## NOTES TO THE UNAUDITED CONDENSED INTERIM ACCOUNTS

### 1 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.

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated accounts should be read in conjunction with the 2004 annual accounts.

### 2 Changes in principal accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated accounts are consistent with those used in the 2004 annual accounts except that the Group has changed certain of its accounting policies following its adoption of new or revised Hong Kong Financial Reporting Standards ("HKFRS") and HKASs (collectively referred to as "New HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The adoption of these New HKFRS and the changes in the Group's principal accounting policies are set out below.

**(a) Fixed assets**

*(i) Drydocking costs*

Drydocking costs were previously charged to the profit and loss account when incurred. Under HKAS 16 "Property, Plant and Equipment", which is applied to previous accounting periods, when a vessel is delivered, major components which are usually replaced or renewed in connection with a drydock are depreciated over the estimated period to the first drydocking. The Group subsequently capitalises drydocking costs as they are incurred and depreciates these costs over their estimated useful lives.

## 2 Changes in principal accounting policies (continued)

### (a) Fixed assets (continued)

*(ii) Residual values*

Previously, the residual value of a fixed asset was estimated at the date of acquisition and was not subsequently amended for changes in the estimated residual value. Under HKAS 16, the residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

### (b) Financial instruments

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in changes in the accounting policies relating to the classification of available-for-sale financial assets, the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. HKAS 32 is applied to previous accounting periods, whereas HKAS 39 is not. The effects of adopting HKAS 32 and HKAS 39 are set out below.

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, jointly controlled entities and associated company, as investment securities, which were stated at cost less any provision for impairment losses.

## 2 Changes in principal accounting policies (continued)

### (b) Financial instruments (continued)

The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. If a permanent impairment in value had occurred, the carrying amount of such securities would be reduced to its fair value. The impairment loss would be recognised as an expense in the profit and loss account but would be written back if there was persuasive evidence that the circumstances for the impairment had ceased.

The Group's borrowings were stated at cost.

From 1 January 2005 onwards:

The Group classifies its financial instruments in the following three categories: (i) financial assets at fair value through profit or loss, (ii) available-for-sale financial assets and (iii) borrowings. The classification depends on the purpose of these financial instruments. Management determines their classification at initial recognition and re-evaluates their designation at every reporting date.

*(i) Financial assets at fair value through profit or loss*

This category includes derivative financial instruments which are initially recognised at fair value at the date the contract is entered into and are subsequently restated at their fair value.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

*(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are stated at fair value and included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

## 2 Changes in principal accounting policies (continued)

### (b) Financial instruments (continued)

*(iii) Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or repayment of a borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (c) Share-based payments

In previous years, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group adopted HKFRS 2 "Share-based payments" whereby the fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the profit and loss account in the current period with an adjustment to the previous accounting period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity will be made over the remaining vesting periods.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the share options are exercised and when the restricted share awards are vested.

## 2 Changes in principal accounting policies (continued)

### (d) Goodwill

The adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill on acquisitions was:

– Amortised on a straight-line basis over 15 years; and
– Assessed for indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January 2005;
– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
– From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

### (e) Consolidation of special purpose entity

A special purpose entity ("SPE") is an entity whose activities are being conducted on behalf of the Company and the Company has the decision-making powers over the activities of the entity. Under the Amendment to HKAS-Int 12 "Consolidation-Special Purpose Entities", the Group consolidates an entity when the substance of the relationship between the Company and that entity falls under the definition of a SPE.

