under the Exchange of Shares as set out in Note 1 to the then shareholders before the Reorganisation are not presented as such information is not considered meaningful for the purpose of these condensed accounts.
- (b) Subsequent to the balance sheet date, on 14 July 2004, the Directors declared an interim dividend of US\$0.02 per share payable to the Company's shareholders of record as at 6:03 a.m. on the morning of the Listing Date, not including the public shareholders. This dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2004.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of US\$43,073,000 (2003: US\$7,147,000) and the weighted average number of 908,453,242 (2003: 795,016,897) shares in issue, assuming that the 795,016,897 shares issued pursuant to the Exchange of Shares had been in issue throughout both periods and the 221,993,707 shares issued for the Further Acquisitions had been in issue since 31 March 2004.

No information in respect of diluted earnings per share is presented as the Company has no potential dilutive ordinary shares.

8. CAPITAL EXPENDITURES

	Unaudited	
	Goodwill	Fixed assets
	<i>US\$'000</i>	<i>US\$'000</i>
Net book amount as at 1 January 2004	—	200,777
Acquisition of subsidiaries (<i>Note 14</i>)	26,585	89,427
Additions	—	35,354
Amortisation/depreciation	(443)	(5,332)
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Net book value as at 30 June 2004	26,142	320,226

9. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Bunkers	3,569	—
Lubricating oil	948	528
Marine products	255	—
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	4,772	528

10. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Unaudited	Audited
	30 June	31 December
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Less than 30 days	4,706	—
31–60 days	826	—
61–90 days	673	—
Over 90 days	1,848	—
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	8,053	—

No credit terms are normally given to customers. However, final settlement dates are subject to the finalisation of the calculation of balances due.



11. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2004 US\$'000	Audited 31 December 2003 US\$'000
Less than 30 days	2,753	—
31–60 days	467	—
61–90 days	344	—
Over 90 days	883	—
	4,447	—

12. LONG-TERM BANK LOANS

	Unaudited 30 June 2004 US\$'000	Audited 31 December 2003 US\$'000
Secured bank loans	214,327	145,863
Current portion of long-term bank loans	(17,273)	(10,869)
	197,054	134,994

At 30 June 2004, the Group's bank loans were repayable as follows:

	Unaudited 30 June 2004 US\$'000	Audited 31 December 2003 US\$'000
Within one year	17,273	10,869
In the second year	17,273	10,869
In the third to fifth year	51,820	32,604
After the fifth year	127,961	91,521
	214,327	145,863

13. SHARE CAPITAL

Authorised Share Capital

	Note	Unaudited Authorised shares of US\$0.10 each No. of shares			Ordinary shares	Total	US\$'000
		Class A	Class B	Class C			
Upon incorporation	(a)	—	—	—	120,000	120,000	12
Conversion of shares	(b)	53,333.40	63,999.96	2,666.64	(120,000)	—	—
Increase in share capital on 15 March 2004	(c)	533,280,666.60	639,935,600.04	26,663,733.36	—	1,199,880,000	119,988
Increase in share capital on 1 April 2004	(d)	1,066,668,000.00	1,279,999,200.00	53,332,800.00	—	2,400,000,000	240,000
At 30 June 2004		1,600,002,000.00	1,919,998,800.00	79,999,200.00	—	3,600,000,000	360,000

Issued Share Capital

	Note	Unaudited Issued and to be issued (Note (h)) shares of US\$0.10 each No. of shares			Ordinary shares	Total	US\$'000
		Class A	Class B	Class C			
Allotted and issued nil paid	(e)	53,333.40	63,999.96	2,666.64	—	120,000	—
Issue of shares upon the Exchange of Shares	(f)	353,341,281.00	424,008,738.00	17,666,881.00	—	795,016,900	79,502
Repurchase of shares	(g)	(53,329.40)	(63,990.96)	(2,682.64)	—	(120,003)	—
Issued and fully paid at 30 June 2004		353,341,285.00	424,008,747.00	17,666,865.00	—	795,016,897	79,502
Shares to be issued for acquisition of subsidiaries	(h)	—	—	—	221,993,707	221,993,707	22,199
		353,341,285.00	424,008,747.00	17,666,865.00	221,993,707	1,017,010,604	101,701

Notes:

- (a) The Company was incorporated on 10 March 2004 with an authorised share capital of US\$12,000 divided into shares of US\$0.10 each.
- (b) Pursuant to a statutory meeting of members of the Company held on 15 March 2004, the Company amended its bye-law and the authorised share capital of the Company was divided into 53,333.40 Class A shares, 63,999.96 Class B shares and 2,666.64 Class C shares. All shares have the same rights except that:
- (i) Class A shares have 0.00075 votes per share and collectively carry the right to elect and remove two directors.



