

RESULTS

The consolidated turnover of the Company and its subsidiaries (the "Group") for the year ended 31 December 2000 amounted to HK\$699,458,000, representing a fall of 4% from the consolidated turnover of HK\$731,589,000 in 1999. The Group's consolidated net loss for the year, after making provision of HK\$157,579,000 for unrealized permanent diminution in value in fixed assets, was HK\$28,723,000 as compared with HK\$46,213,000 for the previous year. The basic loss per share for the year was HK5.46 cents as compared with HK8.78 cents for 1999.

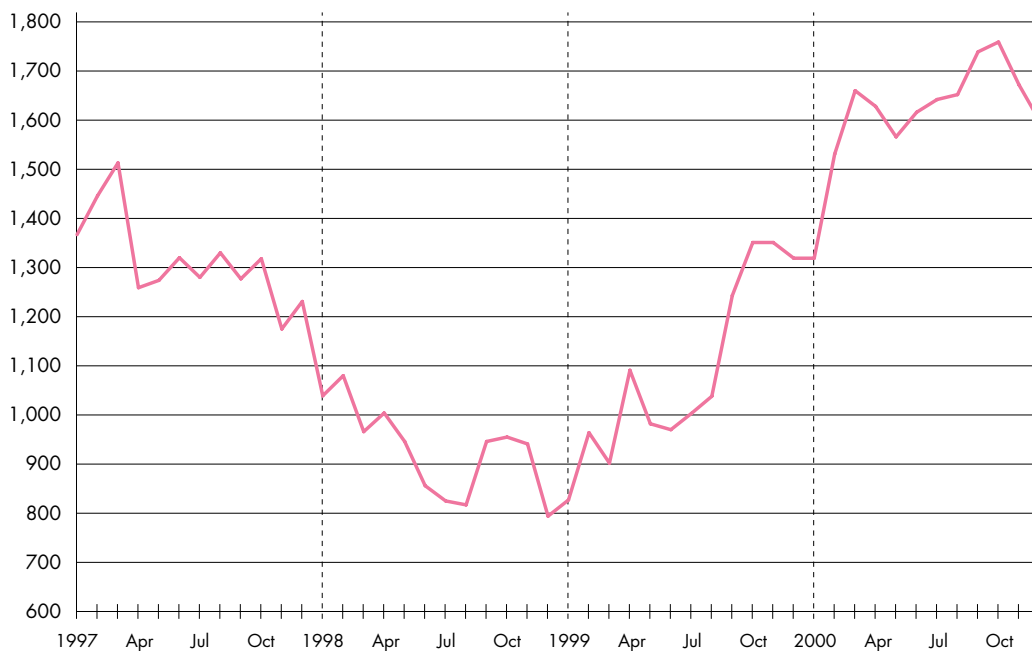
DIVIDENDS

The board of directors (the "Board") has resolved not to recommend the payment of any final dividend for the year (1999: Nil). As interim dividend has also not been declared in the year (1999: Nil), there will be no dividend distribution for the whole year of 2000 (1999: Nil).

BUSINESS REVIEW

Chartering freight and hire. During the year, a significant increase in the shipments of iron ore which is always the driving force for the global dry bulk market brought a surge in the market interest and sentiment. Coupled with a rise in coal and grain shipments, the demand outpaced new deliveries. This resulted in a prominent recovery of the freight market, driving up the Baltic Freight Index by 280 points to close at 1599 at the end of 2000.

Baltic Exchange Freight Index



Chairman's Statement

Under the circumstances, the Group's shipping operations experienced a growth in both activity level and revenue. The turnover attributable to the shipping operations increased by 13% from that of the previous year to HK\$413,699,000, accounting for about 59% of the consolidated turnover of the Group for the year. Profit from operations for the year which amounted to HK\$54,103,000 represented a turnaround from a loss from operations of HK\$40,295,000 incurred in 1999. The improvement in results from operations was attributed by, apart from increased business activity, streamlined operations and tightened cost controls.

Nevertheless, the overall profit was offset by an unrealized and non-recurrent provision of HK\$92,930,000 made for permanent diminution in value in motor vessels and improvement during the year. A provision amounting to HK\$64,649,000 was also set aside for the same purpose for properties. After due consideration, the Group decided that for prudence sake it was appropriate to write down its fixed assets to their recoverable amounts as at 31 December 2000. Unless there are unforeseeable and substantial adverse changes in the future economic and operating environment in which it operates, the Group expects that further material permanent diminution in value in the said fixed assets would not be required.

During the year, the Group continued to concentrate on its shipping operations. In June 2000, the Group entered into a contract to acquire a dry bulk carrier of a deadweight tonnage 50,700 metric tons at a consideration of approximately HK\$163,020,000 for delivery by September 2002. Together with other six newbuildings the Group ordered since August 1997, the Group's fleet capacity of owned vessels will increase by approximately 401,500 metric tons upon full deliveries. Among these newbuildings, motor vessels "Jin Hui" and "Jin An" were delivered in mid 2000 as scheduled.

While the Group's expertise remained in Asia, by deploying a flexible and responsive sales strategy as well as an efficient fleet of vessels, the Group managed to serve a more balancing portfolio of customers geographically during the year.

