CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

中海發展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1138)

2006 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Shipping Development Company Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2006 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2005. The Group's interim results have not been audited but have been reviewed by the Company's international auditors, Ernst & Young (certified public accountants in Hong Kong).

I. MAJOR FINANCIAL DATA

The interim results of the Group for the Reporting Period have been reviewed by Ernst & Young, in accordance with SAS 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), as compared with those for the six months ended 30 June 2005, and are as follows:

(1) **Condensed Consolidated Income Statement** *(Note 1)*

			RMB'000
	Notes	**January-June 2006** *(Unaudited)*	**January-June 2005** *(Unaudited)*
Revenue	2	4,592,642	4,200,778
Operating costs		(3,002,144)	(2,281,654)
Gross profit		1,590,498	1,919,124
Other income and gains	3	151,671	195,499
Administrative expenses		(110,022)	(114,436)
Other expenses		(71,106)	(64,713)
Finance costs	5	(52,051)	(65,789)
PROFIT BEFORE TAX	4	1,508,990	1,869,685
Tax	6	(213,575)	(263,232)
PROFIT FOR THE PERIOD		1,295,415	1,606,453
Attributable to:			
Equity holders of the Company		1,293,741	1,604,549
Minority interests		1,674	1,904
PROFIT FOR THE PERIOD		1,295,415	1,606,453
EARNINGS PER SHARE	7	38.90 cents	48.24 cents
DIVIDEND PER SHARE	8	—	—

(2) **Condensed Consolidated Balance Sheet** *(Note 1)*

	30 June 2006 (Unaudited) *RMB'000*	**31 December 2005 (Audited)** *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	13,303,531	11,468,121
Available-for-sale equity investment/long term investment	4,000	4,000
Deferred staff expenditure	51,725	58,117
Deferred tax assets	20,954	20,795
	13,380,210	11,551,033
CURRENT ASSETS		
Bunker oil inventories	306,123	266,701
Trade and bills receivables	350,299	227,913
Prepayments, deposits and other receivables	260,466	163,783
Cash and cash equivalents	445,074	1,177,927
	1,361,962	1,836,324
CURRENT LIABILITIES		
Trade payables	341,035	216,888
Tax payable	38,215	41,417
Other payables and accruals	507,246	519,315
Derivative financial instruments	20,237	—
Current portion of interest-bearing bank and other borrowings, and finance lease payables	1,296,615	295,641
	2,203,348	1,073,261
NET CURRENT ASSETS / (LIABILITIES)	(841,386)	763,063
TOTAL ASSETS LESS CURRENT LIABILITIES	12,538,824	12,314,096
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings, and finance lease payables	1,390,432	1,440,406
	11,148,392	10,873,690
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	3,326,000	3,326,000
Reserves	7,795,749	6,524,921
Proposed final dividend	—	997,800
	11,121,749	10,848,721
Minority interests	26,643	24,969
	11,148,392	10,873,690

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) - INT 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) - INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) - INT 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

The adoption of these new and revised HKFRSs, HKASs and Interpretations has had no material impact on the Group's results of operations or financial position.

2. REVENUE

Revenue represents gross revenue arising from shipping operations, net of business taxes. Pursuant to various tax rules and regulations in the PRC, revenues derived from sea freighting attributable to voyages departing from ports in the PRC and from vessel chartering services are both subject to business tax at a rate of 3%. Business taxes charged to the income statement for the Reporting Period amounted to RMB97,461,000 (six months ended 30 June 2005: RMB93,040,000).

3. OTHER INCOME AND GAINS

Other income and gains mainly represent income of RMB37,517,000 arising from leasing of vessels, revenue of RMB7,860,000 arising from management of vessels, revenue of RMB26,876,000 arising from sales of coal, interest income of RMB12,906,000 and net gains on disposal of vessels of RMB54,046,000 during the Reporting Period.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging of the following depreciation and amortisation expenses:

	RMB'000	
	January-June 2006	**January-June 2005**
	(Unaudited)	*(Unaudited)*
Depreciation:		
Owned property, plant and equipment	490,711	423,286
Finance leased property, plant and equipment	14,572	10,475
Amortisation of deferred staff expenditure	6,392	6,391

5. FINANCE COST

	RMB'000	
	January-June 2006	**January-June 2005**
	(Unaudited)	*(Unaudited)*
Total interest	52,051	72,181
Less: Interest capitalised	—	(6,392)
Interest expenses	52,051	65,789

6. TAX

Tax includes the tax of the Group and that of the jointly-controlled entities of the Group.