## 2 Changes in principal accounting policies (continued)

### (f) Summary of effect on adopting New HKFRS

The following table sets out the increase/(decrease) in the profit and loss and the increase/(decrease) in balance sheet items that have been made in these interim accounts following the adoption of New HKFRS.

| | Effect of adopting | | | | |
|---|---|---|---|---|---|
| | **HKFRS 2** | **HKAS 16** | | **HKAS 39** | |
| | Share-based payments# | Drydocking costs# | Residual values^ | Financial instruments^ | Total |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **(a) Condensed Consolidated Profit and Loss Account** | | | | | |
| *Increase/(decrease) in profit attributable to shareholders* | | | | | |
| *For the six months ended 30 June 2005:* | | | | | |
| Depreciation on vessels | – | (3,713) | 1,012 | – | (2,701) |
| Drydocking costs | – | 3,107 | – | – | 3,107 |
| Employee benefit expenses | (1,577) | – | – | – | (1,577) |
| Fair value gains on financial instruments | – | – | – | 5,849 | 5,849 |
| Profit attributable to shareholders | (1,577) | (606) | 1,012 | 5,849 | 4,678 |
| Effect on earnings per share – basic (US cents) | (0.12) | (0.05) | 0.08 | 0.46 | 0.37 |
| – diluted (US cents) | (0.12) | (0.05) | 0.08 | 0.45 | 0.36 |
| *For the six months ended 30 June 2004:* | | | | | |
| Depreciation on vessels | – | (1,147) | – | – | (1,147) |
| Drydocking costs | – | 1,648 | – | – | 1,648 |
| Profit attributable to shareholders | – | 501 | – | – | 501 |
| Effect on earnings per share – basic (US cents) | – | 0.05 | – | – | 0.05 |
| – diluted (US cents) | N/A | N/A | N/A | N/A | N/A |

# adjustments which take effect retrospectively

^ adjustments which take effect prospectively from 1 January 2005

## 2 Changes in principal accounting policies (continued)

### (f) Summary of effect on adopting New HKFRS (continued)

| | Effect of adopting | | | | |
|---|---|---|---|---|---|
| | **HKFRS 2** | **HKAS 16** | | **HKAS 39** | |
| | Share-based payments# | Drydocking costs# | Residual values^ | Financial instruments^ | Total |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **(b) Condensed Consolidated Balance Sheet** | | | | | |
| *Increase/(decrease) in* | | | | | |
| *As at 30 June 2005:* | | | | | |
| Fixed assets | – | 296 | 1,012 | – | 1,308 |
| Derivative financial instruments | – | – | – | 5,519 | 5,519 |
| Net assets | – | 296 | 1,012 | 5,519 | 6,827 |
| Reserves | | | | | |
| Staff benefits reserve | 3,237 | – | – | – | 3,237 |
| Retained profits | (3,237) | 296 | 1,012 | 5,519 | 3,590 |
| Equity | – | 296 | 1,012 | 5,519 | 6,827 |
| *As at 1 January 2005:* | | | | | |
| Fixed assets | – | 902 | – | – | 902 |
| Derivative financial instruments | – | – | – | (330) | (330) |
| Net assets | – | 902 | – | (330) | 572 |
| Reserves | | | | | |
| Staff benefits reserve | 1,660 | – | – | – | 1,660 |
| Retained profits | (1,660) | 902 | – | (330) | (1,088) |
| Equity | – | 902 | – | (330) | 572 |
| *As at 1 January 2004:* | | | | | |
| Net assets-Fixed assets | – | (326) | – | – | (326) |
| Equity-Retained profits | – | (326) | – | – | (326) |

# adjustments which take effect retrospectively

^ adjustments which take effect prospectively from 1 January 2005

## 3 Turnover and segment information

The Group is principally engaged in the provision of dry bulk shipping services through the operation of a large, modern and uniform fleet of handysize vessels. Revenues recognised during the six months ended 30 June 2005 are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | ***US$'000*** | *US$'000* |
| Turnover | | |
| Freight and charter-hire | **184,549** | 78,087 |
| Ship management income | **6,563** | 3,590 |
| | **191,112** | 81,677 |
| Bunkers, port disbursements and other charges | **(55,619)** | (10,057) |
| Turnover on a time charter equivalent basis | **135,493** | 71,620 |

**Primary reporting format – business segments**

As previously stated in the notes to the 2004 annual accounts, the Group had two major segments: ship chartering and ship management. However, for the six months ended 30 June 2005, the Group no longer presents a ship management segment as the Group's business is dominated by the provision of dry bulk shipping services. Ship management no longer forms a significant part of the Group's business.

