

## 5. Business prospects (continued)

Due to both international and domestic economic situation and the further improvement in the shipping capacity of the Group in 2005, the total shipping volume and operating revenue are expected to sustain steady growth. Meanwhile, the Group will keep an eye out for the fluctuation of fuel prices and also make much effort to control operating costs, so as to fulfil the annual operating target set by the Board.

## 6. Alert on significant change in net profit

It is expected that the accumulated net profit of the Group from January to September 2005 will increase substantially by over 50 per cent as compared with the same period of 2004. The increase was primarily attributable to the following:

- a. the domestic cargo transportation continued to grow constantly, which will be favourable to the overall operation of the Group;
- b. efforts were devoted to increase the revenue and tighten the expenditure for the Group, which have obtained significant achievements; and
- c. more shipping capacity is put into use as compared with the same period of 2004.

## V. Significant events

### (1) Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during Reporting Period.

### (2) Compliance with the Code of Corporate Governance Practices

The Company has complied throughout the half-year ended 30 June 2005 with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the Reporting Period, in compliance with the code provisions of the Code.

### (3) Audit Committee

In compliance with Rule 3.21 of the Listing Rules, the Company has established an audit committee to review the financial reporting procedures and internal control and provides guidance thereto. The audit committee of the Company comprises 3 independent non-executive Directors. The Audit Committee has reviewed the interim results of the Company during the Reporting Period.

### (4) Remuneration Committee

The remuneration Committee is headed by 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 on Corporate Governance practices contained in Appendix 14 of the Listing Rules.

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- (5) Compliance with the model code for securities transactions by Director and Staff (the "Model Code") as set out in appendix 10 to the listing rules

The Company has not adopted the "Model Code" on terms no less exacting than the required standard of the Model during the six months ended 30 June 2005. Following specific enquiry made with the Directors, supervisors and chief executive of the Company, the Company has confirmed that each of the Directors has complied with the Model Code during the six months ended 30 June 2005.

- (6) Shareholdings of Substantial Shareholders

As at 30 June 2005, the following persons held 5 per cent or more interests in the relevant class of shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance ("SFO"):

Name of shareholders	Class of shares	Number of shares	Percentage of total Number of the relevant class shares	Percentage of total number of issued shares
China Shipping (Group) Company	State-owned shares	1,680,000,000	82.76%	50.51%
HSBC Investments (Hong Kong) Limited	H shares	102,730,000 (long position)	7.93%	3.09%
J.P. Morgan Chase & Co.,	H shares	67,722,000 (long position)	5.23%	2.04%
		123,072,000 (short position)	9.50%	3.70%
		40,842,000 (lending pool)	3.15%	1.23%

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 June 2005.

- (7) Interests of directors and supervisors in the share capital of the Company

During the Reporting Period, none of the directors, supervisors, chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Section XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of directors, supervisors, chief executives of the Company or their associates had been granted or had exercised any such rights during the six months ended 30 June 2005.

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## (8) Employees

As at 30 June 2005, the Company had 5,572 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results of the Company. Save from the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

## (9) Employee housing

According to the relevant local laws and regulations, the Group and its employees are required to contribute their respective contributions to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant obligations beyond the contributions to the said fund. The Company provided staff quarters to selective employees and according to a housing reform scheme in Shanghai, arrangements were made to transfer the staff quarters to employees who agreed to remain in service for a period of 10 years. As at the end of 2002, nearly all of the staff quarters have been transferred to employees on the above basis. The net book value of staff quarters has been reclassified as deferred staff expenditure and is amortised on a straight-line basis over 10 years, which approximates the expected service period of the relevant employees.

## (10) Public float

As at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

By order of the Board  
China Shipping Development Company Limited



*Li Shaode*  
Chairman  
Shanghai, the PRC  
10 August 2005