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)

First Quarterly Report of 2005

IMPORTANT NOTICE

This first quarterly report has been prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies issued by the China Securities Regulatory Commission. This report is published simultaneously in Shanghai and Hong Kong of the People's Republic of China (the "**PRC**"). All financial information set out in the first quarterly report is unaudited and prepared in accordance with the PRC Accounting Standards.

The board (the "**Board**") of directors (the "**Directors**") of China Shipping Development Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") confirms that there is no false representation or misleading statements which are contained in or material omissions from this announcement. The Directors jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents of this announcement.

Mr. Li Shaode, chairman, Mr. Wang Kangtian, chief financial officer, and Ms. Song Aiwu, manager of the financial department of the Company have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this announcement.

This announcement is made pursuant to Rule 13.09(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. PARTICULARS OF THE COMPANY

1.1 **Financial information**

1.1.1 Principal financial data and statistics highlights

	As at 31 March 2005 *(RMB)*	As at 31 December 2004 *(RMB)*	Increase/ Decrease *(%)*
Items			
Total assets	12,501,118,376.62	11,522,602,625.68	8.49
Shareholders' Equity (excluding minority interests)	9,353,495,219.78	8,524,297,115.35	9.73
Net assets per share	2.81	2.56	9.77
Adjusted net assets per share	2.80	2.55	9.80

	For the three months ended 31 March 2005 *(RMB)*	Increase/ Decrease as compared with the same period of 2004 *(%)*
Net cash flow from operating activities	749,849,496.55	90.52
Earnings per share	0.2494	101.45
Rate of returns on net assets (%)	8.87	62.45
Rate of returns on net assets after exceptional items (%)	8.29	46.47

	(RMB)
Exceptional items	
Non-operating income	66,500,510.17
Non-operating expenses	-2,864,881.69
Tax	-9,545,344.27
Total	54,090,284.21

1.1.2 Profit and loss account

Items	For the three months ended 31 March 2005		For the three months ended 31 March 2004	
	Company	**Group**	**Company**	**Group**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
1. Revenue from major operating activities	1,988,739,417.22	2,120,022,930.64	1,455,376,886.84	1,517,315,104.83
Less: sales allowance and discounts			—	—
Net revenue from major operating activities	1,988,739,417.22	2,120,022,930.64	1,455,376,886.84	1,517,315,104.83
Less: major operating costs	1,047,690,902.33	1,112,669,724.84	877,085,718.61	923,127,018.06
Tax and levies on major operating activities	42,226,980.12	44,317,556.90	33,234,451.82	34,898,946.84
2. Profit from major operating activities	898,821,543.77	963,035,648.90	545,056,716.41	559,289,139.93
Add: Other operating profits	5,171,504.02	9,524,867.18	2,287,712.60	8,304,788.54
Non-monetary transaction	—	—	—	—
Less: loss from price drop in inventory	—	—	—	—
Operating expenses	—	—	—	—
Administration expenses	51,607,265.41	54,319,674.65	47,599,307.69	48,929,885.07
Financial expenses	21,874,333.79	22,919,709.23	23,744,826.58	24,888,079.22
3. Operating profit	830,511,439.59	895,321,132.20	476,000,294.74	493,775,964.18
Add: Income from investment	68.751,053.75	6,858,780.68	22,392,432.69	5,323,324.64
Profit/Loss from futures	—	—	—	—
Subsidy income	—	—	—	—
Non-operating income	66,501,870.17	66,501,870.17	—	—
Less: Non-operating expenses	2,866,241.69	2,866,241.69	18,014,683.34	18,019,683.34
4. Total profit	962,898,121.82	965,815,541.36	480,378,044.09	481,079,605.48
Less: Income tax	133,251,169.12	135,519,959.67	68,697,841.71	69,247,008.51
Minority shareholders' interests	—	648,628.99	—	152,394.59
Add: unrecognised loss from investment	—	—		
5. Net profit	829,646,952.70	829,646,952.70	411,680,202.38	411,680,202.38

1.2 **As at 31 March 2005, the Company had a total of 31,652 shareholders.**

The top 10 shareholders of circulation shares of the Company (unit: share)

Name of shareholders	**Number of shares held at 31 March 2005**	**Type of shareholders (state or foreign shareholders)**
HKSCC Nominees Limited	1,279,038,997	H shares
China Bank-Fortis Haitong Income Securities Investment Fund	21,222,516	A shares
China Merchants Bank Shareholders Co., Ltd. - CITIC Classic Allocation Fund	16,025,523	A shares
China Everbright Bank Co., Ltd. — Jutian Infrastructure Sector Securities Investment Fund	14,506,993	A shares
Shanghai Securities Company Limited	9,699,735	A shares
China Industrial and Commercial Bank-Tian Yuan Securities Investment Fund	9,069,210	A shares
China Industrial and Commercial Bank-SSE 50 ETF Index Fund	8,409,956	A Shares
The Bank of Communication- Fortis Haitong Best Selection Securities Investment Fund	8,000,981	A Shares
The Bank of Communication - Efund 50 Index Fund	7,768,087	A shares
China Merchants Bank-China Merchants Securities Investment Fund	6,844,457	A shares

