

III. Information of directors, supervisors and senior management

1. Changes in the directors, supervisors and senior management of the Company during the Reporting Period.

The Company held its 2005 Annual General Meeting on 26 May 2006, where the appointment of the Board of Directors of the Company for the fifth term of service and the appointment of the Supervisory Committee of the Company for the fifth term of service were approved.

As at the end of the Reporting Period, the Board comprised Mr. Li Shaode, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia, and Mr. Wang Kunhe as executive directors, Mr. Yao Zuozhi as non-executive director, Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun as independent non-executive directors.

As at the end of the Reporting Period, the Supervisor Committee of the Company comprised Mr. Kou Laiqi, Mr. Xu Hui and Ms. Chen Xiuling.

During the Reporting Period, none of senior management of the Company has changed.

2. During the Reporting Period, none of the above directors, supervisors or senior management held any shares of the company.

IV. Management discussion and analysis

1. Scope of the principal businesses of the Group and its operating conditions

The Group is principally engaged in the cargo shipping business. Cargo shipping mainly consists of the shipment of oil and dry bulk cargoes (primarily coal) along the coastal region of the PRC and internationally.

During the six months ended 30 June 2006, the world economy sustained steady improvement and the scale of the world's shipping industry kept expanding. The PRC domestic economy also sustained steady improvement and the gross domestic product ("GDP") growth rate was 10.9%, as compared with the same period in 2005. In the first half of this year, the domestic shipment of oil remained stable while the shipment for the foreign trade oil fluctuated. In the meanwhile, international shipment of dry bulk cargoes remained steady, but the freight rate decreased as compared with the same period of last year whereas the demand for coastal coal shipment remained at the same level. In the first half of this year, due to the world's political and economic circumstances, the world oil prices remained at a high level, which brought about high costs for shipping enterprises.

In the first half of this year, the Group kept its focus on the oil shipping and the domestic thermal coal shipping. By making adjustments to its operation strategies according to market circumstances, the Group sustained a steady improvement in its operation. However, due to the high oil prices, the profit decreased slightly as compared with the same period of last year. During the Reporting Period, the shipping volume achieved by the Group was 89.89 billion tonne-nautical miles, increasing by 20.0% as compared with the same period in 2005. The total revenue derived from shipment was Rmb4,593 million (after business tax), increasing by 9.3% as compared with the same period in 2005. Influenced by the high prices of fuel oil, the total operating costs of the Group were Rmb3,002 million, increasing by 31.6% as compared with the same period in 2005. The average gross margin rate of the Group was 34.6%, down 11.1 points as compared with the same period in 2005. The net profit was Rmb1,295 million and the earnings per share was Rmb0.389, representing a decrease of 19.4 per cent as compared with the same period in 2005.