Effective from 1 January 1998, assessable profits earned by the Company in the People's Republic of China ("PRC") are calculated in accordance with PRC tax regulations and subject to an income tax rate of 15%.

No Hong Kong profits tax has been provided for as no assessable profit was earned in or derived from Hong Kong during the Reporting Period (six months ended 30 June 2005: No assessable profit was earned).

Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the Period of RMB1,293,741,000 (six months ended 30 June 2005: RMB1,604,549,000) and the number of shares of 3,326,000,000 (six months ended 30 June 2005: 3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month periods ended 30 June 2005 and 2006 have not been presented as no diluting events existed during these periods.

8. DIVIDEND PER SHARE

The directors do not recommend the payment of interim dividend (six months ended 30 June 2005: Nil).

(3) **Differences in financial statements prepared under PRC accounting standards ("PRC Accounting Standards") and accounting principles generally accepted in Hong Kong ("HKGAAP"):**

	RMB'000	
	January-June 2006	**January-June 2005**
	(Unaudited)	*(Unaudited)*
Net profit attributable to equity holders of the Company prepared under PRC Accounting Standards	1,298,617	1,607,557
Adjustments for depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	(4,876)	(3,008)
Net profit attributable to equity holders of the Company prepared under HKGAAP	1,293,741	1,604,549

	RMB'000	
	30 June 2006	**31 December 2005**
	(Unaudited)	*(Audited)*
Equity attributable to equity holder of the parent prepared under PRC Accounting Standards	11,009,480	10,711,224
Adjustments for revaluation surplus, depreciation, gain on disposal of vessels and deferred staff expenditure, etc	112,269	137,497
Equity attributable to equity holder of the Company prepared under HKGAAP	11,121,749	10,848,721

II. CHANGES OF SHARE CAPITAL STRUCTURE AND MAJOR SHAREHOLDER

(1) **Changes of share capital structure**

During the Reporting Period, there is no change in either the total number of the shares of the Company or the share capital structure of the Company. The Company has issued a total amount of 3,326,000,000 shares, including 1,578,500,000 State-owned legal person shares (limited to be circulated in the A share market), 1,296,000,000 H shares and 451,500,000 A shares (held by common investors in the market).

(2) **Information of shareholders**

As at 30 June 2006, the total number of shareholders of the Company is 87,541, of which 538 are holders of H shares.

III. 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 a steady improvement and the scale of the world's shipping industry kept expanding. The PRC domestic economy also sustained a 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 kept the same level. In the first half of this year, due to the world's political and economic circumstances, the oil prices in the world 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 deceased 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 sent as compared with the same period in 2005.

(2) **Analysis of the principal operations**

An analysis of the principal operations in terms of products transported (Unit: RMB'000) is set out as follows:

Description	Revenue	Operating costs	Gross profit margin *(%)*	Increase/(decrease) in revenue as compared with the same period of last year *(%)*	Increase/(decrease) in operating costs as compared with the same period of last year *(%)*	Increase/(decrease) in gross profit margin as compared with the same period of last year *(%)*
Oil transportation	2,569,063	1,666,111	35.1	16.5	31.6	(17.6)
Coal transportation	1,577,451	1,070,815	32.1	2.8	28.3	(29.6)
Others	446,128	265,218	40.6	(3.4)	46.3	(33.2)

An analysis of the principal operations in terms of geographical regions (RMB'000) is set out as follows:

Regions	Revenue	Increase/(decrease) in turnover as compared with the same period last year *(%)*
Domestic transportation	2,677,770	3.7
International transportation	1,914,872	18.2

1. **Oil Transportation**

Oil transportation has been one of the Group's core businesses and will be the focus for further development. During the first half of 2006, facing changes in the domestic and foreign trading oil transportation market, the Group proactively made adjustments to its transportation strategies, so as to sustain a steady improvement in its operating efficiency.

During the first six months of 2006, the shipping volume of oil carried by the Group was 45.45 billion tonne-nautical miles, and the revenue derived from oil shipment was RMB2,569 million, increasing by 26.9 per cent and 16.5 per cent respectively as compared with the same period in 2005.

