



CHINA RE

华泰保险经纪有限公司

HUATAI INSURANCE AGENCY & CONSULTANT SERVICE LTD.

Circular Ref No.: PNI1304

Date: 29 Nov 2013

Dear Sir/Madam,

Subject: Update on Expanding of Local Fishery Farms Which Brings Danger to Safe Navigation of Vessels at Lanshan port, China

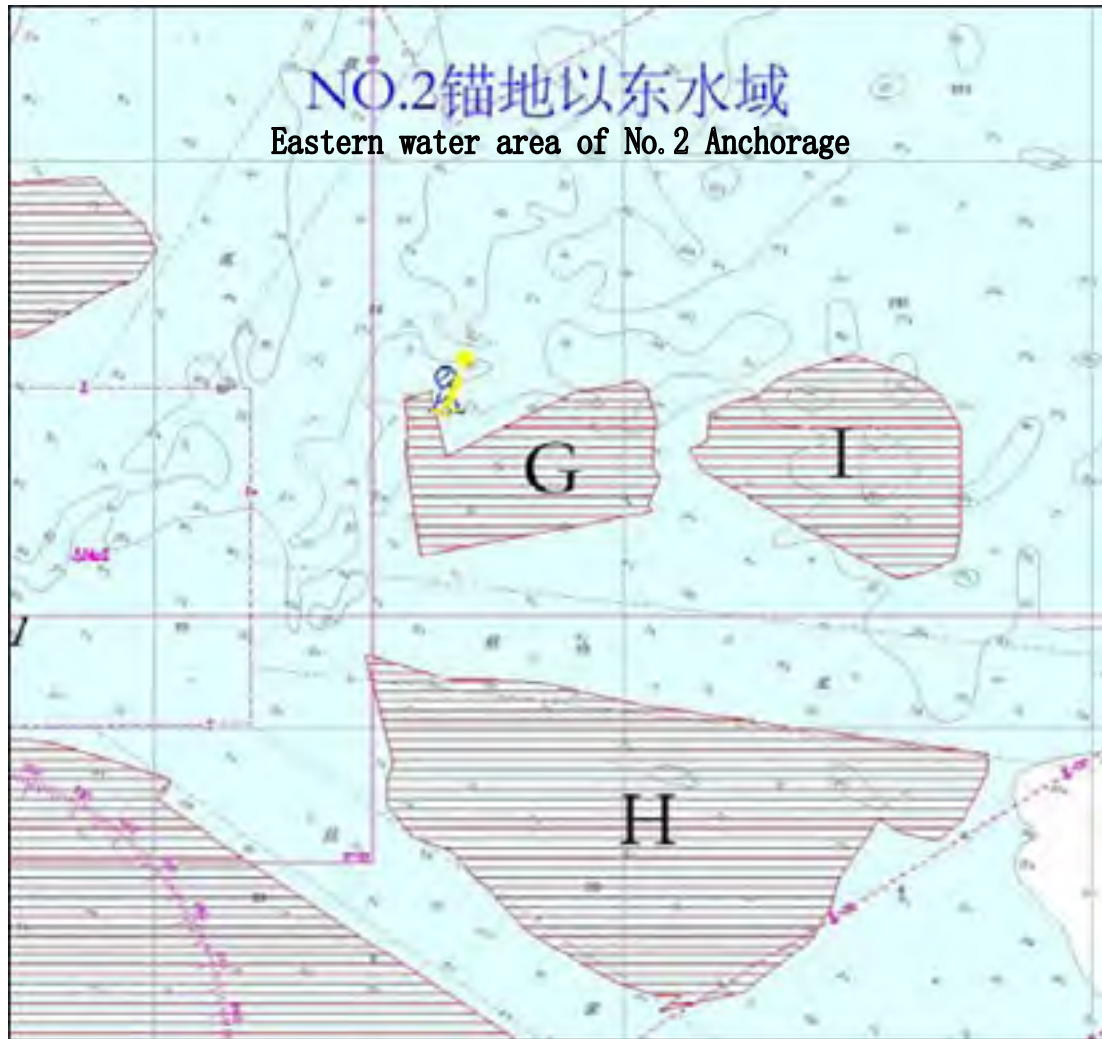
(This circular is prepared by Huatai Insurance Agency & Consultant Service Ltd., Qingdao Branch)

Reference is made to our circular (Ref No.: PNI1202) dated 5th Sep.2012 on expanding of local fishery farms around Lanshan port in China. More than one year has passed and there have been some developments on this issue which we would like to update for your kind reference.

