
CORPORATE GOVERNANCE

Corporate governance

The Company actively improved the corporate governance of the Company and established the corporate governance system comprised of shareholders' meeting, board of directors, board of supervisors and senior management of the Company pursuant to the requirements stipulated by the China Security Regulatory Commission.

In order to comply with the requirements set out in the Governance Rules of Listing Rules issued by the China Securities Regulatory Committee and other regulations regarding amendments to the articles of association, a proposal in relation to the amendments of the Company's Articles of Association will be put forward to the 2002 AGM for approval.

The Board currently has two independent directors, accounting for 20 per cent. of the total number of directors of the Company. In accordance with the regulations in relation to the amendments of the Articles of Associations, the Company recommends that the total number of directors be decreased to nine and the number of the independent directors of the Company be increased to three when the service contracts of the directors expire on 17 August 2003.

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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 the Code of Best Practice as 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 has instead established 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.

Performance of responsibilities by the independent directors

The Company has established the independent directors' working system in accordance with the requirements set out in the Listing Rules of The Stock Exchange of Hong Kong Limited. The independent directors of the Company actively participated in the board meetings held by the Company. They reviewed and approved the material connected transactions of the Company, and provided advice on the operating strategies of the Company based on their professional knowledge. They actively contributed in protecting the overall interest of the Company and the legal rights of the shareholders of the Company as a whole.

2. The Company's independence of its holding company

The Company maintains an independent labor system, personnel and salary management. The general manager, vice general manager, chief financial officer and Company secretary all received remuneration and allowance from the Company, and none of them holds any important position in its holding company.

All capital related to the operation of the Company belongs to the Company.

The composition of the Company is separate from its holding company, and the Company has its own business addresses.

The Company has its own complete and independent businesses and independent operating capacity.

The Company has established an independent accounting department, accountant system and financial management system, and opened an independent accountant with bank

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3. Establishment and performance of appraisal and encouragement mechanism

The Company has implemented a performance appraisal and annual salary system to the managerial staff of its subsidiaries-Tramp Branch and Tanker Branch. The Company has not implemented the annual salary system to the managerial staff of its headquarters. However a performance appraisal, encouragement and restraint mechanism have been gradually put into practice. The Company has established the salary distribution system, under which the salary is comprised of post salary, efficiency salary, standing salary, result salary and subsidiary salary. Post salary represents the difference in responsibilities of post; standing salary represents the difference in length of service; result salary represents the difference in distribution to the Company; and subsidiary salary represents the special treatment granted to specific staff of the Company. The Company shall take more efficient measures to enhance the staff management and give full effect to the performance of appraisal and encouragement mechanism.