For shipping oil products in the PRC, under the influence of Ningbo-Shanghai-Nanjing crude oil pipeline, the shipping volume of transshipped crude oil declined slightly, but the Group made great effort to explore the market of offshore oil shipment and strengthen the management of domestic product oil shipment, so as to sustain its leading position in the domestic oil shipping market. In the first half of 2006, the Group achieved a shipping volume of 10.39 billion tonne-nautical miles of domestic oil shipping business, and also achieved a revenue of RMB1,081 million derived from such shipping businesses, increasing by 3.3 per cent and 1.5 per cent respectively, as compared with the same period of 2005, of which, the shipping volume and revenue from the transshipment of crude oil was 2.11 billion tonne-nautical miles and RMB338 million, decreasing by 5.9 per cent and 0.5 per cent respectively, as compared with the same period in 2005. The shipping volume and revenue from the offshore oil business was 5.34 billion tonne-nautical miles and RMB484 million, decreasing by 3.7 per cent and 5.9 per cent respectively, as compared with the same period in 2005. The shipping volume and revenue from the coastal product oil business was 2.91 billion tonne-nautical miles and RMB248 million, increasing by 29.9 per cent and 19.1 per cent respectively, as compared with the same period in 2005.

For shipment of foreign trade oil, facing with the fluctuated market, the Group improved its market research and focused on the arrangement of large oil tankers. In the first half of 2006, the shipping volume of foreign trade oil carried by the Group was 35.06 billion tonne-nautical miles, and the revenue derived from such oil shipment was RMB1,488 million, increasing by 36.1 per cent and 30.6 per cent respectively as compared with the same period in 2005, of which, the shipping volume and revenue from the foreign trade crude oil business was 18.13 billion tonne-nautical miles and RMB510 million, increasing by 77.3 per cent and 75.1 per cent respectively, as compared with the same period in 2005 and the shipping volume and revenue from the foreign trade product oil business was 16.92 billion tonne-nautical miles and RMB978 million, increasing by 9.0 per cent and 15.4 per cent respectively, as compared with the same period in 2005.

In the first half of 2006, the revenue derived from the shipment of foreign trade oil of the Group accounted for 57.9 per cent of the total revenue derived from oil transportation, which indicates the focus in the international market has got progress.

2. **Dry Bulk Cargo Transportation**

The dry bulk cargoes shipped by the Group mainly consists of coal, as well as ores, fertilizers, grain and other large volume bulk cargoes. During the first half of 2006, the overall demand in domestic coal transportation remained at the same level due to the impact of the macro control of the PRC and the increase in the supply of hydro power consumption. The Group has made active adjustment to the allocation of its shipping capacity according to the cargo supply, and achieved favorable economic efficiency by improving the bunker surcharge mechanism. For the first half of 2006, the Group achieved a total shipping volume of coal of 29.06 billion tonne-nautical miles, and revenue of RMB1,577 million derived from coal transportation, increasing by 3.6 per cent and 2.8 per cent respectively as compared with the same period in 2005.

The demand for other dry bulk cargo transportation is not so high and the average BDI index has fallen about 39.1 per cent as compared with the same period of last year. In the first half of 2006 the Group achieved a total shipping volume of dry bulk cargo of 15.39 billion tonne nautical miles, and a total revenue of RMB446 million from such dry bulk shipment, representing an increase of 39.5 per cent and a decrease of 3.4 per cent as compared with the same period in 2005.

(3) **Cost analysis**

In the first half of 2006, while adopting effective measures to increase revenue from principal operations, the Group continued to enhance overall control on various major costs, and has effectively controlled the major costs in fuel expenses, port expenses, repair expenses through advanced control and management in various aspects, which are specifically analysed as follows:

(1) Fuel cost: during the first half of 2006, the prices of different fuel oil kept at a high level, with an increase of about 40% as compared with the same period in 2005. The Group's fuel expenses in the first half year amounted to RMB1,264 million, a growth of 54.5% compared with the same period last year, representing 42.1% of the total cost, and an increase of 6.2 percentage points over the corresponding period last year. However, at the same time, the Group further enhanced its fuel saving, and with a growth of 20.0% in its shipping volume compared with the same period last year, there was only a growth of 12.3% in the Company's fuel consumption, representing a reduction of 6.4% in fuel consumption per thousand nautical miles compared with the same period last year.

(2) Port cost: port expenses incurred in the first half year amounted to RMB280 million, an increase of 12.6% compared with the same period last year, representing 9.3% of the total cost.

(3) Labor cost: the Group's total labor cost in the first half year amounted to RMB362 million, an increase of 18.7% compared with the same period last year, representing 12.0% of the total cost.

(4) Depreciation: with new vessels being launched into operation successively, depreciation expenses incurred in the first half year amounted to RMB505 million, an increase of 16.5% compared with the same period last year, representing 16.8% of the total cost.

