Chairman's Statement

The shipping market staged a remarkable recovery in year 2000 and registered significantly higher freight rates in all sectors of the industry. The Group reported a profit after taxation of HK$149 million for the year compared with a loss of HK$437 million in 1999 of which HK$392 million was attributable to a provision for diminution in value of motor vessels. The Board recommends resumption of dividend payment of 8 cents per share in the form of final dividend for the year. The final dividend will be paid in cash subject to an option for the shareholders to elect receiving new shares credited as fully paid in lieu of cash.

2000 saw demand for drybulk seaborne trade grew by 5.5%, backed by a stronger than expected growth in the global economy. In particular, the sharp increase in steel production created a sudden surge in demand for transportation of iron ore and coking coal which benefited the larger Capesize and Panamax vessels. Meanwhile, supply of drybulk fleet grew by 3%. Panamax rates improved significantly over the year and spot rates on time charter basis almost doubled from September 1999 to March 2000. Rates for Handymax also increased by about 35-40% whilst Handysizes registered a smaller gain of around 25%. The Group was able to capitalize quite considerably on the strength of this market turn-around as most of its drybulk vessels were trading on spot or short term trip charter basis at the time.

As for chemical tankers, the market also experienced significant increase in rates during 2000, backed by an extremely strong clean petroleum product (CPP) market. Spot rates in certain market sector recorded gains of over 100%. Gains in rates for chemical and edible oil were less phenomenal but were still quite substantial, averaging 40% increase for the year. Contributions from chemical tankers under the Malaysian joint venture were better than expected as four out of the six tankers previously on period charter were redelivered to the joint venture during 2000 and were able to capture higher earnings in a strong market.

Since the last Annual Report, the Group has committed to time charter in one additional Panamax and two additional Handymax newbuildings with purchase option for delivery in 2002 and 2003, as an alternative to outright purchase. This will bring the Groupís commitment in similar deals to a total of eight vessels, comprising four Panamaxes and four Handymaxes. Simultaneously, the Group has also contracted to build two additional 45,000 DWT IMO II chemical tankers at Dalian Shipyard for delivery in 2003 under its 50-50 joint venture with GATX Capital Corporation. This will bring the total number of new chemical tankers committed under the joint venture to six vessels and increase the Groupís potential interest in chemical tankers to approximately 36% of its asset portfolio.

Although the shipping market has enjoyed greatly improved rates over the past 12 months, the outlook for the forthcoming 12 months is very uncertain. With a widely publicized prediction of a slow down in global economy led by declining U.S. imports and the likelihood that Japan will head towards negative growth again, the fundamentals do not look promising. Coupled with an exceptionally high level of newbuilding deliveries particularly in the Panamax sector throughout 2001, the drybulk freight rates will be under tremendous pressure for downward adjustment, the extent of which will depend largely on the state of the grain trade in 2001/2002 and the rate of scrapping of the older tonnages within the drybulk fleet. The chemical tanker should again do better than the drybulk vessels albeit a slow down in global economy will also impact negatively the chemical tanker market.

Financially the Group continues to be in a strong position and is well placed to capitalize on any opportunity which may arise in the future.

Chavalit TSAO
Chairman

Hong Kong SAR, 9 April 2001