13. SHARE CAPITAL (Continued)

- (ii) Class B shares have 0.000312 votes per share and collectively carry the right to elect and remove one director.
- (iii) Class C shares have 0.015 votes per share and collectively carry the right to elect and remove two directors.
- (c) Pursuant to a statutory meeting of members of the Company held on 15 March 2004, the Company increased its authorised share capital from US\$12,000 to US\$120,000,000 by the creation of an additional 1,199,880,000 shares of US\$0.10 each.
- (d) By a written resolution of the members of the Company passed on 1 April 2004, the Company further increased its authorised share capital from US\$120,000,000 to US\$360,000,000 by the creation of an additional 2,400,000,000 shares of US\$0.10 each.
- (e) Pursuant to a meeting of the provisional directors held on 15 March 2004, the Company allotted and issued 53,333.40 Class A shares, 63,999.96 Class B shares and 2,666.64 Class C shares nil paid.

Subsequently, pursuant to a board resolution passed on 11 May 2004, the sum of US\$12,000 standing to the credit of the contributed surplus account of the Company was transferred to the capital account to pay up in full all shares issued on 15 March 2004.

- (f) Pursuant to a meeting of the directors held on 29 March 2004, the Company issued an aggregate of 795,016,900 shares at par, which were credited as fully paid, comprising 353,341,281 Class A shares, 424,008,738 Class B shares and 17,666,881 Class C shares, in consideration for the Exchange of Shares as set out in Note 1.
- (g) Pursuant to a board resolution passed on 11 May 2004, the Company re-purchased 53,329.40 Class A shares, 63,990.96 Class B shares and 2,682.64 Class C shares at purchase price of US\$1 to each class of Shares.
- (h) Pursuant to the Further Acquisitions as set out in Note 1, effective 31 March 2004, the Company acquired certain subsidiaries in consideration of cash payments and the issue of 221,993,707 shares. Such shares were issued at 6:02 a.m. on 14 July 2004 upon completion of the acquisition.
- (i) Subsequent to the balance sheet date, at 6:01 a.m. on 14 July 2004, all the authorised and issued Class A, B and C shares of the Company were converted into ordinary shares, with a nominal value of US\$0.10 each.

14. ACQUISITION

As set out in Note 13(h) above, on 30 March 2004, the Group acquired certain subsidiaries by cash and by shares. The fair value of the net identifiable assets of these companies at the date of acquisition was approximately US\$65,844,000. The acquired businesses contributed revenues of approximately US\$13,890,000 and an operating profit of approximately US\$6,712,000 to the Group for the period from 31 March 2004 to 30 June 2004.

The assets and liabilities arising from these acquisitions are as follows:

	Unaudited <i>US\$'000</i>
Fixed assets (<i>Note 8</i>)	89,427
Interests in jointly controlled entities	7,782
Borrowings	(35,275)
Other assets less liabilities	<u>3,910</u>
Fair value of net assets	65,844
Goodwill (<i>Note 8</i>)	<u>26,585</u>
Total purchase consideration	<u>92,429</u>
Satisfied by:	
Cash	11,116
Shares of the Company (<i>Note 13(h)</i>)	<u>81,313</u>
	<u>92,429</u>

15. COMMITMENTS

(a) Capital commitments in

	Unaudited 30 June 2004 US\$'000	Audited 31 December 2003 <i>US\$'000</i>
Contracted but not provided for		
— ship building contracts	36,022	28,173
— acquisitions of vessels	118,500	—
	<u>154,522</u>	<u>28,173</u>



15. COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) *The Group as the lessee*

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited		
	Land and buildings US\$'000	Vessels US\$'000	Total US\$'000
At 30 June 2004			
Not later than one year	552	14,732	15,284
Later than one year but not later than five years	700	20,508	21,208
	1,252	35,240	36,492
	Audited		
	Land and buildings US\$'000	Vessels US\$'000	Total US\$'000
At 31 December 2003			
Not later than one year	—	5,895	5,895
Later than one year but not later than five years	—	20,440	20,440
Later than five years	—	938	938
	—	27,273	27,273

(ii) *The Group as the lessor*

The Group had future aggregate minimum lease receivables under non-cancellable operating leases of vessels as follows:

	Unaudited 30 June 2004 US\$'000	Audited 31 December 2003 US\$'000
Not later than one year	29,912	—
Later than one year but not later than five years	38,405	—
	68,317	—

15. COMMITMENTS (Continued)

(c) Financial instruments

- (i) At 30 June 2004, the Group had outstanding forward exchange contracts with banks to buy approximately Yen1.3 billion (2003: Yen3.1 billion) at approximately US\$11.0 million (2003: US\$27.8 million), which will mature within one year. The commitments were entered to hedge for foreign currency commitments in connection with vessel acquisition transactions of a subsidiary of the Group.
- (ii) At 30 June 2004, the Group had outstanding bunkers swap contracts to buy approximately 53,000 metric tonnes ("mt") of bunkers at prices which range from US\$173 to US\$198 per mt, which will expire through December 2005. The commitments were entered to hedge for fluctuation in bunker prices in connection with the Group's long-term cargo contract commitments.

16. RELATED PARTY TRANSACTIONS

Related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited	
	6 months ended 30 June	
	2004	2003
	US\$'000	US\$'000
Insurance premium paid to Sun Hing Insurance Brokers Limited ("Sun Hing") (Note)	126	76

Note:

The Group entered into certain insurance contracts for its vessels through Sun Hing, a related company in which 35% of its shareholding was held indirectly by Lee Kwok Yin, Simon, a director and a shareholder of the Company. In the Directors' opinion, the terms of insurance broking services were determined and agreed on Sun Hing's ordinary terms and in the ordinary course of business.



17. SUBSEQUENT EVENTS

(a) Listing of the shares of the Company

On 14 July 2004, the shares of the Company were listed on the Main Board of the Stock Exchange. The Group offered a total of 250 million new shares at a price of HK\$2.50 per share, raising an amount of approximately HK\$562.8 million, after deduction of share issuing costs.

Prior to the Listing, we entered into agreements to purchase four secondhand and two newbuilding handysize bulk carrier vessels conditional upon the completion of the Listing for an aggregate consideration of US\$118.5 million. Upon successful completion of the Listing, these acquisitions became unconditional, and the secondhand vessels have subsequently delivered between August and September 2004. The two newbuildings are due to be delivered in 2005.

(b) Acquisition of vessels

On 2 August 2004, the Group entered into agreements with independent third party sellers for the acquisition of three handysize vessels at a total consideration of US\$53.3 million. The vessels were delivered in August 2004.

On 19 August 2004, the Group entered into an agreement with an independent third party seller for the acquisition of a handysize vessel at a total consideration of US\$16.3 million. The vessel is expected to be delivered in November 2004.

On 14 September 2004, the Group entered into an agreement with an independent third party seller for the acquisition of a handysize vessel at a total consideration of US\$17.74 million. The vessel is expected to be delivered in November 2004.

On 14 September 2004, the Group entered into an agreement with an independent third party seller for the acquisition of a handysize newbuilding at a total consideration of US\$21.50 million. The vessel is expected to be delivered in April 2006.

(c) Loan refinancing

On 19 July 2004, the Group refinanced its bank borrowings with two bankers by repaying the existing secured bank loans of US\$195.8 million and drawing down new bank loans of US\$226.5 million.

On 6 August 2004, the Group entered into a new loan agreement with a bank for a US\$50.0 million revolving credit facility for refinancing two of its vessels and the acquisition of three vessels as set out in Note (b) above. Up to the approval date of these accounts, US\$18.0 million has been drawn down.