



CHINA RE

华泰保险经纪有限公司

HUATAI INSURANCE AGENCY & CONSULTANT SERVICE LTD.

Circular 1202

Date: 5 Sep 2012

Dear Sir or Madam,

Subject: Lanshan port, China—Expanding of Local Fishery Farms Brings Danger to Safe Navigation of the Vessels around the Area

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

Background

Since July 2012, Huatai Qingdao Office has been encountering an increased number of cases of vessels entering into fishery farms around Lanshan port, Shandong Province, China bringing about claims from farm owners thereby.

According to our investigation, in June 2012, two blocks of fishery farms were newly approved by the ocean and fishery authority, Gan Yu Ocean and Fishery Bureau of Jiangsu Province. The first block covers the area defined by the following 3 coordinates: A:35-00.6N/119-35.3E, B:34-59.7N/119-44.8E and C:34-57.5N/119-40.6E, and is located to the southeast of Anchorage No. 2 of Lanshan port; the second covers the area defined by the following 4 coordinates: 35-01.2N/119-38.8E, 35-01.2N/119-40.6E, 35-03.2N/119-40.6E and 35-03.2N/119-38.8E and is located to the east of Anchorage No. 2 of Lanshan port. As per relevant information, the fishery block No. 1 is chartered to about 20 local fishery farms owners, and the fishery block No.2 is chartered to 3 local fishery farm owners. By the way, the position of the fishery farms is changeable so our aforesaid data is only the provisional position.

The aforesaid two blocks of fishery farms are very close to the navigation channels. Once the vessel deviates from the channels, she may easily enter into the fishery farms and cause damages. We have drawn a sketch as attached for your easy reference, so that you may clearly get the exact position of the fishery farms, the No. 2 anchorage (which is the main anchorage at Lanshan port) and the channels. For sake of easy reference, we will refer to the channels affected as Route B (direction: from west to east) and Route C

(direction: from northwest to southeast), as shown in the sketch.

Notices and Sailing Direction Publication on the Chart

As per the chart (ref: BA1253), notices are stated in the chart for warning of the local fishery farms as follows:

1. "Marine Farms and Fish Traps: numerous marine farms and fish traps exist in the approaches to Lanshan Gang (35°05'N 119°30'E).
2. "DEFINED ROUTES: vessel must follow the defined route when entering and leaving Qingdao Port (35°57'N 120°44'E) and Lanshan port (35°01'N 119°39'E).

The first notice is marked to the north of Route B, covering the previously approved fishery farms, but NOT the aforesaid two new fishery farms approved this June. Anyway, in the second notice, it is advised that the defined routes shall be strictly followed for both Qingdao port and Lanshan port.

In addition, on the top of the chart, the Sailing Direction Publication gives the very clear warning:

"CAUTION. There are a large number of marine farms and fish traps with Lanshan port limits and it is extremely inadvisable to deviate from the defined route."

Temporary Notice Issued by Local MSA

Although the newly approved fishery farms were NOT marked in the chart, with regard to the fishery block No. 2, Rizhao MSA, which is the superior of Lanshan MSA, issued a temporary notice to mariners on July 27, 2012 under reference No. Lu Hang Jin 0247, in which it is advised that there are many fishery farms in the area defined by the following 4 coordinates: 35-01.2N/119-38.8E, 35-01.2N/119-40.6E, 35-03.2N/119-40.6E and 35-03.2N/119-38.8E to the east of Anchorage No. 2 of Lanshan port, which constitutes danger to navigation of vessels, and suggested that proper watch shall be maintained to avoid breaking into the farms.

In so far as we understand, fishery block No. 1 falls into the jurisdiction of Lianyungang MSA, although it actually affects Lanshan port. According to our contact with Lianyungang MSA, it is said they have asked Gan Yu Ocean and Fishery Administration to apply for issuance of notice to marines in view that the fishery farms cause danger to the navigation safety. However, Lianyungang MSA has not received such application yet so no temporary

notice has been issued for the fishery block No.1 up to now.

Cause of the Situation

In China, the local Ocean and Fishery Administration is authorized to approve use of the sea area, while the safety of navigation is governed by local Maritime Safety Administration (MSA), so that some of the approved fishery farms are so close to the channels as to endanger navigation safety.

In addition, the laws for fishery culture activities and for navigation safety are in conflict. For example, under Chinese law, it is arguable who should be the rightful subject to apply for issuance of notice to mariners.

Cause of Accidents

Although the fishery farms are very near to the channel, there is no formal notice yet regarding fishery block No. 1, so it may be somewhat difficult for the vessel to avoid such accident while entering or sailing off the port especially in the night when the visibility is poor.

In addition, judging from the recent cases we have handled, all the involved vessels deviated from the defined channel and then broke into the fishery farms. Should the vessels have sailed strictly within the defined routes, since the fishery farms are outside the channel, these accidents could have been avoided.

Possible Progress

It is said that Ganyu Ocean and Fishery Administration have further approved some other fishery farms around fishery block No. 2, but formal certificates haven't been issued yet. So the area of the fishery farms may be broadened.

Meantime, it is said that for the safety of Lanshan port, Lanshan MSA, Lanshan Government and Lanshan port authorities have the intention to clear the aforesaid fishery farms away from the channel. It is said that they are now coordinating with Gan Yu Ocean and Fishery Administration who approved this fishery block. Nevertheless, the negotiation is expected to take some time and it is hard to say when the fishery farms will be cleared.