**Secondary reporting format – geographical segments**

The Directors consider that the nature of the provision of dry bulk shipping services, which are carried out internationally, and the way in which costs are allocated preclude a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment information is not presented.

## 4 Capital expenditure and disposal

During the six months ended 30 June 2005, capital expenditure on vessel additions was US$77.6 million (2004: US$37.0 million). During the same period, vessels and newbuildings with a net book value of US$92.1 million (2004: nil) were disposed of, resulting in a net profit of US$12.2 million (2004: nil).

## 5 Derivative financial instruments

| | 30 June 2005 US$'000 |
|---|---|
| Interest-rate swaps | 121 |
| Bunker swap and forward contracts | 5,398 |
| Total | 5,519 |
| Less: non-current portion of bunker swap and forward contracts | (3,659) |
| Current portion | 1,860 |

*Interest-rate swaps*

At 30 June 2005, the Group had agreements with banks to hedge against three-month floating rate LIBOR ("Floating Rate") payments in connection with the Group's long-term bank loans, detailed as follows:

- A notional amount of approximately US$115 million (31 December 2004: US$121 million) with the Floating Rate capped at approximately 4.9% per annum. These agreements expire in July 2007; and

- A notional amount of approximately US$58 million (31 December 2004: US$61 million) with the Floating Rate swapped to fixed rates of approximately 3.5% per annum. These fixed rates are knocked out to the Floating Rate if the Floating Rate exceeds 5% but are capped if the Floating Rate reaches 7%. These agreements expire in July 2009.

*Bunker swap and forward contracts*

At 30 June 2005, the Group had outstanding bunker swap and forward contracts to buy approximately 81,287 metric tonnes ("mt") of bunkers at prices which range from US$165 to US$267 per mt, and which expire through December 2007. The commitments were entered into to hedge for fluctuations in bunker prices in connection with the Group's long-term cargo contract commitments.

At 31 December 2004, the fair values of interest-rate swaps and bunker swap and forward contracts comprised liabilities of US$306,000 and US$24,000 respectively.

## 6 Trade and other receivables

| | **30 June 2005 US$'000** | 31 December 2004 US$'000 |
|---|---|---|
| Trade receivables | **9,864** | 7,850 |
| Less: provision for impairment of receivables | **(546)** | (195) |
| Trade receivables – net | **9,318** | 7,655 |
| Other receivables | **8,033** | 6,434 |
| Prepayments | **3,042** | 4,081 |
| Amount due from a related company | **–** | 118 |
| | **20,393** | 18,288 |

At 30 June 2005, the ageing analysis of trade receivables is as follows:

| | **30 June 2005 US$'000** | 31 December 2004 US$'000 |
|---|---|---|
| Less than 30 days | **6,374** | 4,717 |
| 31 – 60 days | **1,259** | 1,978 |
| 61 – 90 days | **489** | 347 |
| Over 90 days | **1,196** | 613 |
| | **9,318** | 7,655 |

No credit terms are normally given to customers. In relation to voyage related trade receivables, the due date depends on the date of completion of the voyage and the finalisation of port disbursements and other voyage related charges.

## 7 Trade and other payables

| | **30 June 2005 US$'000** | 31 December 2004 US$'000 |
|---|---|---|
| Trade payables | **5,967** | 3,730 |
| Accruals and other payables | **23,871** | 24,179 |
| Receipts in advance | **6,896** | 7,406 |
| | **36,734** | 35,315 |

## 7 Trade and other payables (continued)

At 30 June 2005, the ageing analysis of trade payables is as follows:

| | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|
| Less than 30 days | **3,283** | 2,225 |
| 31 – 60 days | **504** | 346 |
| 61 – 90 days | **357** | 392 |
| Over 90 days | **1,823** | 767 |
| | **5,967** | 3,730 |

## 8 Long-term bank loans

| | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|
| Secured bank loans | **293,306** | 370,124 |
| Current portion of long-term bank loans | **(12,218)** | (36,021) |
| | **281,088** | 334,103 |

The bank loans are secured, inter alia, by the following:

(i) Mortgages over all of the Group's vessels of net book value totalling US$507,277,000 (2004: all the Group's vessels and one vessel under construction of net book value totalling US$534,200,000) and certain bank deposits of US$3,250,000 (2004: US$4,150,000);

(ii) Assignment of earnings, insurances and requisition compensations in respect of the vessels; and

(iii) Charges over the shares of certain vessel-owning subsidiaries.

