

## REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

### Principal activities

The Company's principal activities consist of investment holding, the shipment of oil and cargoes along the People's Republic of China (the "PRC") coast and international shipment.

The principal activity of the Company's subsidiaries and associate is provision of shipping services and international container shipment. There were no significant changes in the nature of the Group's principal activities during the year.

### Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover	Contribution
	Rmb'000	Rmb'000
By activity:		
Crude oil and refined oil shipments	1,874,859	458,353
Coal shipments	947,449	144,868
Dry bulk shipments	368,539	15,537
	3,190,847	618,758
Other revenue		190,498
Administrative expenses		(162,364)
Other operating expenses		(110,896)
Profit from operating activities		535,996

	Turnover	Contribution
	Rmb'000	Rmb'000
By geographical area:		
Domestic	2,274,040	534,974
International	916,807	83,784
Other revenue	3,190,847	618,758
Administrative expenses		190,498
Other operating expenses		(162,364)
		(110,896)
Profit from operating activities		535,996

## Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 87.

The directors recommend the payment of a final dividend of Rmb0.05 per share in respect of the year to shareholders on the register of members at the close of business on 20 April 2001. This recommendation has been incorporated in the financial statements.

## Summary financial information

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2000	1999	1998	1997	1996
<b>Results</b>	<b>Rmb'000</b>	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Turnover	<b>3,190,847</b>	3,110,238	3,257,117	3,252,736	3,219,160
Operating costs	<b>(2,572,089)</b>	(2,561,877)	(2,720,624)	(2,954,563)	(2,842,161)
Gross profit	<b>618,758</b>	548,361	536,493	298,173	376,999
Other revenue	<b>190,498</b>	208,073	77,282	326,186	193,764
Administrative expenses	<b>(162,364)</b>	(203,397)	(154,289)	(146,000)	(131,396)
Other operating expenses	<b>(110,896)</b>	(86,724)	(25,268)	(639)	(1,510)

## REPORT OF THE DIRECTORS

### CONTINUED

	2000	1999	1998	1997	1996
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Profit from operating activities	535,996	466,313	434,218	477,720	437,857
Finance costs	(213,742)	(278,967)	(392,923)	(530,819)	(601,784)
Share of the profit/(loss) of an associate	2,760	(27,537)	(19,788)	(16,488)	(1,041)
Profit/(loss) before tax	325,014	159,809	21,507	(69,587)	(164,968)
Tax	(43,047)	(33,298)	(12,196)	(3,235)	(42)
Profit/(loss) before minority interest	281,967	126,511	9,311	(72,822)	(165,010)
Minority interest	-	362	1,321	(1,765)	7,545
Net profit/(loss) attributable to shareholders	281,967	126,873	10,632	(74,587)	(157,465)
Earnings/(losses) per share	9.47 cents	4.26 cents	0.38 cents	(3.01 cents)	(6.35 cents)
	31 December 2000	31 December 1999	31 December 1998	31 December 1997	31 December 1996
<b>Assets and liabilities</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>
Total assets	8,379,691	9,002,804	9,803,208	9,251,753	9,890,310
Total liabilities and minority interest	3,350,132	4,106,412	5,033,689	5,407,106	5,970,916
Net assets	5,029,559	4,896,392	4,769,519	3,844,647	3,919,394

#### Notes:

1. The consolidated results of the Group for the four years ended 31 December 1999 are extracted from the Company's 1999 annual report dated 26 April 2000, while those of the year ended 31 December 2000 were prepared based on the consolidated profit and loss account as set out on page 39 of the financial statements.

2. The earnings per share for the year ended 31 December 2000 is based on the net profit attributable to shareholders for the year ended 31 December 2000 of Rmb281,967,000 (1999: Rmb126,873,000) and 2,976,000,000 shares (1999: 2,976,000,000 shares) in issue during the year.

This summary is not part of the audited financial statements.

**Fixed assets**

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

**Capital commitments**

Details of the capital commitments of the Company and the Group as at 31 December 2000 are set out in note 32 to the financial statements.

**Subsidiaries**

Particulars of the Company's subsidiaries as at 31 December 2000 are set out in note 13 to the financial statements.

**Bank loans and other borrowings, and finance lease payables**

Particulars of the bank loans and other borrowings, and finance lease payables of the Company and the Group are set out in notes 21, 22 and 24 to the financial statements.

**Interest capitalised**

No interest has been capitalised in construction in progress during the year (1999: Nil).

**Trust deposits**

As at 31 December 2000, the Group did not have any trust deposits with any financial institutions in the PRC, nor any time deposits which could not be collected upon maturity. Nearly all of the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

## **REPORT OF THE DIRECTORS**

### *CONTINUED*

#### **Pre-emptive rights**

According to the articles of association of the Company, the existing shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholdings.

#### **Purchase, sale or redemption of listed securities of the Company**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

#### **Reserves**

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

#### **Distributable reserves**

As at 31 December 2000, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under generally accepted accounting principles in Hong Kong, amounted to Rmb176,465,000. In addition, according to the Company Law of the PRC, an amount of approximately Rmb1,562,588,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

#### **Major customers**

In the year under review, the five largest customers of the Group accounted for approximately 27% (1999: Less than 30%) of the Group's total turnover in 2000. As far as the directors are aware, none of the directors, their associates nor any shareholders, which to the knowledge of the directors own 5% or more of the Company's shares, had any beneficial interests in the five largest customers of the Group.

## **Major suppliers**

In the year under review, the five largest suppliers of materials and services to the Group accounted for 49% (1999: 42%) of the Group's total purchases. The largest supplier is a subsidiary of China Shipping (Group) Company ("China Shipping", the Company's holding company), and accounted for 29% (1999: 24%) of the Group's total purchases in that year.

Another three subsidiaries of China Shipping constituted three of the remaining four largest suppliers. Except as mentioned above, as at 31 December 2000, none of the directors, their associates nor any shareholders, which to the knowledge of the directors owned 5% or more of the Company's shares, had any beneficial interests in the five largest suppliers of the Group.

## **Directors**

The directors of the Company during the year were:

### ***Executive directors:***

Mr. Li Kelin  
Mr. Li Shaode  
Mr. Wang Daxiong  
Mr. Xu Zuyuan  
Mr. Yan Mingyi  
Mr. Zhang Denghui (appointed on 18 August 2000)  
Mr. Yu Zenggang  
Mr. Zhang Mingzhong (resigned on 18 August 2000)  
Mr. Wang Kangtian (appointed on 18 August 2000)  
Mr. Yang Huocai (resigned on 18 August 2000)

### ***Non-executive directors:***

Mr. Shen Kangchen  
Mr. Zhang Qi

Subsequent to the balance sheet date, Mr. Yu Zenggang resigned as a director of the Company on 29 March 2001. Besides, Mr. Xue Qingxiang was nominated to be a director of the Company on 29 March 2001 and this nomination is subject to approval of the shareholders in the forthcoming annual general meeting.

Pursuant to the Company's articles of association, the directors of the Company are appointed for a term of three years.