

公司管治報告

Report of Corporate Governance

The Company has placed much emphasis on corporate governance and accountability. The Board believes that shareholders can derive the greatest benefits from good corporate governance.

The Company has adopted the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code on corporate governance practices of the Company. To ensure compliance with the Code, the Board has recommended necessary amendments to the Company's articles of association on 6 April, 2005 so that the Articles will comply with certain provisions of the Code. The annual general meeting of the Company was convened on 30 May, 2005 to approve the amendments to the Articles so that (i) any directors appointed to fill casual vacancies of the Board will be re-elected at the first general meeting rather than at the next annual general meeting after their appointment; and (ii) each director is subject to retirement by rotation at least once every three years and any director who assumes the post of chairman of the Board or managing director is also subject to retirement by rotation.

The Directors consider that the Company has complied with the code provisions of the Code.

I. General Meeting

General meeting is the highest authority of the Company. It provides a good opportunity for direct communications and builds a sound relationship between the Board and the shareholders of the Company. In order to ensure that all shareholders of the Company enjoy equal status and are able to exercise their rights effectively, the Company holds shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. At the annual general meeting for 2006 held on 8 June 2007, eleven resolutions were passed, among which the Report of Directors for 2006, the Report of Supervisory Committee for 2006, the profit distribution plan for 2006, and the remuneration proposal of the Company's directors and Supervisors for 2007 were adopted.

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II. The Board

1. The responsibility of the Board

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. The Company elects its directors in strict compliance with the procedures for election of directors as set out in the Articles. Each director shall act in the interests of shareholders, and shall use its best endeavors to perform his/her duties and obligations as a director in accordance with all the applicable laws and regulations. Duties of the Board include: decision of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal, and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to the management for the management of the Group. In addition, the Board delegates responsibilities to committees under the Board. Details of those committees are set out in this report.

2. Composition of the Board

Executive directors:

Mr. Li Shaode (Chairman)
Mr. Ma Zehua (appointed on 30 April 2007)
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Zhang Guofa
Mr. Mao Shijia
Mr. Wang Kunhe

Non-executive director:

Mr. Yao Zuozhi (resigned on 29 March 2007)

Independent non-executive directors:

Mr. Ma Xun
Mr. Xie Rong
Mr. Hu Honggao
Mr. Zhu Yongguang (appointed on 18 January 2008)
Mr. Zhou Zhanqun

Pursuant to the Company's Articles of association, all the Directors, including non-executive Directors, are appointed for a term of three years.

Members of the Board, including the Chairman and the chief executive officer (the "CEO"), do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rule that at least one third of the members of the Board shall be independent non-executive directors. The biographies of all Directors are set out in the 2007 annual report on Pg 292 to Pg 300 and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

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3. The Responsibility of Directors

The Board ensures that each newly appointed Director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive Directors play an active role in board meetings and can make contribution to the formulation of strategies and policies and make reliable judgments on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They will play the leading role in cases of potential interest conflicts. They also serve as members of various board committees to monitor the overall performance of the Group in achieving predetermined corporate objectives and benchmarks and making reports for such performance.

4. Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 of Listing Rules). Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code.

5. Independent Non-executive Directors

The Company has appointed five independent non-executive Directors, exceed to one-third of the total number of the Directors. They are Mr.Ma Xun, Mr. Xie Rong, Mr. Hu Honggao, Mr. Zhu Yongguang and Mr. Zhou Zhanqun. The four independent non-executive Directors of the Company are professionals with extensive experience in the fields of accounting, law, shipping and ship building field respectively. Pursuant to the Articles, the Directors (including the independent non-executive Directors) are appointed for a term of three years. Each of the independent non-executive Directors has entered into a service contract with the Company, which will expire on 25 May 2009.

Independent non-executive Directors actively attended Board meetings during the reporting period and reviewed and approved connected transactions of the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its shareholders as a whole. Pursuant to Rule 3.13 of the Listing Rules, the Company has received confirmations from all independent non-executive Directors about their independence. The Company has accordingly confirmed the independence of all independent non-executive Directors.

6. Board Meetings

In 2007, the Board of Directors of the Company convened a total of 22 meetings and considered and passed 69 resolutions so as to review the financial and operating performance of the Group. The following table shows attendances at Board meeting.