## 8 Long-term bank loans (continued)

The maturity of the Group's bank loans is as follows:

| | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|
| Within one year | **12,218** | 36,021 |
| In the second year | **22,951** | 33,521 |
| In the third to fifth year | **77,577** | 97,869 |
| After the fifth year | **180,560** | 202,713 |
| | **293,306** | 370,124 |

## 9 Share capital

| | **Number of shares of US$0.1 each** | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|---|
| Authorised | **3,600,000,000** | **360,000** | 360,000 |
| Issued and fully paid | | | |
| 1,267,010,609 of US$0.1 each | **1,267,010,609** | **126,701** | 126,701 |
| 5,000,000 shares purchased by trustee of the Long Term Incentive Scheme *(Note (b))* | **(5,000,000)** | **(2,252)** | – |
| 4,799,999 shares transferred to employees under the Long Term Incentive Scheme *(Note (b))* | **4,799,999** | **2,162** | – |
| | **1,266,810,608** | **126,611** | 126,701 |

## 9 Share capital (continued)

### (a) Share options

Share options were granted to Directors, senior management and certain employees on 14 July 2004 and 5 April 2005. The exercise prices of the granted options are equal to the market prices at the respective dates of grant. The options granted vest over three years and five years respectively, as follows:

| Date of grant | Number of share options | Vesting conditions | Expiry date |
|---|---|---|---|
| 14 July 2004 | 55,500,000 | in equal amounts on 14 July 2005, 2006 and 2007 | 14 July 2014 |
| 5 April 2005 | 5,000,000 | in equal amounts on 5 April 2006, 2007, 2008, 2009 and 2010 | 14 July 2014 |

Movements in the number of share options outstanding during the six months ended 30 June 2005 and their related weighted average exercise prices are as follows:

| | **2005** | | 2004 | |
|---|---|---|---|---|
| | **Average exercise price in HK$ per share** | **Number of options '000** | Average exercise price in HK$ per share | Number of options '000 |
| At 1 January | **2.50** | **55,500** | – | – |
| Granted | **3.88** | **5,000** | 2.50 | 55,500 |
| At 30 June/31 December | **2.61** | **60,500** | 2.50 | 55,500 |

The fair value of options granted during the six months ended 30 June 2005 determined by an independent third party valuer using a binomial model was US$0.8 million (year ended 31 December 2004: US$5.9 million).

Key assumptions used in the valuation of the options granted on 14 July 2004 and 5 April 2005 include an expected dividend yield of 8% per annum, volatility of share price of 50% per annum, a risk-free rate of interest of 4% and 4.14% per annum on the respective grant dates and that the employees will exercise their share options if the share price is 100% above the exercise price. The volatility rate is based on the historical volatility of entities with similar businesses to the Group.

## 9 Share capital (continued)

### (b) Restricted share awards

Following the approval of shareholders at a special general meeting on 8 June 2005, the Company's share option scheme (now called the "Long Term Incentive Scheme" or "LTIS") was amended to allow the Company to award restricted shares and restricted units as an alternative or in addition to granting share options. The trustee of the LTIS (which under New HKFRS is regarded as a SPE of the Company) subsequently acquired five million shares of the Company on the Stock Exchange of Hong Kong Limited ("Stock Exchange") at a total cost of US$2,252,000 of which 4.8 million share awards were granted to certain employees on 8 June 2005. The shares granted were then transferred to the employees leaving 0.2 million shares held by the trustee at 30 June 2005.

The awards granted vest over a period of three or five years as follows:

| **Number of share awards** | **Vesting conditions** |
|---|---|
| 3,333,333 | in equal amounts on 5 April 2006, 2007, 2008, 2009 and 2010 |
| 1,466,666 | in equal amounts on 30 November 2005, 2006 and 2007 |

The fair value of the restricted share awards granted during the six months ended 30 June 2005 was determined with reference to the market price of those shares at the date of grant.

