

***Non-executive directors:***

Mr. Shen Kangchen

Mr. Zhang Qi

Pursuant to the Company's articles of association, the directors of the Company are appointed for a term of three years.

**Directors' and senior management's biographies**

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

**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 compensation.

**Management contracts**

Pursuant to the Services Agreement as described in note 40(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Company during the year for a total fee of Rmb43,374,000 (2000: Rmb42,186,000).

## REPORT OF THE DIRECTORS

### 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 ongoing operations of the Company's vessels. Further details of the transactions undertaken in connection therewith during the year are included in note 40 to the financial statements.

The Company entered into a New Acquisition Agreement in 2001 with a fellow subsidiary, Guangzhou Maritime Transport (Group) Company Limited for the acquisition of 20 oil vessels at a consideration of approximately Rmb1,035,020,000. Further details are included in note 40 to the financial statements.

### Substantial shareholders

As at 31 December 2001, 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 (the "SDI Ordinance"):

Name	Number of shares	Percentage
China Shipping (Group) Company	1,680,000,000	56.45%
HKSCC Nominees Limited	1,242,198,299	41.74%

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### **Directors' and supervisors' interests in contracts**

As at 31 December 2001, 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 holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### **Directors' and supervisors' interests in shares**

As at 31 December 2001, 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 of Hong Kong Limited (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, jointly-controlled entities, associate or its holding company a party to any arrangement enabling any directors or supervisors or their spouses or children under the age of 18 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.

## **REPORT OF THE DIRECTORS**

### **Connected transactions**

The Group had connected transactions during the year with the holding company, fellow subsidiaries, jointly-controlled entities, associate, as well as related companies, which are explained in note 40 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 2001 to 31 December 2001, 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.

### **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.

The Company provided staff quarters to selected employees and, according to a housing reform scheme in Shanghai, arrangements were made 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, nearly all of the staff quarters have been transferred to employees on the above basis. 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 ("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 to the board of directors, whereas an Audit Committee is appointed amongst the non-executive directors of a company.

Except for the above, in the opinion of the directors, the Company complied with the Code of Best Practice throughout the accounting period covered by the annual report.

## **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

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Shanghai, the People's Republic of China

25 March 2002