On the other hand, we are advised Lanshan authorities will design a new channel to the north of and parallel to channel B and the entry of the new channel is near the fishery block No. 2. Insofar we understand, the new channel is just a draft now. The exact information is unavailable for the time being, such as the entry position and the direction of it.

In summary, the situation is subject to changes. We will follow the development of the situation and update in due course.

Suggestion

At this stage, we would like to recommend the following for the consideration of ship owners:

1. The area of the fishery farms is changeable. When the vessel is scheduled to call Lanshan port, it is suggested master keep close contact with the local agent to ascertain the situation of the channel. If the local agent is not able to provide professional advice, master may seek assistance from the local MSA, and VTS' instruction to the vessel should be strictly followed to avoid accident.
2. Our claim files reveal that all the involved vessels deviated from the designated channel, which resulted in the accident. So once the channel is fixed, master shall strictly sail within the channel. Any deviation from the channel may lead the vessel to fishery farms.
3. Proper watch should always be kept and safe navigation speed should be maintained. It is sensible to dispatch a crewmember to watch at the fore of the vessel once the visibility becomes poor during vessel's navigation in this sea area.
4. In the unfortunate case of any accident, the master is suggested to contact Huatai Qingdao immediately via the following, so that timely assistance could be rendered:

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

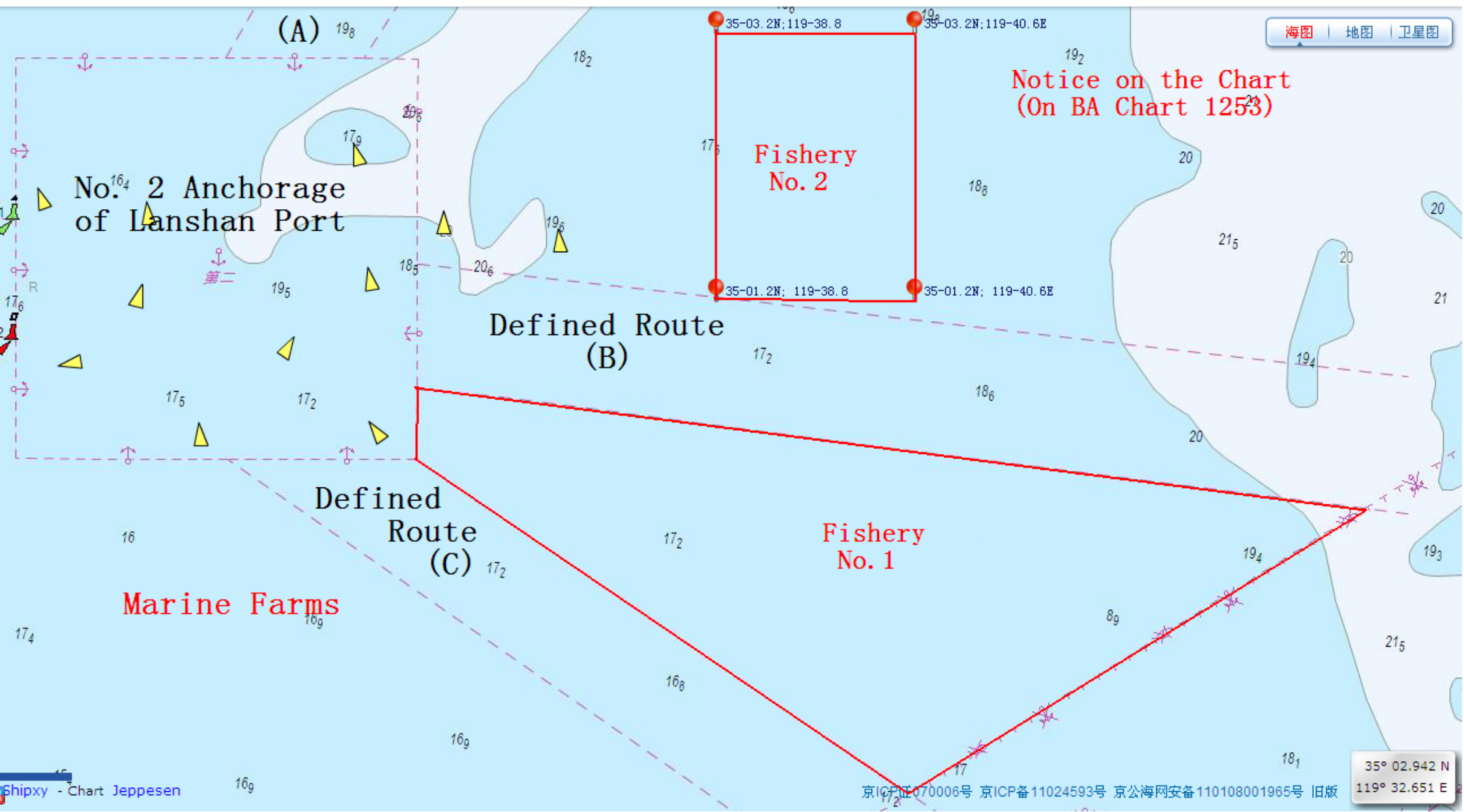
We hope the above is of assistance. Should you have any query, please do not hesitate to contact us.

Sincerely yours,



Shan Hong

Assistant President



Notice on the Chart
(On BA Chart 1253)