Chairman's Statement

RESULTS

The Group is principally engaged in the businesses of ship chartering, ship owning and trading. The consolidated turnover of the Group for the year was HK$1,550,763,000; representing a decrease of 22% as compared to that of last year. The Group's net profit attributable to shareholders of the Company for the year amounted to HK$223,192,000; representing a decrease of 58% over net profit of HK$526,862,000 for year 2005. Basic earnings per share for the year was HK$0.421 as compared to basic earnings per share of HK$0.992 of last year.

The Group achieved a satisfactory annual result for 2006. The profit for the year was partly attributable to the gain of HK$209,673,000 on the completion of the disposal of five motor vessels while the profit for 2005 was partly attributable to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party, and a gain of HK$102,855,000 on disposal of 7,900,000 shares or 9.4% interests in the then share capital of a subsidiary, Jinhui Shipping and Transportation Limited ("Jinhui Shipping").

Year 2006 was another milestone for the Group. During the year, the Group has altogether committed to purchase nine newbuildings and five second hand vessels for delivery during the years from 2006 to 2010 at a total consideration of approximately HK$3,715,087,000. As scheduled, three Supramaxes and one Panamax were delivered to the Group in 2006. As an ongoing effort to maintain a young modern fleet and putting its focus on the ownership of a sizeable Supramax fleet, the Group disposed five motor vessels in 2006, comprising two Handysizes and one Handymax built in 1980s and two modern Panamaxes, for a total consideration of approximately HK$795,990,000 and realized a gain of approximately HK$209,673,000.

According to the Group's accounting policies, all the Group's owned vessels were stated at cost less accumulated depreciation and impairment losses at each balance sheet date. Given the immense rises in market values of dry bulk carriers, the net book values of the Group's owned vessels vis-a-vis the Group's net asset value as at 31 December 2006 were greatly stated below their current market values. Based on the best estimation made by the Group, the total market value of the Group's twelve owned vessels as at 31 December 2006 was approximately HK$4,000 million as compared to their total net book value of approximately HK$2,608 million; and the total market value of the Group's eleven newbuildings under construction and three second hand vessels to be delivered was approximately HK$4,680 million as compared to their total contract price of approximately HK$3,354 million.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2006 (2005: nil). As there is no interim dividend payable during the year (2005: HK$0.19 per share), there will be no dividend distribution for the whole year of 2006 (2005: HK$0.19 per share).

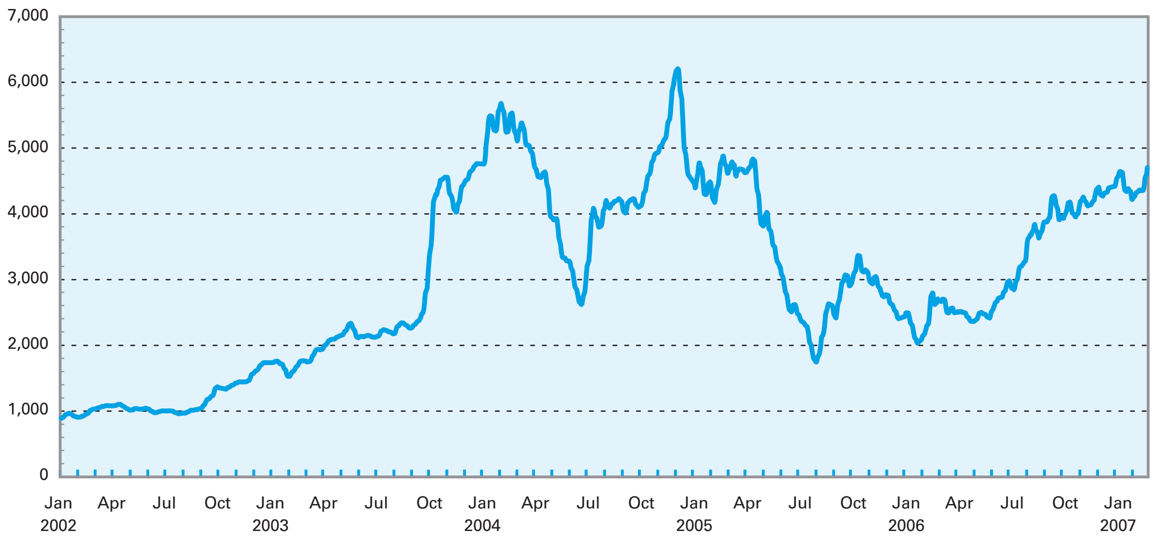
Chairman's Statement

BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping whose shares are listed on the Oslo Stock Exchange. During the year, the Company had further increased its shareholdings in Jinhui Shipping from 50.21% to 52.99% by acquiring additional 2,332,500 shares of Jinhui Shipping for approximately HK$78,751,000 at the open market in Oslo Stock Exchange. Accordingly, the minority interests of the Group in relation to Jinhui Shipping was decreased by HK$49,271,000 from 49.79% to 47.01% and the difference of HK$29,480,000 had been charged directly to retained profits with no impact on the consolidated income statement for the year.

