

REPORT OF THE DIRECTORS

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Directors and senior management biographies

Biographical details of the directors of the Company and the senior management of the Group are provided in the Company's Annual Report.

Emoluments of directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

Service contracts of directors and supervisors

Each of the executive directors and supervisors has entered into a service contract with the Company which will expire on 17 August 2003.

The Company has not entered into any service agreement with the non-executive directors.

No director or supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of material compensation other than statutory obligation.

Management contract

Pursuant to the Services Agreement as described in note 34 (1) to the financial statements, China Shipping provided miscellaneous management and other services to the Company during the year for a total fee of Rmb42,186,000 (1999: Rmb40,307,000).

Contracts of significance

The Company has a Services Agreement with China Shipping in which China Shipping (or its subsidiaries) provides to the Company the necessary supporting shipping materials and services for the on-going operations of the Company's vessels. Further details of the transactions undertaken in connection therewith during the year are included in note 34 to the financial statements.

Substantial shareholders

As at 31 December 2000, the following shareholders held 10% or more of the share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance"):

Name	Number of shares	Percentage
China Shipping (Group) Company	1,680,000,000	56.45%
HKSCC Nominees Limited	1,237,704,299	41.59%

Directors' and supervisors' interests in contracts

As at 31 December 2000, none of the directors or supervisors had a material interest in any contract of significance to the business of the Group to which the Company, its subsidiaries, fellow subsidiaries or holding company was a party during the year.

Directors' and supervisors' interests in shares

As at 31 December 2000, none of the directors, supervisors, or their associates had any personal, family, corporate or other interests in any equity or debt securities of the Company or any associated corporations (as defined in the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Directors' and supervisors' rights to subscribe for shares or debentures

At no time during the year was the Company or any of its subsidiaries, fellow subsidiaries, associates or its holding company a party to any arrangement enabling any directors or supervisors or the spouses or children under the age of 18 of any such directors or supervisors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. No rights to subscribe for shares in or debentures of the Company have been granted by the Company to, nor have any such rights been exercised by, any person during the year and up to the date of this report.

Connected transactions

The Group had connected transactions during the year with the holding company, fellow subsidiaries, as well as related companies, which are explained in note 34 to the financial statements.

The executive directors and the non-executive directors have reviewed the connected transactions and confirmed that, during the period from 1 January 2000 to 31 December 2000, such transactions were:

- (i) conducted in the ordinary course of business of the Group;
- (ii) entered into in accordance with the terms of any agreements governing such transactions; and
- (iii) fair and reasonable so far as the shareholders of the Company were concerned.

Pension scheme

Details of the pension scheme of the Company and the employees' pension contributions charged to the profit and loss account for the year are set out in notes 4 and 29 to the financial statements, respectively.

Employee housing

According to the relevant local laws and regulations, the Group and its employees are required to contribute their respective contributions to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant obligations beyond the contributions to the said fund.

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The Company provided staff quarters to selected employees and, according to a housing reform scheme in Shanghai, arrangements were made during the year to transfer the staff quarters to employees who agreed to remain in service for a period of 10 years. As of the date of this report, most of the staff quarters have been transferred to employees on the above basis, and it is expected that transfer of the remaining quarters would be completed in the foreseeable future. The net book value of staff quarters has been reclassified as deferred staff expenditure and is amortised on a straight-line basis over 10 years, which approximates the expected service period of the relevant employees.

Compliance with the Code of Best Practice

The directors have not established an audit committee ("Audit Committee") to review and supervise the Company's financial reporting process and internal controls pursuant to paragraph 14 of Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Code of Best Practice"). However, the Company's organisational structure has, in lieu, a supervisory committee which carries out functions similar to that of an Audit Committee, the differences being that the Company's Supervisory Committee comprises three representatives (one of which shall be an employee of the Company) who are elected and removed in the general meeting of shareholders, and which reports to the general meeting of shareholders instead of the board of directors, whereas an Audit Committee is appointed amongst the non-executive directors of a company.

Except for the above, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of year, in compliance with the Code of Best Practice.

Auditors

Ernst & Young retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Kelin

Chairman

Shanghai, The People's Republic of China

29 March 2001