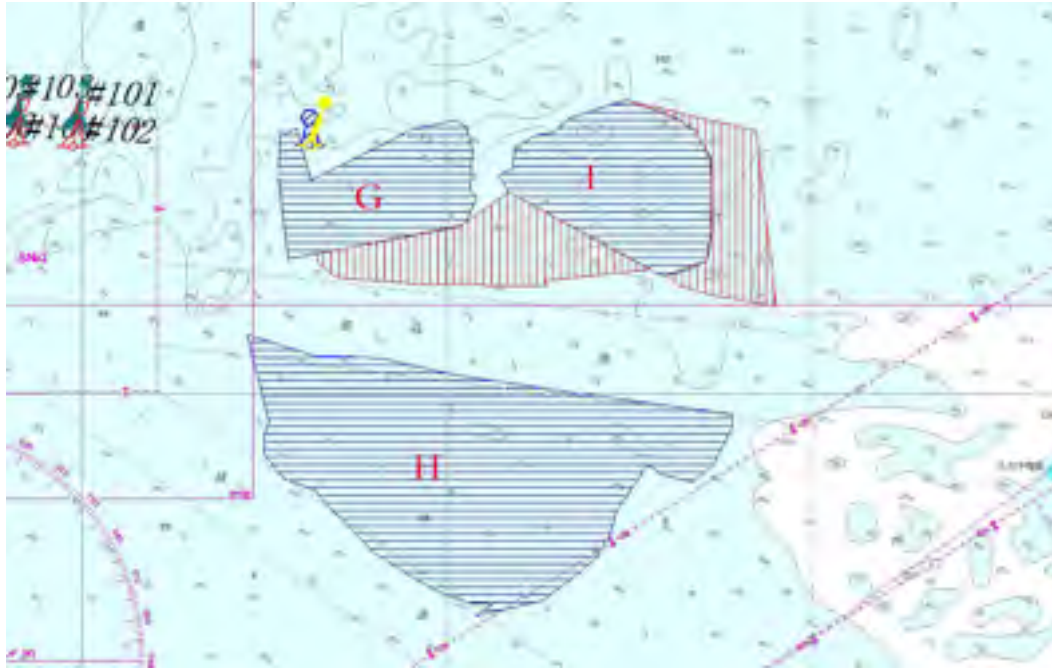
1. Current Situation of Local Fishery Farms around Lanshan Port

Recently Huatai Qingdao office has communicated with Rizhao Maritime Safety Administration (Rizhao MSA) and relevant government authorities regarding the latest situation of local fishery farms at Lanshan port and has obtained the following information:

In April 2013, Rizhao MSA arranged to inspect more than 1400 square km water area and sampled over 300 point locations to check and measure the positions of fishery farms and netting gears around Lanshan port. According to Rizhao MSA's on-site investigation, compared with the past months, though the area of fishery farms was not obviously enlarged, the amount of netting gears increased a lot. Please note the below sketch for your reference:



On 9th June 2013, after measuring the fishing farms east to the No. 2 anchorage at Lanshan, Rizhao MSA found the area of fishery farms, the major breed being mussel was expanding southward and eastward. The southern boundary, which is around 11,000 meters long, is only 110 meters to 545meters away from the eastbound and westbound navigation channel. Please note the below sketch for your reference.