The shipping market started in a relatively pessimistic atmosphere but then picked up during second half of the year with newbuilding contracts and long term period rates increased to record levels by the end of the year. The Baltic Dry Index opened at 2,407 and dropped to 2,033 in late January 2006, but gradually increased and reached to a high level of 4,407 in early December 2006 and closed at 4,397.

Baltic Dry Index



Source: Bloomberg

The Group's shipping turnover for the year amounted to HK1,218,001,000; representing a decrease of 27% as compared to year 2005. The Group's shipping business recorded an operating profit of HK$468,369,000 for the year; representing a decrease of 40% as compared to the operating profit of HK$779,621,000 for year 2005. The decrease in turnover and overall net profit of shipping business was mainly due to the overall decrease in freight rates during the year and was also partly offset by the operating loss of the Capesize vessels chartered-in by the Group since mid 2005 at comparatively high costs at the then prevailing market condition. The average daily time charter equivalent rate ("TCE") of our fleet decreased by 18% to US$21,555 for the year. The operating profit for the year was also partly attributable to the gain of HK$209,673,000 on the completion of the disposal of five motor vessels while the profit for last year was partly attributable to an exceptional cancellation fee income of approximately HK$156,000,000 on compensation received from a counterparty on early termination of a long term time charter party.

BUSINESS REVIEW *(Continued)*

Trading. The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company. The turnover for the Group's trading business was HK$332,762,000; representing an increase of 7% as compared to that of last year. During the year, raw material prices fluctuated significantly and remained at a level above that of 2005, resulting in a rise in cost of goods sold. However, as a consequence to prudent cost control measures, the Group's trading business recorded an operating profit of HK$16,241,000; representing an increase of 23% as compared to that of last year.

Other operations. The Group's other operations recorded an operating loss of HK$7,533,000 as compared to an operating profit of HK$76,858,000 for last year. The operating loss for the year was primarily due to the net loss on the investment in financial derivatives relating to forward foreign exchange contracts and options whereas the operating profit for 2005 was primarily due to the gain of HK$102,855,000 on disposal of 9.4% interests in the then share capital of Jinhui Shipping. In addition, the Group's investment in Shanxi Jinyao Coke & Chemicals Ltd. ("Shanxi Jinyao") which produces battery type of metallurgical coke in Shanxi Province of China continued to contribute a stable return to the Group and a dividend income of HK$10,902,000 (2005: HK$11,783,000) was attributable to the Group for the year.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure. During the year, upon receiving the net sale proceeds on completion of the disposal of five motor vessels and offset by cash used to partially finance the delivery of four additional vessels, the total of the Group's equity and debt securities, equity linked investments, bank deposits with embedded derivatives, bank balances and cash increased to HK$539,196,000 as at 31 December 2006 (2005: HK$460,815,000). The Group's bank borrowings increased to HK$1,606,916,000 as at 31 December 2006 (2005: HK$1,159,803,000), of which 11%, 9%, 27% and 53% are repayable respectively within one year, one to two years, two to five years and over five years. The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, equity linked investments, bank deposits with embedded derivatives, cash and cash equivalents) over total equity, was 49% (2005: 38%). All the bank borrowings were committed on floating rate basis and were denominated mainly in United States Dollars. Certain interest rate swap arrangements have been in place in order to mitigate the risk associated with the increase in interest rates. With cash, marketable equity and debt securities, and equity linked investments in hand as well as available credit facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of assets. As at 31 December 2006, the Group's property, plant and equipment and investment property with an aggregate net book value of HK$2,671,828,000 (2005: HK$2,079,281,000), deposits of HK$70,273,000 (2005: HK$19,610,000) placed with banks and other institution, and financial assets at fair value through profit or loss with market value of HK$41,302,000 (2005: nil) were pledged together with the assignment of twelve (2005: ten) ship owning companies' chartering income to secure credit facilities utilized by the Group. In addition, shares of ten (2005: ten) ship owning companies were charged to banks for vessel mortgage loans.

FINANCIAL REVIEW *(Continued)*

Capital expenditures and commitments. Out of the Group's capital expenditures totalling HK$1,330,565,000 for the year ended 31 December 2006 (2005: HK$1,173,839,000), approximately HK$1,303,154,000 (2005: HK$1,171,864,000) was spent on the construction and acquisition of the Group's vessels.

As at 31 December 2006, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK$3,025,123,000 (2005: HK$665,494,000), representing the Group's outstanding capital expenditure commitments to acquire eleven (2005: four) newbuildings and three (2005: nil) second hand vessels at a total purchase price of approximately HK$3,353,623,000 (2005: HK$766,738,000).

