

stimulating growth

In 2006, the Company and its subsidiaries continued to further develop their ship trading and supplying services, the core business in pursuit of their corporate strategy. With the positive adjustment of the assets mix and disposal of non-core businesses, the Company enhanced ability to increase profitability. All of which won market recognition from investors.



By way of expanding its ship trading and supplying services businesses and disposal of part of its non-core businesses, the Company resulted in a rationalisation of its assets portfolio and an increase in profitability and market competitiveness. During the year, the Company identified “innovative management, efficient operations and quality services” as its targets and further developed and achieved robust performance in various sectors by implementing lean management practices, streamlining procedures, controlling costs, improving product quality and enhancing service levels.

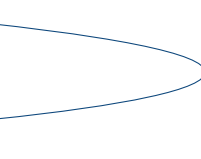
DEVELOPMENT IN CORE BUSINESS

The core business of the Company performed well during the year, with turnover from ship trading and supplying services increased by 22% as compared with 2005. Every sector seized market opportunities aggressively, with the ship trading agency services consummated high volume of transactions over the year, which resulted in a 123% increase as compared with 2005. In addition, the Company established a new benchmark in business development by setting up an insurance brokerage company in Shenzhen to enter China Mainland's insurance brokerage market. In fact, turnover from the marine insurance brokerage business increased by 13% as compared with 2005. Despite a cyclical fall in the spare parts procurement

in the first half of 2006, the Company put greater efforts in communicating with shipowners and VIP customers and achieved turnover of more than HK\$300,000,000 for the year. Sales volume and turnover from coatings business achieved high results, especially the increment in turnover of the container coatings and industrial heavy duty anti-corrosion coatings. Turnover from coatings business was HK\$1,227,719,000, representing a remarkable increase of 36% as compared with 2005.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

After acquiring a total of 24% equity interest in SORED from COSCO and Tianjin COSCO, COSCO International became one of its largest shareholders. SORED has earned a reputation as an outstanding real estate company in China Mainland, and the stakeholding of the Company is expected to contribute a steady inflow of profits.



Vice Chairman's Statement

DIVESTMENT OF NON-CORE BUSINESSES

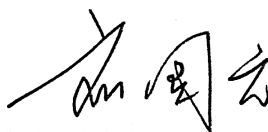
During the year, the Company disposed of interests in Henan Xinzhongyi Electric Power Co., Ltd and International Paint of Shanghai Co., Ltd, as well as properties of Kingswell Garden in Shanghai and various lots of land in Kutong, New Territories, Hong Kong. Divestment of these non-core operations enabled the Company to focus more sharply on its core ship trading and supplying services businesses. In addition, the Company entered into an agreement on 5th February 2007 with a subsidiary of COSCO (Hong Kong) Group Limited for the disposal of Shun Shing Construction & Engineering Company, Limited. The transaction was completed in March 2007.

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

The Company deeply believes that good corporate governance plays an important role to the success of the Company. During the year, the Company revised and supplemented the internal rules and regulations of the Company in accordance with the direction of the Board, implemented the improved internal control mechanism and supervisory system from time to time; drafted the regulations relating to the management of enterprises in China Mainland; enhanced the supervisory management of the enterprises in China Mainland. The Company also enhanced the internal audit on the Company and its subsidiaries in order to ensure the Company's business operations in compliance with the law. The Company set up a specialised department during the year to improve the

day-to-day relationship with investors. The Company through various channels introduced its business operations, development strategies and corporate governance which enabled the investors, fund managers and analysts to have better understanding of the Company.

2007 is the tenth year for COSCO (Hong Kong) Group Limited as the controlling shareholder of the Company. Looking forward, COSCO and COSCO (Hong Kong) Group Limited are committed to supporting the Company as before. Relying upon the abundant resource of COSCO Group, the Company will continue to explore ship trading and supplying services business, implement assets restructuring and lean management, strengthen staff composition and achieve greater operational efficiency. The Company will continue to enhance corporate governance, uphold corporate social responsibility, ensure production safety, environmental protection and health, with a view to attaining its goal of becoming a global professional and unique service provider in ship trading and supplying services.



LIU Guoyuan

Vice Chairman

Hong Kong, 11th April 2007