Independent non-executive Directors	the rate of attendance
Mr. Ma Xun	21/22
Mr. Xie Rong	22/22
Mr. Hu Honggao	21/22
Mr. Zhu Yongguang	0/0
Mr. Zhou Zhanqun	22/22
Non-executive Directors	
Mr. Yao Zuozhi	5/6

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Executive Directors

Mr. Li Shaode	21/22
Mr. Ma Zehua	10/13
Mr. Lin Jianqing	19/22
Mr. Wang Daxiong	21/22
Mr. Zhang Guofa	21/22
Mr. Mao Shijia	22/22
Mr. Wang Kunhe	19/22

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

The principle activities of the Board in 2007 are as follows: review of the Company's annual business plan; review of the Company's annual, interim and quarterly results; review of annual profit distribution proposal; review of significant investment projects; and review of the remuneration scheme for directors and senior management of the Company.

7. Chairman and Chief Executive Officer

The posts of Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment views. The Board has appointed Mr. Li Shaode as the Chairman who is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and proper issues in a timely manner. The Chief Executive Officer, Mr. Mao Shijia, is an executive Director and is responsible for executing the business policy and decisions on management and operations of the Group.

8. The Professional Committee of the Board

In compliance with the code provisions set out in the Code, the Company has established three professional committees under the Board in 2007, including: an audit committee, a remuneration committee and a strategy committee.

a) Audit Committee:

The duties of the audit committee mainly include: the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. The Audit Committee comprises three independent non-executive Directors, Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun, in which Mr. Xie Rong is the Chairman of the committee. At least two meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2007, the Audit Committee held three meetings. The Company's independent non-executive Directors Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun all attended the three meetings. In the meetings, the Audit Committee reviewed the Company's annual and interim financial statements, and submitted its audit reports and related advice to the Board. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations.

The audit committee holds at least one meeting with the external auditor each year to discuss any issues in the course of the auditing and the management is not allowed to attend the meeting. The audit committee will first review the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the committee will not only pay attention to changes in the accounting policy and practice but also comply with the relevant requirement, under accounting policy, the Listing Rules and laws. There was no disagreement between the Board and Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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(b) Remuneration Committee

The general duties of the remuneration committee include: review of the Company's remuneration policy and assessment on performance of the Directors and senior management. The Chairman of the remuneration committee is Mr. Wang Daxiong, an executive Director of the Company. The other two members of the remuneration committee are Mr. Xie Rong and Mr. Hu Honggao, both being independent non-executive Directors of the Company. The remuneration committee of the Company has adopted terms of reference which are in line with the Code Terms of reference are as follows:

- i) Make recommendations on the remuneration of executive Directors and senior management of the Company to seek approval from the Board;
- ii) Consider the remuneration package of Directors and senior management and make recommendations on salaries and bonuses, including incentives; and
- iii) Manage and determine the share option scheme of the Company.

The Remuneration Committee met once this year. The Company's executive Director Mr. Wang Daxiong and non-executive Directors Mr. Xie Rong and Mr. Hu Honggao all attended the meeting. In that meeting, the Remuneration Committee reviewed the current emoluments of directors and senior management, and assessed their performance.

The Group's remuneration policy is based on the market practice, the qualification, duties and responsibilities of Directors and employees.

(c) Strategy Committee

The duties of the Strategy Committee include: review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns. The committee comprises of five members, and Mr. Li Shaode is the Chairman of the committee.

During 2007, the Strategy Committee met twice, advising on the fleet restructuring plan through building and purchasing vessels, selling and phrasing old ships.

On the seventh Board meeting of 2008 convened on 25 March 2008, the structure of the Company's professional committees of the Board have amended as follows:

Strategic Committee:

Li Shaode, the Chairman as the chief member;

Members: Vice Chairman: Ma Zehua, Lin Jianqing;
Directors Wang Daxiong, Zhang Guofa,
Mao Shijia, Wang Kunhe;
Independent non-executive director:
Zhu Yongguang.