Contingent liabilities. As at 31 December 2006, the Group had contingent liabilities in respect of a guarantee of approximately HK$78,000,000 (2005: HK$78,000,000) granted to a third party in its ordinary course of businesses; and a guarantee granted by Jinhui Shipping in favour of Best Shipping Ltd. for the performance of the obligations of Bocimar Hong Kong Limited, a subsidiary of Bocimar International N.V., under an agreement dated 15 September 2006 regarding the acquisition of a vessel by Bocimar Hong Kong Limited from Best Shipping Ltd. for a consideration of approximately HK$259,740,000, and in return, a counter guarantee was provided by Bocimar International N. V. to Jinhui Shipping.

Save as disclosed above, the Group had no other contingent liabilities as at 31 December 2006.

RISK MANAGEMENT

The Group is principally exposed to various risks and uses derivative and other financial instruments in connection with its risk management activities.

Business risk. The Group is exposed to the market risk to the extent that the fluctuations in freight rates of the shipping market and prices for raw materials traded by the Group may have a negative effect on the Group's cash flows and operations.

The Group used to enter into forward freight agreements ("FFAs") in order to manage its exposures to the risk of movements in the spot market for certain trade routes. However, the management decides to focus on the core business and achieve a more secure and predictable revenue stream, the Group decides not to enter into open position in the trading of FFAs until further notice.

Credit risk. Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amount, if any, by which the counterparty's obligations exceed those of the Group. The Group will, wherever possible, enter into transactions with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on managing financial instruments.

RISK MANAGEMENT *(Continued)*

Foreign currency risk. The Group's transactions, assets and liabilities for the year ended 31 December 2006 are mainly denominated in Hong Kong Dollars and United States Dollars. The functional currency of the Company is Hong Kong Dollars. Certain of the Company's subsidiaries report in United States Dollars, which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group had outstanding capital expenditure commitments in relation to the acquisition of newbuildings in Japanese Yen which amounted to JPY21,183,000,000 as at 31 December 2006. The Group has from time to time closely monitored the foreign currency exposures, to hedge firm commitments where appropriate and for liquidity management.

Interest rate risk. The Group's exposure to interest rate risk relating to bank borrowings is closely monitored and the Group uses financial instruments to reduce the risk associated with fluctuations in interest rates. The Group had managed the interest rate exposures by entering into interest rate swaps as follows:

– US$50 million over five years up to June 2009 through cap at 4.3% with a knock out at 6.5%; and

– US$30 million over three years up to January 2007 through cap at 2.5% with a knock out at 4%.

EMPLOYEES

As at 31 December 2006, the Group had 105 full-time employees and 293 crew (2005: 107 full-time employees and 330 crew). The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

SHARE CAPITAL

During the year, the number of issued shares of the Company was decreased from 533,940,480 shares to 525,383,480 shares following the repurchase and cancellation of 9,151,000 shares of HK$0.10 each and the allotment and issue of 594,000 new ordinary shares of HK$0.10 each as a result of the exercise of options to subscribe for shares of the Company under the share option scheme of the Company.

OUTLOOK

During the year 2006 and early 2007, the Group took advantage of the robust freight environment and renewed majority of the time charter parties for the Group's fleet. By end of February 2007, 91% of the Group's twelve owned vessels is covered in 2007 by time charter parties with an average daily TCE of approximately US$24,266 and 62% in 2008 with an average daily TCE of approximately US$24,454; 41% of the Group's eight chartered-in vessels is covered in 2007 by time charter parties with an average daily TCE of approximately US$32,683 and 15% in 2008 with an average daily TCE of approximately US$24,500.

Chairman's Statement

OUTLOOK *(Continued)*

Subsequent to the year ended 31 December 2006, the Group had entered into agreements to acquire two Supramax newbuildings and a 2003-built Supramax for total consideration of JPY6,880,000,000 and US$40,500,000. This 2003-built Supramax and another 2002-built Supramax committed to acquire in 2006 were delivered to the Group in March and April 2007 respectively as scheduled.

As at date of this report, the total capacity of the Group's fleet is now around deadweight 1.5 million metric tons comprising fourteen owned vessels and eight chartered-in vessels. In addition, the Group will have additional thirteen newly built grabs fitted Supramaxes, one second hand Capesize and one second hand Handymax for delivery during the years from 2007 to 2011.

With the backdrop of world output growth expected to remain at healthy levels, continuous strong growth and raw material demand from China, India and other emerging markets, an infrastructure boom in the middle east, and increase in ton mile demand due to shifting in trade patterns, the Group expects the dry bulk market to remain robust going forward. The management of the Group firmly believes that the grabs fitted Supramax, in particular, will benefit most from the in and out bound cargoes both from China and India going forward. Having performed a series of timely acquisitions of this type of tonnage, the Group should be in an excellent position to leverage the expected firm freight environment going forward, thereby further enhancing profitability for our shareholders.

With the expectation of a healthy market outlook, the Group will continue to maintain a flexible chartering policy to achieve balance of revenue stability against spot exposure and to seek opportunistic growth in both newbuildings and second hand market.

The Group's trading business and investment in Shanxi Jinyao are expected to contribute steady returns to the Group in future.

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, 19 April 2007