(5) Repair expenses: with new vessels operating and old vessels retiring, repair expenses incurred in the first half year amounted to RMB187 million, a reduction of 6.6% compared with the same period last year, representing 6.2% of the total cost.

(4) **Financial analysis**

During the Reporting Period, there are no material acquisitions and disposals of the Company's subsidiaries or associated companies.

a. *Net cash inflow*

During the Reporting Period, the net cash inflow from operating activities of the Group decreased from RMB1,938,973,000 for the corresponding period in the previous year to RMB1,681,588,000, representing a decrease of 13.3%.

b. *Commitments on capital expenditures*

As at 30 June 2006, the commitments on capital expenditures for the Group (excluding jointly-controlled entities') amounted to RMB5,049,830,000(31 December 2005: RMB1,982,864,000). The source of funding was mainly financed by the Company's working capital and bank loans.

c. *Capital structure*

As at 30 June 2006, the equity attributable to equity holders of the Company, bank loans, other interest-bearing borrowings and finance leases payable amounted to RMB11,121,749,000, RMB2,555,108,000 and RMB131,939,000 respectively. The debt-to-equity ratio was 32.3% (31 December 2005:23.2%).

d. *Borrowings*

As at 30 June 2006, the Group's (excluding jointly-controlled entities') total borrowing (excluding finance leases payable) was RMB2,487,609,000. Borrowings repayable within one year amounted to RMB1,183,097,000. Bank loans amounting to RMB1,285,153,000 were pledged by 14 vessels owned by the Company. As at 30 June 2006, the total net book value of such vessels were RMB1,893,275,000. Interests of the above loans were calculated at the annual rate from 5.508% to 6.39%. The Group's debt ratio was 24.4%, calculated by dividing total liabilities over total assets of the Group.

e. *Risk on foreign currency*

As at 30 June 2006, the Group's (excluding jointly-controlled entities') foreign exchange liabilities mainly comprised of bank loans payable in US Dollars equivalent to approximately RMB1,099,169,000 and finance lease rental payable in EURO dollars equivalent to approximately RMB49,086,000.

In addition, the Company would pay dividend of H shares in Hong Kong dollars.

In order to avoid the risk of Renminbi appreciation, the Group actively made adjustments to its debt structure, and the ratio in US dollar indebtedness increased from almost zero at the beginning of the year to about 34%. Majority of US dollar income was used for overseas payments, and during the Reporting Period, foreign exchange income and expenses were basically equal.

Given the increasing significance of the Group's international shipping business, changes in exchange rate would have certain impacts on the Group's profitability. Therefore, in respect of the changes in exchange rate, the Group will study the impact of exchange rate mechanism on shipping enterprises. It will also implement effective measures proactively to minimize exchange risks.

(5) **Business prospects**

It is estimated that the world economy will sustain a steady improvement in the second half of 2006. Due to the increased demands for petroleum, steel and cement, the global shipping business will keep a steady growth in the second half of 2006. The continuous development of China's economy will push the demand for energy resources such as oil and coal.

For the shipping of oil, although the price of crude oil has reached historical high, the demand for the oil kept growing steadily despite such high price, and the PRC and the United States of America will lead this trend further. The scheduled 3 tankers with total capacity of 192,000 DWT have all been put into use in the first half of this year, and the second hand VLCC purchased by the Group has also been put into use in May. At the same time, following the phase out of the small, old oil tankers, the fleet structure of the Group will be further improved and will benefit from economy of scale. The group has signed a long-term contract of affreightment with China Petroleum & Chemical Corporation in July, which will protect the Group against risks associated with market freight fluctuation and secure a steady supply of crude oil cargo shipment on a long term basis and signifies the Group's plan to establish a world class fleet of oil tankers.

In 2006, the global bulk shipping market will 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 fleet appropriately so as to rise the 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 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.

IV. 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 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 contained in Appendix 14 of the Listing Rules.

(5) Compliance with the model code for securities transactions by Directors and Staff (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 of Directors decided to adopt the "Model Code" as the standard for securities transactions by Directors and Staff.

Following specific enquiry made with the Directors, Supervisors and chief executive of the Company, the Company has confirmed that each of the them has complied with the Model Code during the six months ended 30 June 2006.

(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.

(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 the 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 2006.

(8) **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. These training may be 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) **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 46(1) to 46(9) 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

* *As at the date of this announcement, the Board of Directors of the Company is comprised of 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 directors, Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun as independent non-executive directors.*

Please also refer to the published version of this announcement in The Standard.