

6. Business prospects (continued)

In 2006, the global bulk shipping market is expected to remain stable, and due to high demand for steel and cement, the average freight rate for bulk cargoes in the second half of this year is expected to be higher than the first half. In terms of coastal coal transportation, the Group will further strengthen communications with major clients and expand its fleet appropriately so as to raise its market share. On the other hand, the Group will improve the management for international bulk shipping market at the same time, so as to prepare for expanding its fleet in such market.

The further increase of the demand for oil throughout the world, along with the global economic and political circumstances, has led the international crude oil price to a higher level. The Group has taken measures, including strengthening the management on fuel purchase and enhancing the management and monitoring of fuel quality, but the total fuel cost still substantially increased. The Group will continue to try its best to take all kinds of measures to control the fuel cost and other operating costs so as to keep the increase of cost as low as possible.

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 Practice

The Company has complied throughout the half-year ended 30 June 2006 with the Code Provisions set out in the Code on Corporate Governance Practice contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(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 to provide 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 Directors of Listed Issuers (the “Model Code”) as set out in appendix 10 to the listing rules

On the Second Board Meeting of 2006 held on 28th March 2006, the Board decided to adopt the “Model Code” as the standard for securities transactions by directors of the Company and staff.

Following specific enquiry made with the directors, supervisors and chief executive of the Company, the Company has confirmed that each of them has complied with the Model Code during the Reporting Period.

- (6) Shareholdings of Substantial Shareholders

As at 30 June 2006, 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	A shares	1,578,500,000	77.76%	47.46%
HSBC Halbis Partners (Hong Kong) Limited	H shares	103,094,000 (long position)	7.95%	3.10%
J.P. Morgan Chase & Co.,	H shares	87,587,140 (long position)	6.76%	2.63%
		39,844,400 (lending pool)	3.07%	1.20%
UBS AG	H shares	67,062,000 (long position)	5.17%	2.01%

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 2006.

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(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 Issuers. None of the directors, supervisors, chief executives of the Company or their associates had been granted or had exercised any such rights during the Reporting Period.

(8) Employees

As at 30 June 2006, the Company had 5,179 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 for 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. These training may be in different forms, such as seminars, site visits and study tours.

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(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) Post Balance Sheet Event

There are no important events affecting the Company and its subsidiaries which have occurred since 30 June 2006.

(11) Supplementary information to be published on the website of the Stock Exchange

All details on the financial and related information of the Company containing all information as required by paragraph 37 to 44 of Appendix 16 to the Listing Rules is published on the website of the Stock Exchange (www.hkex.com.hk).

By order of the Board
China Shipping Development Company Limited
Li Shaode
Chairman



Shanghai, the PRC
22 August 2006