BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 59.61% owned subsidiary of the Company whose shares are listed on the Oslo Stock Exchange.

After reaching record high in early December last year, the freight rates softened and remained firm as supported by strong level of coal shipment and iron ore trades during the first few months of 2005. The freight rates then came down sharply since mid of year 2005 as it did last year. The combined effect of commodity destocking in China and seasonality slowdown amplified by temporary easing of supply chain logistics, and the freight market sentiment caused the freight market to haul back. The Baltic Dry Index opened at 4,598, dropped to around 3,000 in early June and closed at 2,521 during the period.

The Group's shipping turnover for the period amounted to HK$919,419,000; representing an increase of 8% over last corresponding period. The Group achieved a record high interim results supported by overall strong market conditions and partly attributed to an exceptional income of approximately HK$156,000,000 on completion of a contract for early termination of a long term charterparty. Under a contract made between the Group and a counter party, upon receiving a fee of approximately HK$156,000,000 by the Group, both parties agreed to early terminate a charterparty for the chartering of a Capesize vessel from the counter party, as owner, to the Group, as charterer, for a period of up to seven years from October 2001. The said amount was received by the Group on 14 February 2005.

The average daily time charter equivalent rates of the Group's fleet were as follows:

	2005 first half	2004
	US$	*US$*
Capesize	**61,765**	24,668
Panamax	**34,204**	30,669
Handymax	**26,533**	23,145
Handysize	**19,495**	21,087
In average	**30,918**	26,104

During the period, the Group has committed to purchase three more second hand vessels at a total purchase price of US$95,800,000 (equivalent to HK$747,240,000) of which two 2001-built Handymaxes had been delivered to the Group. In addition, one newly built Handymax and one newly built Panamax contracted by the Group in 2004 at a total purchase price of US$72,550,000 (equivalent to HK$565,890,000) had also been delivered to the Group during the period.

As at 30 June 2005, the Group had twelve owned vessels and committed to acquire five more vessels comprising four newbuildings and one 2002-built vessel at total purchase prices of US$119,770,000 (equivalent to HK$934,206,000); of which two will be delivered in 2005, one in 2006 and two in 2007; and the total amount contracted but not provided for, net of deposits paid, was US$107,793,000 (equivalent to HK$840,785,000).

Trading and investments in China. The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK$129,380,000, representing a decrease of 17% as compared to that of last corresponding period. Despite a drop in turnover, the profit margin improved and the Group's trading business recorded a profit of HK$6,214,000, representing an increase of 19% as compared to that of last corresponding period. The Group's investments in a co-operative joint venture producing metallurgical coke in Shanxi Province of China recorded an income of HK$2,040,000 against a profit of HK$6,481,000 for last corresponding period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. After the delivery of four additional vessels during the period, the total of the Group's equity securities, bank balances and cash decreased to HK$277,807,000 as at 30 June 2005 (31/12/2004: HK$481,430,000). The Group's bank borrowings increased to HK$986,239,000 as at 30 June 2005 (31/12/2004: HK$470,621,000), of which 14%, 7%, 22% and 57% 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 securities, cash and cash equivalents) over equity attributable to shareholders was 70% (31/12/2004: nil gearing ratio). All the bank