

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

borrowings were committed on floating rate basis and were denominated mainly in United States Dollars and Hong Kong Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash and marketable equity securities 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 2005, the Group's fixed assets of HK\$1,934,165,000 (31/12/2004: HK\$859,153,000), short-term investments of HK\$240,000 (31/12/2004: HK\$10,009,000), bank deposits of HK\$22,646,000 (31/12/2004: HK\$23,522,000) and shares of nine (31/12/2004: five) ship owning companies were pledged together with the assignment of chartering income of nine (31/12/2004: five) ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK\$969,118,000 for the period ended 30 June 2005 (year ended 31/12/2004: HK\$199,265,000), approximately HK\$968,552,000 (year ended 31/12/2004: HK\$184,087,000) was spent on the construction of the Group's newbuildings and acquisition of motor vessels.

As at 30 June 2005, there were outstanding capital commitments relating to the newbuildings and acquisition of five (31/12/2004: six) dry bulk carriers at total purchase prices of approximately HK\$934,206,000 (31/12/2004: HK\$1,283,256,000) and the total amount contracted but not provided for, net of deposits paid, was approximately HK\$840,785,000 (31/12/2004: HK\$1,076,794,000).

Contingent liabilities. As at 30 June 2005, except for guarantee amounting to 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. As at 31 December 2004, the Group had no material contingent liability not provided for.