## 10 Direct costs

| | **Six months ended 30 June** | |
|---|---|---|
| | **2005** | 2004 (restated) |
| | ***US$'000*** | *US$'000* |
| Charter-hire expenses on vessels | **11,877** | 6,944 |
| Vessel operating costs | **14,176** | 7,003 |
| Depreciation on vessels | **15,351** | 6,402 |
| Shore-based overheads | **10,111** | 2,944 |
| Cost of marine products sold and consulting services | **1,884** | 496 |
| | **53,399** | 23,789 |

## 10 Direct costs (continued)

Vessel operating costs comprise all technical expenses that are incurred in operating a vessel. These include crew expenses, cost of stores and spare, parts supplied, repair and maintenance expenses, insurance and other miscellaneous running costs.

## 11 Operating profit

Operating profit is stated after crediting and charging the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 (restated) |
| | ***US$'000*** | *US$'000* |
| Crediting: | | |
| Gain on disposal of fixed assets | **12,221** | – |
| Charging: | | |
| Depreciation | **15,675** | 6,479 |
| Employee benefit expenses | **11,875** | 3,758 |
| Operating lease expenses on | | |
| – vessels | **11,877** | 6,944 |
| – land and buildings | **825** | 170 |

## 12 Finance costs

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | ***US$'000*** | *US$'000* |
| Interest on bank loans | **8,027** | 2,354 |
| Amortisation of loan arrangement fees | **74** | 82 |
| Other finance charges | **119** | 37 |
| Fair value gains on financial instruments: | | |
| – interest-rate swaps | **(427)** | – |
| – bunker swap and forward contracts | **(5,422)** | – |
| | **2,371** | 2,473 |

## 13 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | ***US$'000*** | *US$'000* |
| Current taxation | | |
| Hong Kong profits tax | **425** | 135 |
| Overseas tax | **95** | 9 |
| Deferred taxation relating to the origination and reversal of temporary differences | **–** | 3 |
| | **520** | 147 |

## 14 Dividends

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | ***US$'000*** | *US$'000* |
| *Dividends attributable to the previous financial year, approved and paid during the interim period:* | | |
| Final dividend in respect of the financial year ended 31 December 2004 of HK$0.16 (equivalent to US$0.02) per share (year ended 31 December 2003: nil) | **25,990** | – |
| *Dividends attributable to the interim period:* | | |
| Interim dividend declared and paid after the interim period | | |
| – proposed of HK$0.30 (equivalent to US$0.038) per share *(Note (a))* | **48,731** | – |
| – payable to shareholders of the Company immediately prior to listing of US$0.02 per share *(Note (b))* | **–** | 18,347 |
| Dividend declared by companies now comprising the Group to the then shareholders | | |
| – paid | **–** | 18,902 |
| – payable | **–** | 12,563 |
| | **74,721** | 49,812 |

*Notes:*

(a) The dividend, which was declared on 5 September 2005, was 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 2005.

(b) On 14 July 2004, the Directors declared an interim dividend of US$0.02 per share to the Company's shareholders on the morning of the date of listing, not including the public shareholders.

## 15 Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the six months ended 30 June 2005, excluding the shares held by the trustee of the Long Term Incentive Scheme.

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 (restated) |
| Profit attributable to shareholders (US Dollars) | **85,503,000** | 43,574,000 |
| Weighted average number of ordinary shares in issue (thousands) | **1,266,600** | 908,453 |
| Basic earnings per share | **US6.75 cents** | US4.80 cents |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders and the weighted average number of shares in issue during the six months ended 30 June 2005 after adjusting for the number of potential dilutive ordinary shares granted under the Company's Long Term Incentive Scheme.

| | **Six months ended 30 June 2005** |
|---|---|
| Profit attributable to shareholders (US Dollars) | **85,503,000** |
| Weighted average number of ordinary shares in issue (thousands) | **1,266,600** |
| Adjustments for share options (thousands) | **17,000** |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **1,283,600** |
| Diluted earnings per share | **US6.66 cents** |

No information in respect of diluted earnings per share for the six months ended 30 June 2004 was presented as the Company had no potential dilutive shares.

