

IV. Information of directors, supervisors and senior management

1. During the Reporting Period, none of the above directors, supervisors or senior management holds shares of the Company.
2. Changes in directors, supervisors and senior management of the Company during the Reporting Period
 - a. The Company held its second meeting of the 2004 board of directors on 12 March 2004, where the resignation of Mr. Li Kelin as the chairman and an executive director of the Company and the appointment of Mr. Sun Zhitang as an executive director of the Company were approved.
 - b. The Company held its third meeting of the 2004 board of directors on 13 April 2004, where Mr. Li Shaode was elected as chairman of the board of directors of the Company.
 - c. The Company held its 2003 annual general meeting on 10 June 2004, where the appointment of Mr. Sun Zhitang as an executive director of the Company was approved.
 - d. The Company held its fifth meeting of the 2004 board of directors on 18 June 2004, where the resignation of Mr. Xu Zuyuan as an executive director of the Company and the appointment of Mr. Wang Kunhe as an executive director of the Company were approved.

V. Management discussion and analysis

1. Scope of the principal businesses of the Group and its operating conditions

The principal activities of the Group include cargo shipping. Cargo shipping mainly consists of the shipment of oil and dry bulk cargoes (primarily coal) along the coast of the PRC.

During the six months ended 30 June 2004, the PRC domestic economy sustained a steady and quick improvement. The GDP growth rate was 9.7% as compared with the same period of 2003. The demand for oil and coal shipping in the domestic shipping market was strong, and the shipping capacity was short in supply. On the other hand, with the further recovery of the world economy and active international trade, combination of such factors enhanced the improvement of the international shipping market. The Group took advantage of the favourable opportunity of the steady improvement in both international and domestic shipping markets. By making readjustment to its operation strategies and shipping capacity, and by spending much efforts in controlling its operating costs, the Group made further improvement in its operating profit and fulfilled the target set by the board of directors for the first half year of 2004. The growth of the operating results of the Group continued to be strong. During the first half of 2004, the volume of cargo undertaken by the Group was 57.03 million tons, and the shipping volume was 58.917 billion tonne-nautical miles, increasing by 11.1% and 18.7% respectively as compared with the same period of 2003. The total revenue derived from shipment was RMB2.955 billion (after operation tax and supplementary duty), and the net profit was RMB886 million, increasing by 25.6% and 92.6% respectively as compared with the same period of 2003.