Trading, transportation, warehouse and direct investments in China. The financial performance of the Group's chemical trading business remained stable during the year. The chemical trading operation reported a turnover of HK\$281,294,000 for the year, representing about 40% of the Group's consolidated turnover. Meanwhile, a profit which was fairly the same as that of last year was recorded. On the other hand, the Group's interest in commodity trading activities, together with other investments in transportation, warehouse and direct investments in China, was scaled back during the year.

Whilst the Group was keen on capitalizing the synergy among its core shipping, commodity trading and transportation-related activities, the difficulties experienced in recent years, among other things, in the collection of debts relating to the commodity trading and investment returns rendered it necessary for the Group to take a very conservative and cautious attitude towards these activities. In line with this strategy and in view of unsettled market conditions, the Group rationalized its commodity trading and other investments during the year by either allocating less resources or discontinuing/disposing them altogether as appropriate.

On the whole, the operating results of the Group's businesses in trading, transportation, warehouse and direct investments in China improved from a loss in 1999 to a profit of HK\$18,594,000 for the year, due primarily to a reduction in bad and doubtful debts provisions for commodity trading receivables and toll income.

Others. In respect of the proceedings taken against certain defendants seeking orders for specific performance and damages in relation to their failure to subscribe for the shares in Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 50.9% owned subsidiary of the Company, the Company entered into various settlement agreements with the defendants during the year at a consideration of HK\$57,200,000 in full and final settlement of the claims in the proceedings. Had the shares been subscribed as agreed, the subscription moneys would have been paid to Jinhui Shipping. The Company therefore entered into a deed of assignment with Jinhui Shipping pursuant to which the Company assigned to Jinhui Shipping all sums receivable thereunder after retaining certain sums to cover expenses and administration costs incurred in connection with the proceedings.

During the year, the security markets were volatile. The bullish sentiment in the first half of 2000 did not last long, and was followed by a market downturn subsequently. In this connection, the Group restructured its short-term investment portfolio by placing more investments in fixed income instruments during the year. Nevertheless, the Group's short-term investments in listed equity and debt securities incurred a loss for the year which reduced the exchange profit derived from the Group's foreign currency exposures considerably.

The foreign currency exposures were mainly derived from the Group's commitments and borrowings in Japanese Yen in relation to newbuildings payments. In this respect, the Group concluded some of its newbuildings agreements including the one contracted during the year in U.S. dollars, the currency in which most of the Group's operating income is denominated, to reduce its exposures to fluctuation in exchange rates. In addition, the Group held a number of hedging instruments to cover its currency exposures to the extent that the cost for obtaining such a cover justified the risk mitigated.

As at 31 December 2000, the Group had approximately 150 employees. Staff costs which mainly comprised salaries and year-end bonuses amounted to HK\$42,334,000 for the year. The Group has a share option scheme; details of which are set out in note 20 to the financial statements.

FINANCIAL REVIEW

The Group's bank borrowings as at 31 December 2000 was HK\$345,953,000, an increase of 136% over the last year. The increase was primarily due to the bank loans drawn upon the deliveries of motor vessels "Jin Hui" and "Jin An" during the year. The gearing ratio as calculated on the basis of the total liabilities over the shareholders' funds increased from 53% at the end of 1999 to 100% at the end of the year accordingly. With regard to the remaining undelivered newbuildings, the Group had capital expenditure commitments, net of deposits paid, of approximately HK\$713,324,000 as at 31 December 2000. Taking account of its cash resources and undrawn committed banking facilities, the Group is confident that it would have adequate funding to meet its commitments as well as to serve its debts on time.

Chairman's Statement

As at 31 December 2000, some of the Group's fixed assets, deposits and short-term security investments with aggregate carrying value of HK\$729,814,000 were pledged to secure loan and credit facilities utilized by the Group. Except for certain guarantees amounting to HK\$506,000 granted by the Company's subsidiaries to third parties in their ordinary course of businesses, the Group had no other contingent liabilities at the end of the year.

OUTLOOK

The Group operates in one of the most open, dynamic and challenging market in which shipping activities are heavily dependent on the global economic performance. Whilst a slowdown in the U.S. economy and stagnation in Japan would result in a less favourable economic environment, the outlook in the shipping sector remains cautiously optimistic owing to a healthy growth in the European markets and a persistent recovery in China. In particular, the probable accession of China to the World's Trade Organization will open up more opportunities for the Group to develop.

With such an economic prospect and an expected growth in coal and grain shipments in 2001, the Group is confident that there would be sufficient demand to meet its tonnage commitments and to fill its additional capacity upon deliveries of two motor vessels "Jin Li" and "Jin Fu" in the first half of 2001. Looking ahead, based on its experience, competence and network developed from the past, the Group will continue to solidify and strengthen its position in the global shipping market with particular emphasis on productivity, fleet flexibility and cost efficiency. While the Group remains its business focus on shipping and chemical trading operations, it will capture every opportunity to re-activate its interests and to explore new investments in other businesses in a selective and prudent manner. Overall, the Group believes that it would be able to benefit from the market recovery and back on the right track for further growth and enhancement.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to my colleagues on the Board for their valuable contribution and to the staff members of the Group for their hard work, commitment and dedication throughout the year.

Ng Siu Fai
Chairman

Hong Kong, 3 April 2001