## 16 Commitments

### (a) Capital commitments

| | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|
| Contracted but not provided for in relation to vessel acquisitions and shipbuilding contracts | **64,460** | 105,705 |

### (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:

| | **Land and buildings** *US$'000* | **Vessels** *US$'000* | **Total** *US$'000* |
|---|---|---|---|
| At 30 June 2005 | | | |
| Not later than one year | **1,420** | **33,145** | **34,565** |
| Later than one year but not later than five years | **1,534** | **76,139** | **77,673** |
| Later than five years | **–** | **13,255** | **13,255** |
| | **2,954** | **122,539** | **125,493** |
| At 31 December 2004 | | | |
| Not later than one year | 960 | 17,600 | 18,560 |
| Later than one year but not later than five years | 1,663 | 16,733 | 18,396 |
| | 2,623 | 34,333 | 36,956 |

## 16 Commitments (continued)

### (b) Commitments under operating leases (continued)

*(ii) The Group as the lessor*

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

| | **30 June 2005** *US$'000* | 31 December 2004 *US$'000* |
|---|---|---|
| Not later than one year | **51,136** | 40,440 |
| Later than one year but not later than five years | **27,400** | 17,859 |
| | **78,536** | 58,299 |

## 17 Significant related party transactions

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

### (a) Purchases of services

| | **Six months ended 30 June** | |
|---|---|---|
| | **2005** *US$'000* | 2004 *US$'000* |
| Insurance premium paid to Sun Hing Insurance Brokers Limited ("Sun Hing") *(Note)* | **247** | 126 |

*Note:* The Group has entered into certain insurance contracts through Sun Hing, a related company in which 35% of its shareholding was held indirectly by Simon K.Y. Lee, a Director and a shareholder of the Company.

## 17 Significant related party transactions (continued)

### (b) Key management compensation

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | ***US$'000*** | *US$'000* |
| Salaries and other short-term benefits | **4,013** | 852 |
| Post-employment benefits | **77** | 11 |
| Share-based payments | **1,070** | – |
| | **5,160** | 863 |

## 18 Events after the balance sheet date

Subsequent to 30 June 2005, the Group entered into the following agreements:

(1) Sale and bareboat charter back with third parties in relation to five vessels dated 18 August 2005. The simultaneous transactions to charter these vessels back for a fixed period of 10 years will be classified as finance leases. The aggregate finance lease proceeds were US$100 million which were intended to be used to repay existing bank borrowings secured on the five vessels and to prepay other bank borrowings.

(2) Sale and time charter back with third parties in relation to three vessels dated 24 to 26 August 2005. Following the delivery of these vessels, the Group's fixed assets will decrease by the carrying value of these vessels in the accounts at the date of disposal. The simultaneous transactions to charter these vessels back will be classified as operating leases with the charter-hire payments to be accounted for as operating lease expenses during the charter period. The aggregated net proceeds of these transactions were US$38.9 million.

## 18 Events after the balance sheet date (continued)

(2) (continued)

In conjunction with the Group's ordinary chartering arrangements that took place after 30 June 2005 and as a result of the above transactions, the Group had future aggregate minimum lease payments for vessels under non-cancellable operating leases as follows:

| | **Not later than one year** | **Later than one year but not later than five years** | **Later than five years** | **Total** |
|---|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| At 31 August 2005 | 42,173 | 135,361 | 47,184 | 224,718 |

(3) Purchase of second-hand vessel and a newbuilding from third parties on 24 August 2005 and 29 August 2005 respectively. Following the delivery of these two vessels, the Group's fixed assets will increase by US$45.8 million.

## 19 Comparatives

Certain comparative figures have been reclassified with an objective to achieve a fairer presentation of the Group's activities and to conform to current presentation. They include turnover, other net gains, direct costs and finance costs.