Chairman's Statement

RESULTS

The consolidated turnover of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 amounted to HK$864,485,000, representing an increase of 24% from the consolidated turnover of HK$699,458,000 for 2000. The Group's consolidated net loss for the year was HK$18,456,000 as compared with a net loss of HK$28,723,000 for the previous year. The basic loss per share for the year was HK3.51 cents as compared with basic loss per share of HK5.46 cents for 2000.

Affected by the downturn of the global economy, there was further impairment loss in value of the Group's assets during the year. The overall results of the Group were offset by a provision for impairment in value of fixed assets of HK$56,597,000 made during the year in addition to a provision of HK$157,579,000 which had been made last year.

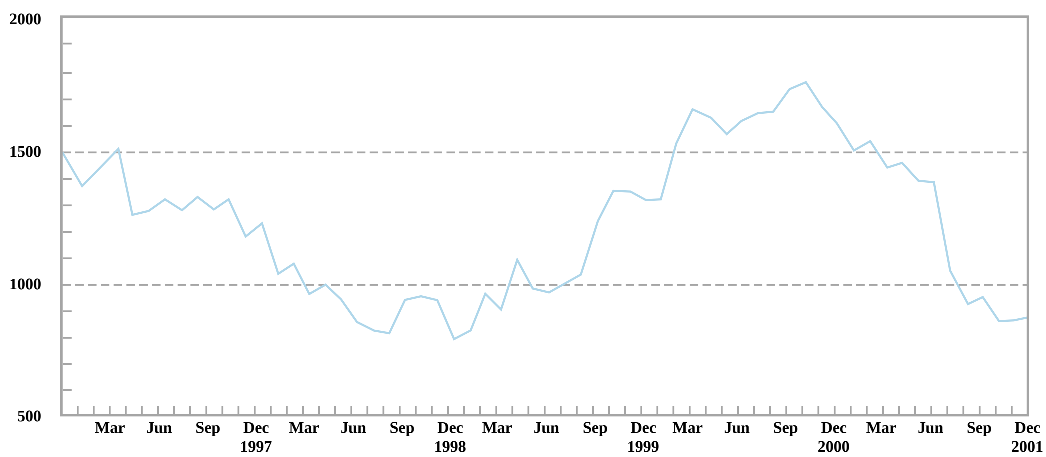
DIVIDENDS

The board of directors (the "Board") has resolved not to recommend the payment of any final dividend for the year *(2000: Nil)*. As interim dividend has also not been declared in the year *(2000: Nil)*, there is no dividend distribution for the whole year of 2001 *(2000: Nil)*.

BUSINESS REVIEW

Chartering freight and hire. During the year, the dry bulk market experienced a downturn movement in an overall bearish market. The Baltic Freight Index was at a level of about 1,600 at the beginning of the year, fell abruptly to around 1,000 in July 2001 and fell further to close at 876 at the end of the year.

BALTIC FREIGHT INDEX



BUSINESS REVIEW *(Continued)*

The shipping market was still firm and healthy with stable iron ore, coal, fertilizer and grain shipments at the beginning of the year. However, since mid of the year, the economic slowdown experienced by most major markets including the United States, Japan and European countries was more severe than expected, resulting in a much weaker market sentiment and lower rates. The pessimistic market sentiment was then further caused by, among other things, the terrorist attacks in the United States in September 2001 which had a devastating impact notably in the global economic and political environment. Other than an excess of new tonnage over scrapping, a plunge in industrial consumption and investment after the tragedy in the United States intensified the problem of surplus tonnage which accounted primarily for a drop in freight rates during the year.

The decline in freight rates exerted a negative impact on the Group's ship chartering activities as its committed tonnage was yet to be unwound. The shipping turnover was HK$613,256,000 for the year, representing an increase of 48% as compared to that of last year, partly attributable to the contributions from the delivery of two newbuildings namely "Jin Li" and "Jin Fu" respectively in February and April 2001. The Group's shipping business ran at an operating profit of HK$9,804,000 for the year, representing a decrease of 26% as compared to that of last year.

Trading and investments in China. The Group's trading activities include mainly trading of chemical products and commodity trading, while the investments in China are mainly represented by its investments in toll road operation and warehousing. Whilst the Group was keen on capitalizing the synergy among its core shipping, commodity trading and various investments activities, the difficulties experienced in recent years, among other things, in the collection of trading debts 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, the Group rationalized its commodity trading and other investments in mainland China since last year by either allocating less resources or discontinuing/ disposing them altogether as appropriate. The trading turnover for the year, which was all derived from chemical trading, was HK$248,087,000, representing a decrease of 12% as compared to that of last year.