The blue cross hatching part shows the area of fishing farms investigated in April. The red vertical hatching part shows the newly expanded area found in June. The specific positions of southern boundary that may influence navigation are as follows:

- | | |
|----------------------------------|----------------------------------|
| ① 35° 01. '751N, 119°38. ' 283E; | ② 35°01 ' .469 N,119°38 ' .213E; |
| ③ 35°01 ' .314N,119°38. ' 439E; | ④ 35°01 ' .273N, 119° 38' .749E; |
| ⑤ 35°01'. 230 N,119°39' .422E; | ⑥ 35°01 ' .230 N,119°39 ' .634E; |
| ⑦ 35°01 ' .221 N,119°40 ' .134E; | ⑧ 35°01 ' .208N,119°41' .408 E; |
| ⑨ 35°01 ' .249N,119°41' .341 E; | ⑩ 35°03 ' .408N,119°42' .916 E; |
| ⑪ 35°01 ' .217N,119°43' .163E; | ⑫ 35°01 ' .100N,119°43' .662 E; |
| ⑬ 35°00 ' .987N,119°44' .500 E。 | |

Remarks:

Because MSA cannot conduct on-site investigation of fishery farms frequently which involves considerable manpower and resources, and also due to the fact that there are some local fishery farmers who don't have fishery licenses or who may farm out of their licensed scope, the actual situation which is constantly changing can differ somewhat from the above sketch.

2. Causes of the Problem and Efforts that Have been Made

Earlier this month, Huatai Qingdao paid a visit to Rizhao MSA and VTS command center. As per our discussion with Rizhao MSA, we obtained the following information:

(1) Though both officially approved by relevant authorities, the boundary of

Lanshan port in Shandong Province and that of Lianyungang port in Jiangsu Province overlapped at some parts, which caused heated disputes between the two ports.

(2) Under such circumstances, the relevant authorities failed to draw a clear line between the sea areas governed by Shandong Province and Jiangsu Province respectively. Subsequently, quite a few fishery farms near the entrance of Lanshan port were approved by Jiangsu Province authorities, which caused serious problems to the navigation safety of vessels calling Lanshan and resulted in frequent accidents of vessels unknowingly entering fishing farms.

(3) We were advised that Rizhao Municipal Government has lodged an official report to upper authorities on the above situations, but no immediate progress has been known up to now.

(4) The large number of fishery farms near Lanshan port entrance has drawn great attention from Rizhao MSA. When visiting Rizhao MSA VTS Command Center, we found that the latest locations of fishery farms were marked on the radar screen and continuous watch was maintained. Meantime, the VTS Command Center has arranged many operators on duty to assist vessel's navigation when vessels are entering into and departing from Lanshan port.

In the meantime, with the wide reporting on the frequent fishing farm claims around Lanshan port in 2012 which includes Huatai circular PNI1202, we have witnessed a significant reduction in number of accidents of vessels entering into fishery farms at Lanshan in 2013. According to the statistics of MSA, there were around 100 reported accidents of this nature from June to December 2012, whilst the number reduced to around 20 from January to October 2013.

3. Recommendations on Safe Navigation

In order that claims of this kind will be further reduced, we recommend as follows for your reference:

(1) When entering into and departing from Lanshan port, vessels are recommended to follow the recommended navigation channel.

(2) It is recommended that vessels which depart from Lanshan port in new channels do not deviate from recommended channel unless necessary, especially in consideration of the dangers that will be caused by leaving the channel early before buoy No. 103. Attention should also be paid to the limited breadth when avoiding another vessel.

(3) Unless necessary, vessels should avoid crossing the area composed by the extension line of No.129 buoy (VF) and No.343 buoy (VF), the extension line of 300,000mts channel, the extension line of 101 buoy and 314 buoy and the extension line of new channel.

(4) It is recommended that vessels do not cross the intermediate zone between G fishery farms area and I fishery farms area as shown in the above sketch.

(5) Vessels are suggested to report their dynamic information to VTS before sailing to the new channel entrance so that VTS can provide assistance to safe navigation.

(6) It is very important to sail cautiously when entering into and departing from Lanshan port. If vessel has unfortunately broken into any fishery farms at Lanshan, the master is recommended to report to Owners, P&I Club immediately. Huatai Qingdao can also be contacted at the following details in order that timely and necessary assistance can be obtained:

Huatai Insurance Agency & Consultant Service Ltd., Qingdao Branch

Tel: 86 532 8502 1883

Fax: 86 532 8502 3828

Duty Mobile: 86 186 5328 9883

Email: qingdao@huatai-serv.com

We hope the above is of assistance. Should you have any query, please do not hesitate to contact us.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Shan Hong', with a long horizontal stroke extending to the right.

Shan Hong
Vice President