

MANAGEMENT DISCUSSION AND ANALYSIS



The information given below does not form part of the financial statements audited by Ernst & Young, international auditors of the Group, which are set out on page 39 to page 87 of the annual report of the Company.

Business Results Review :

In 2000, the worldwide shipping industry made a great recovery, whilst the domestic economy was stable. The Group, seizing the market opportunity, reallocated the Group's fleet, strictly controlled its costs and strengthened its management. The Group developed steadily and its business increased on a constant basis.

For the year ended 31 December 2000, the volume of cargo carried by the Group decreased from 78.4 billion tonne-nautical miles in 1999 to 75.4 billion tonne-nautical miles, representing a decrease of 3.8%. The Group's turnover in 2000 was RMB3.19 billion, representing an increase of 2.6% from RMB3.11 billion in 1999. Profit before tax and attributable to shareholders, were RMB325,014,000 and RMB281,967,000 respectively, representing increases of 103.4% and 122.2% over 1999.

Crude oil and refined oil transportation are the key businesses of the Group. In 2000, the growth of the world economy brought about a substantial increase in oil demand. The Group organized such transportation according to market demand. The aggregate transportation volume of crude oil and refined oil handled by the Group increased by 6.3% from 31.9 billion tonne-nautical miles in 1999 to 33.9 billion tonne-nautical miles in 2000. The turnover from oil transportation increased by 10.2% from RMB 1.74 billion in 1999 to RMB1.92 billion in 2000. Such turnover of oil transportation accounted for 59% of the Group's turnover, representing an increase of 4% over that in 1999. The domestic oil transportation volume decreased by 12% from 16.8 billion tonne-nautical miles in 1999 to 14.8 billion tonne-nautical miles in 2000, due to the sharp decrease in the volume of crude oil flowing from pipes. The volume of oil transportation on international routes, however, increased by 26.5% from 15.1 billion tonne-nautical miles in 1999 to 19.1 billion tonne-nautical miles in 2000.

In 2000, demand for domestic and international coal transportation increased due to the increase in oil price. The total volume of the Group's domestic coal shipping in 2000 was 24.4 billion tonne-nautical miles, representing an increase of 16.7% from 20.9 billion tonne-nautical miles in 1999. The total volume of international coal transportation decreased sharply from 2.9 billion tonne-nautical miles in 1999 to 2.4 billion tonne-nautical miles in 2000. The total volume of the Group's domestic and international coal shipping in 2000 was 26.8 billion tonne-nautical miles, representing an increase of 12.6% from 23.8 billion tonne-nautical miles in 1999. The turnover from coal transportation increased by 9.6% to RMB980,300,000 in 2000.

In 2000, as a result of the constant decrease in the general cargo shipping demand and the occasional increase of the coal shipping demand, the total volume of general cargo shipping was 14.7 billion tonne-nautical miles, decreased by 35.2% from that of 1999. The domestic and the international general cargo shipping volume were 2.9 billion tonne-nautical miles and 11.8 billion tonne-nautical miles respectively, representing decreases of 25.6% and 37.2% over 1999. The turnover from general cargo shipment decreased from RMB 0.55 billion in 1999 to RMB 0.37 billion in 2000, representing a decrease of 32.7%.