2. Management discussion and analysis

2.1 Brief analysis of overall operating activities during the three months ended 31 March 2005 (the "Reporting Period") of the Company

During the Reporting Period, the oil shipping market improved steadily. The domestic demand for crude oil was constantly increased and the supply of domestic refined oil remained abundant, whereas the shipping of pipeline oil from inland oilfields in northern China ceased, and the commencement of Ningbo-Shanghai-Nanjing crude oil pipeline also diverted some trans-shipment volume of imported crude oil. On the other hand, the international oil shipping market remained at high level, whereas the freight rates fluctuated frequently. The Group enhanced market research on both the domestic and international shipping markets. By fully leveraging on the advantages of cross-shipment within and outside the PRC, and making careful arrangements of the shipping routes for the newly added oil tankers in advance, the Group improved its operating efficiency of the oil tankers. On the other hand, the Group took advantage of favourable opportunities to enter into shipping contracts for VLCC, and also made active measures to undertake the shipment of foreign trade oil and explore the oil shipping market potentials in developing countries. Hence, the operating efficiency continued to sustain steady growth. During the Reporting Period, the volume of oil shipped by the Group was 18.58 billion tonne nautical miles, and the revenue derived from such oil transportation was RMB1.17 billion, representing an increase of 45.9 percent and 28.1 percent, respectively, as compared with the same period of 2004.

During the Reporting Period, the demand for domestic coal shipping capacity remained strong. The Group made careful arrangements of its operation, and made much effort to enter into contracts of affreightment (the "COA") with its major customers. During the Reporting Period, the Group had successfully entered into COAs with its major customers for the whole year. Under the COAs, the Group raised the freight rates by 20%, and also charged bunker fee and port subsidies. In addition, the Group made active measures to strive for special purpose terminals with a view to facilitating smooth operation at ports, and also made timely readjustment to its shipping routes and capacity for domestic and international bulk cargo transportation. As a result, the Group improved its operation efficiency and economic benefits constantly. During the Reporting Period, the volume of coal undertaken by the Group was 13.16 billion tonne nautical miles and the revenue derived from coal transportation was RMB0.705 billion, representing an increase of 15.1 per cent and 61.7 per cent, respectively, as compared with the same period of 2004

It is expected that the domestic oil shipping market will remain stable, the shipping volume of offshore crude oil will increase, and the shipping volume of imported crude oil will also remain stable for the second quarter of 2005. The Group will monitor the changes in both domestic and international oil shipping market closely, and adopt various measures to improve its operation of crude oil trans-shipment and offshore oil transportation, and explore the shipping market of imported fuel oil and crude oil. In terms of coal and other dry bulk cargo transportation, the Company will make much effort to facilitate the smooth operation at various ports, to further improve operating efficiency, and to make timely readjustment to shipping routes. In addition, the Group will also improve its shipping capacity and to further expand its share in domestic coal shipping market.

2.1.1 Major operating activities or product contributing over 10 per cent of revenue or profit from major operating activities of the Company

Items	**Revenue from major operating activities (RMB)**	**Major operating costs (RMB)**	**Gross profit margin (%)**
Ocean transportation	2,120,022,930.64	1,112,669,724.84	45.43

2.1.2 The seasonal or periodic characteristics of the Company's operation

The Company's principal activities consist of the shipment of oil and cargoes along the coast of the PRC. In general, the Company's transportation businesses are affected to a certain degree due to the seasonal changes and the traditional holidays during the first three months of every year. However, since the beginning of 2005, both the international and domestic shipping markets have improved their performance steadily. With increased shipping capacity delivered into operation and the increase of freight rates, the Company has maintained a steady and rapid growth in its oil and coal transportation operations during the first quarter of 2005.

2.1.3 Material Charges in the Composition of profit during the Reporting Period.

During the Reporting Period, the net non-operating income less expenses of the Company was RMB63,635,600, representing 6.6% of the total net profit of the Company. Such non-operating income arose from the gain on disposal of three oil tankers, "Daqing 242", "Ninghe" and "Daqing 218", respectively, by the Company.

2.1.4. Profit increase warning

Pursuant to the Shanghai Stock Exchange Listing Rules, the Board hereby announces the net profit of the Company for the six months ended 30 June 2005 is expected to increase by 50-100 per cent as compared with the same period of 2004. The expected increase is primarily attributable to the following:

a. the domestic cargo transportation continues to grow rapidly, whilst the international shipping market also improves. Both developments would be favourable to the overall operation of the Group;

b. more shipping capacity has been put into use as compared with the same period of 2004; and

c. efforts devoted to increase the revenue and tighten the expenditure of the Group have yielded promising results.

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

Shanghai, the PRC
19 April 2005

* *As at the date of this announcement, the Board of Directors of the Company is comprised of Mr. Li Shaode, Mr. Sun Zhiotang, Mr. Wang Daxiong, Mr. Mao Shijia, Mr. Wang Kunhe and Mr. Yao Zuozhi as 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.