

# leading the way to...

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I am pleased to announce that the Company and its subsidiaries performed remarkably well in 2006. Profit attributable to equity holders during the year recorded HK\$616,589,000, representing an increase of 24% as compared with HK\$496,463,000 in 2005. Basic earnings per share were HK 42.90 cents, representing an increase of 22% when compared with HK 35.04 cents in 2005.

As a token of appreciation for consistent support from shareholders, the board of directors of the Company (the "Directors" or the "Board") proposed a final dividend of HK 4.30 cents per share (2005: HK 2.10 cents) for 2006. Together with the interim dividend of HK 1.00 cent per share, the declared dividend for the whole of 2006 was HK 5.30 cents per share, giving rise to a dividend payout ratio of 12.40% (2005: 12.80%).

During the year, the Company continued to further develop its ship trading and supplying services, the core business of the Company. Through actively expanding its core business, adjusting assets mix, developing new clientele and exerting greater marketing efforts, turnover derived from ship trading and supplying services businesses has accounted for 88% of the Company and its subsidiaries' total turnover for the year.

During the year, the Company acquired a total of 24% equity interest in SORED from COSCO and Tianjin Ocean Shipping Company ("Tianjin COSCO"). The acquisition resulted in a significant contribution to the profits and added value to the Company, nonetheless the Company is committed to maintaining a strategy of developing ship trading and supplying services businesses as its core business.

### CLEAR DEVELOPMENT STRATEGIES

The Company is dedicated to implementing the strategic development plan for "ship trading and supplying services businesses" as determined by COSCO, the ultimate holding company of the Company. Based on the preliminary establishment of ship trading and supplying services (comprising ship trading agency, marine insurance brokerage, marine spare parts and coatings sector), the Company will continuously and actively seek support from COSCO, take advantage of the abundant resources held by COSCO and further adjust the assets mix and business structure in pursuing the development of ship trading and supplying services businesses. In the meantime, the Company will explore the business with non-COSCO and overseas companies, gradually forming and consummating a large scale, standardised ship trading and supplying services platform with worldwide coverage.

# Chairman's Statement

## OUTLOOK PROSPECTS

The economic outlook for 2007 remains positive in general, with global inflation expected to stay under control, global financial markets predicted to be stable and domestic consumption anticipated to have steady growth for developed countries. However, there are unfavourable factors such as inflation risks, high oil prices, an imbalance in the global economy and dampened housing markets in the United States, which justify a moderate downward adjustment to forecasted rates of global growth.

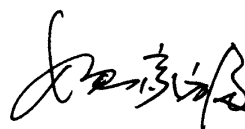
As for international shipping markets, overall demand for steel will fall as a result of decelerating growth in the global economy, with knock-on effect of a slowdown in the importation of iron ores by China. Shipping volumes remained stable for coal but decreased in the case of foodstuffs, with dry bulk shipping volumes for 2007 expected to fall below levels in 2006. On the other hand, as fewer new vessels are delivered and the number of dismantled vessels has risen, overall shipping capability, basically remains about the same. Meanwhile, global dry bulk shipping volumes for 2007 are expected to reach those of last year, with a similar likelihood emerging for average freight rates and charter hires in 2006. Continued growth is expected in global container shipping capability against the backdrop of the ongoing development of China's economy in 2007, as well as

an increase in international oil consumption and the operation of mega-container vessels. Single-hull oil tankers will be phased out gradually, while demand for bulk shipping vessels will increase. In addition, large shipping companies are expected to expand their bulk shipping and oil tanker fleets, reinforcing the view that the fundamentals of the international shipping industry remain sound, providing positive sentiment for the development of shipping enterprises.

COSCO Group now operates a fleet of more than 700 modern commercial vessels. With routes travelled to 1,300 ports and scattered in 160 countries and regions and an annual shipping volume of 300,000,000 tonnes, COSCO Group is a leading conglomerate in the international shipping industry. With the support from COSCO Group, the Company has basically transformed itself into a ship trading and supplying services-orientated enterprise. Our core business benefits from economies of scale and improvements in operational efficiency, the Company will take proactive approach in securing further support from COSCO Group in terms of business operations and asset reorganisation, which will assist in the ongoing expansion of ship trading and supplying services as the principal activity. In addition, the Company plans to pursue non-COSCO Group business, develop a competitive edge and become a main "listed vehicle" for the ship trading and supplying services businesses of COSCO Group.

COSCO and COSCO (Hong Kong) Group Limited are committed to their continued support of the Company, by injecting ship trading and supplying services related businesses and assets into the listed company. The Company will also take proactive approach to identify new investment opportunities, capitalise on synergies between various operations, explore markets diligently for both COSCO Group and non-COSCO Group companies and enhance our competitiveness in the ship trading and supplying services market. From human resources perspective, the Company plans to strengthen the composition of our management team and staff and improve the company wide mix of personnel, as well as to encourage team spirit in the implementation of the operational strategies and establish training systems to enhance the overall quality and effectiveness of the staff. In terms of our relationship with other stakeholders, the Company will strengthen internal audit and supervision, improve our compliance system, prevent risks in a proactive manner, enhance corporate governance, promote a safety-first mindset throughout the workforce, raise environmental standards, ensure the health of the personnel, maintain a sense of corporate social responsibility, improve relations with investors and continue to build up the brand and corporate image of the Company.

I would like to take this opportunity to express my sincere gratitude to the shareholders and business partners for their support and to all members of the Board and the employees for their diligent service to the Company.



**WEI Jiafu**

Chairman

Hong Kong, 11th April 2007