Audit Committee:

Independent non-executive director Xie Rong as the chief member;

Members: Independent non-executive directors
Ma Xun, Hu Honggao,
Zhu Yongguang, Zhou Zhanqun.

Remuneration and Appraisal Committee:

Independent non-executive director Hu Honggao as the chief member;

Members: independent non-executive directors:
Ma Xun, Zhu Yongguang,
Zhou Zhanqun.

At the extra ordinary general meeting, held on 28th December 2006, approved the establishment of the nomination committee of the Company.

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9. The Establishment and Implementation of the Staff Salary System, Performance Appraisal and Incentive Mechanism

The Company has implemented the annual salary system and formulated requirements for annual salary system assessment for the operating management of its cargo vessel and oil tanker subsidiaries. The Company has not implemented the annual salary system for senior operating management of the headquarters but is gradually improving the mechanisms regarding performance appraisal, incentive and restriction. The Company has established post wages and effectiveness wages together with years of service wages, performance wages and complementary wages. Among them, post wages reflect the responsibility difference in different posts. Years of service wages reflect the difference in labour accumulation. Performance wages reflect the difference in labour contribution. Complementary wages reflect the state's special treatment. The Company wishes to adopt more effective measures in the future to continuously improve its internal management system so as to bring the incentive and restriction functions of the distribution system into full play.

10. Accountability and Audit

The management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the financial position of the Group in a true and fair way for each financial year.

When submitting quarterly results, interim and annual financial statements and announcement to shareholders, directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group. The Board of Directors is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the accounts.

The Board of Directors has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st December 2007.

Vocation International C.P.A. Co., Ltd. and Tianzhi (H.K.) C.P.A., the auditors of the Company, acknowledge reporting responsibilities in the auditors' report on the financial statements for the year ended 31st December 2007.

11. Internal Control

Through the internal audit group of the Company, the Directors reviewed the effectiveness of internal control covering all significant control of the Company and its subsidiary, including finance, operation and compliance control and risk management functions. The report prepared by the internal audit group and its findings will be submitted to the Audit Committee for circulation and to the external auditor for reference. If necessary, the internal audit group will seek approval from the Audit Committee of the findings and forward-looking audit plan submitted at the meeting of the Audit Committee.

The Board monitors its internal control system through the internal audit procedure. The internal audit group reports to the Chairman of the Audit Committee.

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The CEO will submit updated long-term strategies and objectives at Board meetings regularly. This aims to ensure all Directors are aware of the objectives pursued by the Group.

The CEO will submit quarterly results to the Board. At the meeting, the CEO will explain the analysis of the difference between actual performance and intended objectives. This helps the Board in monitoring the business operations of the Group and amending the targets when necessary.

12. Delegation by the Board of Directors

The management is authorized to carry out daily management of the Company. Department heads are responsible for various aspects of the operations.

The major corporate matters delegated by the Board to the management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

III. Supervisory Committee

The Supervisory Committee of the Company consists of three members, of which two supervisor is elected from the staff as a representative of the employees of the Company. The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of shareholders, the Company and its staff. In 2007, the Supervisory Committee convened 8 meetings, at which the Company's financial position, the significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2007, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions.

IV. Information of the domestic and international auditors of the Company

1. As approved in the EGM held on February 29,2008, the Company will no longer appoint Shanghai Zhonghua Huyin Certified Public Accountant as the Company's domestic auditor for its 2007 financial report. Instead, the Company will appoint Vocation International Certified Public Accountant Co., Ltd. as the Company's domestic auditor for its 2007 financial report. And the Company will no longer appoint Ernest & Young as the Company's international auditor for its 2007 financial report. Instead, the Company will appoint Tianzhi (H.K.) C.P.A. as the Company's international auditor for its 2007 financial report.

2. Auditor's Remuneration

China: In 2007, the Company paid an audit fee of RMB 1,120,000 to the auditor, Shanghai Zhonghua Huyin C. P.A.;

Overseas: In 2007, the Company paid Ernest & Young an audit fee of RMB2.31 million and non-audit fee of RMB0.13 million.

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V. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness, and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for the matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organizing results presentation, roadshow and telephone conference, a corporate website, investors' visits to the Company, and answering the investors' enquires, the Company's management strengthens close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company.