On the whole, the Group's businesses in trading and investments in China recorded an operating profit of HK$7,093,000 as compared to the operating profit of HK$3,251,000 for 2000, primarily due to a reduction of bad and doubtful debts provision made by the Group's persisting effort in collecting the doubtful debts previously provided.

BUSINESS REVIEW *(Continued)*

Other operations. The Group's other operations recorded an operating profit of HK$40,276,000 mainly derived from the realized and unrealized exchange gain for the Group's exposure in Japanese Yen as a result of the weakening of Japanese Yen. The foreign currency exposures of the Group mainly derived from the Group's borrowings in Japanese Yen to finance the payments for newbuildings. However, it was offset by a provision for impairment loss of an investment in Hong Kong amounted to HK$11,700,000 made by the Group during the year.

FINANCIAL REVIEW

Accounting policies. The Group has changed certain of its accounting policies following its adoption of the new/revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2001. Certain comparatives previously reported have been restated to conform to the new accounting policies. Detailed changes to the Group's accounting policies and the effects of adopting these policies are set out in note 1 to the financial statements.

Liquidity, financial resources and capital structure. The deliveries of the two dry bulk vessels, namely "Jin Li" and "Jin Fu" during the year were mainly funded by bank loans. As a result, the Group's bank borrowings increased by 56% to HK$540,148,000 as at 31 December 2001 *(31 December 2000: HK$345,953,000)*, out of which HK$113,304,000 *(31 December 2000: HK$77,989,000)* is repayable within one year. All borrowing facilities are committed on a floating rate basis and are denominated mainly in US Dollars and Japanese Yen. The gearing ratio, as calculated on the basis of the total liabilities over the shareholders' funds, increased to 136% as at 31 December 2001 *(31 December 2000: 99%)*, a level which was nonetheless considered acceptable taking account of the Group's pledged deposits, bank balances and cash amounting to HK$214,995,000 *(31 December 2000: HK$131,280,000)*.

Pledge of assets. As at 31 December 2001, the Group's fixed assets of HK$891,533,000 *(31 December 2000: HK$628,272,000)*, deposits of HK$7,369,000 *(31 December 2000: HK$47,842,000)*, short-term investments of HK$19,000,000 *(31 December 2000: HK$53,700,000)* and some of the shares and chartering income of the Group's ship owning companies were pledged to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$319,992,000 for the year *(2000: HK$393,200,000)*, approximately HK$314,179,000 *(2000: HK$392,180,000)* was spent on the constructions of the Group's owned vessels.

FINANCIAL REVIEW *(Continued)*

As at 31 December 2001, the Group had capital expenditure commitments relating to the newbuilding of three *(2000: five)* dry bulk vessels. The total purchase price of these vessels was approximately HK$494,910,000 *(2000: HK$852,152,000)* and the total amount contracted but not provided for, net of deposits paid, was approximately HK$395,226,000 *(31 December 2000: HK$713,324,000)*. Taking into 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 its debts on time.

Contingent liabilities. Except for guarantees of HK$486,000 *(31 December 2000: HK$506,000)* made by the Group to third parties in their ordinary course of businesses, the Group had no other contingent liabilities.

EMPLOYEES

As at 31 December 2001, the Group employed approximately 130 staff *(31 December 2000: 150 staff)*. The Group remunerates its employees based on the performance, experience and prevailing market practices while year-end bonus are granted on a discretionary basis. Other employee benefits include retirement benefits schemes, insurance and medical cover. After the expiry of a share option scheme on 14 November 2001, the Group has not adopted any share option scheme.

OUTLOOK

Looking ahead, the bulk carrier market would continue to face an imbalance between tonnage availability and cargo requirements. However, the growth rate of tonnage from newbuilding deliveries is expected to slow down in 2002 and to certain extent, scrapping would help to ease the problem. In addition, the global bulk trade market is expected to recover gradually later this year as a result of the expected recovery of economic conditions in the United States. In the long run, a regain of full market confidence and an improvement in the health of the global economy would be the main driving forces behind a stable growth in the freight market.

With such an economic prospect, 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 newbuildings namely "Jin Tai" and "Jin Kang" in the first quarter of 2002. While focusing the businesses on shipping and chemical trading operations, the Group will remain prudent but responsive to the changing market conditions in mapping out its business and investment strategies.

APPRECIATION

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 for their hard work, commitment and dedication throughout the year.

By Order of the Board
Ng Siu Fai
Chairman

Hong Kong, 8 April 2002