
SUPERVISORY COMMITTEE'S REPORT

1. Work of the Supervisory Committee

- (1) During the Reporting Period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations of the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, general manager and other senior managerial staff:
- (2) Members of the Supervisory Committee were present at the 19 meetings of the 2008 Board. The following were presented to the supervisors: the 2007 audited financial report of the Company; the proposed profit distribution plan of the Company for 2007 and the 2008 interim financial report of the Company. Through attendance at these meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.
- (3) In 2008, the Supervisory committee held eight meetings. Members of the Supervisory Committee of the Company were present at the 2007 AGM, at which the Supervisory Committee gave an account of the 2007 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. Supervisory Committee's view of the Company's operation in 2008:

- (1) The Company followed legitimate decision-making process and established a comparatively complete internal controlling system. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. In performing their duties, the directors, managers and the senior management of the Company strictly executed the resolutions passed at the annual general meeting and board meetings. As far as the Supervisory Committee is aware, the directors, managers and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties; and
- (2) During the Reporting Period, the Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2007 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2007. The audited financial reports prepared by UHY VOCATION HK CPA LIMITED and Vocation International Certified Public Accountants Co., Ltd respectively are objective and fair.
- (3) As far as the Supervisory Committee is aware, connected transactions entered into during the Reporting Period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.
- (4) On July 2007, the Group had issued 200 million convertible shares with face value of RMB100. All the money raised from the issue has been paid for the acquisition of 42 bulk carriers from China Shipping (Group) Company and its subsidiaries in 2006. The bulk carriers acquired have made positive action and made high benefit to the Group in bulk shipping during last two years.

- (5) During the Reporting Period, according to the requirements in the PRC Company Law and the CSRC, the Company improved the Regulation of the Company's Internal Controlling System. In addition, the Company also set up the management method to prevent misappropriation of funds by its controlling shareholder and other connected parties. On the basis of the company's self-examination, the Company submitted the report of the result and the improving method, which was published to the social public at the same time. The Company has improved its management structure and internal controlling system step by step.
- (6) The Company's important issues and the big investment projects were in strict compliance with relevant laws and regulations of the PRC, which will help the Company a better future and are in the interest of the shareholders, especially the public shareholders.

Kou Laiqi
Chairman of the Supervisory Committee
Shanghai, People's Republic of China
17 March 2009