Chairman's Statement

RESULTS

The consolidated turnover of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002 amounted to HK$756,179,000, representing a decrease of 13% from the consolidated turnover of HK$864,485,000 for 2001. The Group's consolidated net loss for the year was HK$62,339,000 as compared with a net loss of HK$18,456,000 for last year. The basic loss per share for the year was HK11.85 cents as compared with basic loss per share of HK3.51 cents for 2001.

The year 2002 was a difficult year for the Group in the overall bearish economic conditions. Though the freight rates picked up especially during the last quarter, the prolonged high operation costs greatly affected the shipping industry. During the year, the overall performance of the Group was also adversely affected by a provision for a claim receivable and exchange loss as a result of the drastic and unexpected rebound of Japanese Yen and weakening of United States Dollars.

DIVIDENDS

The board of directors (the "Board") has resolved not to recommend the payment of any final dividend for the year (2001: Nil). As interim dividend has also not been declared in the year (2001: Nil), there will be no dividend distribution for the whole year of 2002 (2001: Nil).

BUSINESS REVIEW

Chartering freight and hire. The start of the year was gloomy with freight rates staying low while the costs seemed inexorably to rise. During the year, the global economy still underwent slow recovery but the freight rates picked up due to strong demands. The Baltic Dry Index opened at 876, increased steadily to above 1,000 during mid of the year and then rose impressively since September 2002 to end the year at 1,738.

BALTIC DRY INDEX

BUSINESS REVIEW *(Continued)*

The increase in freight rates has a positive impact on the Group's chartering activities but the operating costs such as fuel costs and maintenance expenses still remained high throughout the year. The chartering turnover was HK$543,641,000 for the year, representing a decrease of 11% as compared to that of last year. The Group's shipping business ran at a loss of HK$3,220,000 for the year whereas a profit of HK$9,804,000 was reported last year.

Meanwhile, the Group remains its strategy of expanding well-equipped vessels. During the year, three motor vessels namely "Jin Tai", "Jin Kang" and "Jin Ping" were delivered respectively in January, March and September 2002 as scheduled. On the other hand, the Group entered into agreements during the year to dispose two 1985 built motor vessels "Jin Yi" and "Jin Sheng" which were delivered to the buyers respectively in mid November 2002 and mid January 2003.

Trading. Affected by the downturn of the economy, the turnover for the Group's trading business, mainly of industrial chemical products, was HK$209,098,000 for the year, representing a decrease of 16% as compared to that of last year. The Group's trading business recorded an operating profit of HK$5,152,000 for the year as compared to the operating profit of HK$10,333,000 for 2001.

Investments in China. The operating results of the Group's investments in China improved from a loss of HK$3,240,000 for 2001 to a profit of HK$4,854,000 for the year. It was partly attributable to a gain on termination of the investment in toll road located in Zhongshan, the People's Republic of China, upon receipt of an amount of approximately HK$15,600,000, that is, the original cost of the investment.

Other operations. The Group's other operations recorded an operating loss of HK$96,076,000 for the year. It was partly attributable to a provision of HK$30,200,000 made for a claim receivable from China Nonferrous Metals Group (Hong Kong) Limited ("CNMG") as an order for winding-up CNMG was issued by the High Court of Hong Kong on 8 May 2002. This claim receivable was transacted in 2000 whereby CNMG agreed to, inter alia, make certain cash payments (which amounted in aggregate to approximately HK$57 million) by instalments in full and final settlement of the claims against various defendants in the proceedings for specific performance and damages in relation to, inter alia, the failure of certain defendants to subscribe shares in Jinhui Shipping and Transportation Limited, an approximately 50.9% owned subsidiary of the Company. During the year, the Group also suffered from the realized and unrealized exchange loss as a result of the drastic and unexpected rebound of Japanese Yen and the weakening of United States Dollars. Contrary to year 2002, the Group's other operations for 2001 recorded a profit of HK$40,276,000 mainly derived from the exchange gain as a result of the weakening of Japanese Yen. The Group has foreign currency exposures in Japanese Yen mainly derived from the borrowings in Japanese Yen to finance the payments for the deliveries of newbuildings of motor vessels in recent years.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. The deliveries of the three dry bulk vessels, namely "Jin Tai", "Jin Kang" and "Jin Ping" during the year were mainly funded by bank loans. As a result, the Group's bank borrowings increased to HK$790,310,000 as at 31 December 2002 (2001: HK$540,148,000), of which 13%, 8%, 24% and 55% are repayable respectively within one year, one to two years, two to five years and over five years. All borrowing facilities were committed on a floating rate basis and were denominated mainly in United States Dollars and Japanese Yen. The total of the Group's pledged deposits, bank balances and cash decreased to HK$116,444,000 as at 31 December 2002 (2001: HK$214,995,000). The gearing ratio, as calculated on the basis of total borrowings over shareholders' equity, increased to 177% as at 31 December 2002 (2001: 106%). Should market conditions require, the Group would consider appropriate foreign exchange and interest rate hedging products to mitigate the Group's exposure.

Pledge of assets. As at 31 December 2002, the Group's fixed assets of HK$1,154,813,000 (2001: HK$891,533,000), short-term investments of HK$21,399,000 (2001: HK$19,000,000), deposits of HK$30,470,000 (2001: HK$7,369,000) and shares of several ship owning companies were pledged together with the assignment of chartering income of these ship owning companies to secure credit facilities utilized by the Group.

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$408,736,000 for the year (2001: HK$319,992,000), approximately HK$407,558,000 (2001: HK$314,179,000) were spent on the constructions of the Group's owned vessels.

As at 31 December 2002, the Group had no material capital expenditure commitment. As at 31 December 2001, there were outstanding capital commitments relating to the newbuildings of three dry bulk vessels at a total purchase price of approximately HK$494,910,000 and the total amount contracted but not provided for, net of deposits paid, was approximately HK$395,226,000.

Contingent liabilities. Except for certain guarantees amounting to HK$293,000 as at 31 December 2002 (2001: HK$486,000) granted by the Group to third parties in their ordinary course of businesses, the Group had no other contingent liabilities.

EMPLOYEES

As at 31 December 2002, the Group had approximately 140 full-time employees and 289 crew (2001: 130 full-time employees and 237 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits. The Group has not adopted any share option scheme during the year.

Chairman's Statement

PROPOSED SHARE CONSOLIDATION

The Board intends to effect a consolidation (the "Share Consolidation") of every 10 issued and unissued existing shares of HK$0.10 each in the capital of the Company into 1 consolidated share of HK$1.00 each. The Board believes that the proposed Share Consolidation is beneficial to the Company and its shareholders as a whole. The forthcoming annual general meeting of the Company will be convened to approve resolutions including an ordinary resolution regarding the proposed Share Consolidation. A circular containing further information on the proposed Share Consolidation and a notice of the forthcoming annual general meeting will be despatched to the shareholders of the Company together with the annual report.

OUTLOOK

The middle east war and threats from terrorists have enormous influences on the economic activities; the fundamentals of the global economy do not look promising. Although the shipping market has enjoyed greatly improved rates over the past few months, the outlook for the near future is full of uncertainty and volatility. In particular, the rise in oil prices is a concern for the shipping industry as well as other industries. A regain of business confidence and an improvement in the health of the global economy would be the main driving forces in the long run. While focusing on the core shipping business, the Group will continue taking efforts to improve efficiency, reduce the operating costs and remain conscious 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, 9 April 2003