
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular, you should consult appropriate independent advisers.

If you have sold all your shares in China Shipping Development Company Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**CHINA SHIPPING DEVELOPMENT COMPANY LIMITED**

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

(Stock Code: 1138)

MAJOR TRANSACTIONS**CONSTRUCTION OF NEW VESSELS****AND****AMENDMENTS TO ARTICLES OF ASSOCIATION**

A letter from the Board is set out on pages 4 to 9 of this circular.

A notice convening the EGM of the Company to be convened and held at 2:00 p.m. on Friday, 28 November 2008 at 700 Dong Da Ming Road, Shanghai, the People's Republic of China is set out on pages N-1 to N-4 of this circular. Whether or not you are able to attend the above meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the meeting. Completion and return on the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

13 October 2008

CONTENTS

	<i>Page</i>
Definitions	1
Expected Timetable	3
Letter from the Board	4-9
Appendix I Financial Information on the Group	I-1
Appendix II General Information	II-1
Notice of Extraordinary General Meeting	N-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Shares”	PRC-listed Domestic Shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
“Agreements”	four agreements all dated 10 September 2008, each of which is entered into between the Vendor and CS Development Hong Kong for the construction of one tanker (for a total of four tankers) for the transportation of crude oil and refined oil
“associate(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Board”	the board of Directors
“China Shipping”	中國海運(集團)總公司 (China Shipping (Group) Company*), a PRC state-owned enterprise and the controlling shareholder of the Company, holding approximately 46.36% of the registered capital of the Company as at the Latest Practicable Date
“China Shipping Group”	China Shipping and its subsidiaries (excluding the Group)
“Company”	China Shipping Development Company Limited (中海發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares have been listed on the Main Board since 1994 and whose A Shares have been listed on the Shanghai Stock Exchange since 2002
“CS Development Hong Kong”	China Shipping Development (Hong Kong) Marine Co., Limited (中海發展(香港)航運有限公司), a wholly-owned subsidiary of the Company
“CSOC”	中國船舶重工國際貿易有限公司 (China Shipbuilding & Offshore International Company Limited*), a Chinese company engaging in the trading, import, export and agency of ships and shipping related technology and services
“Dalian Shipbuilding”	大連船舶重工集團有限公司 (Dalian Shipbuilding Industry Company Limited*), a Chinese shipbuilder
“Director(s)”	the director(s) of the Company
“Domestic Shares”	domestic shares of RMB1.00 each in the registered capital of the Company

DEFINITIONS

“dwt”	dead weight tons, the unit of measurement of weight capacity of vessels, which is the total weight a ship can carry, including cargo, bunkers, water, stores, spare and crew at a specified draft
“EGM”	extraordinary general meeting of the Shareholders to be convened by the Company to consider and, if thought fit, to approve the Agreements
“Group”	the Company and its existing subsidiaries
“H Shares”	H shares of par value RMB1.00 each in the share capital of the Company, being overseas listed foreign invested shares
“HK\$”	the lawful currency of Hong Kong dollars
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange, as amended from time to time
“Latest Practicable Date”	10 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the United States of America
“Vendor”	Dalian Shipbuilding
“VLOC(s)”	Very Large Iron Ores Carrier(s)
“%”	percentage

** For identification purpose only*

For the purpose of this circular, unless otherwise specified, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.80.

For ease of reference, the names of the PRC-incorporated companies and entities have been included in this circular in both the Chinese and English languages. In the event of any inconsistency, the Chinese name prevails.

EXPECTED TIMETABLE

Date of despatch of this circular Monday, 13 October 2008

Last date for returning the reply slip for the EGM Saturday, 8 November 2008

Latest time for lodging proxy forms for the EGM 2:00 p.m., Thursday,
27 November 2008

Time and date of EGM 2:00 p.m., Friday,
28 November 2008

LETTER FROM THE BOARD



CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

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

(Stock Code: 1138)

Executive Directors:

Li Shaode (*Chairman*)

Ma Zehua

Lin Jianqing

Wang Daxiong

Zhang Guofa

Mao Shijia

Wang Kunhe

Registered Office:

168 Yuanshen Road

Shanghai

The PRC

*Principal place of
business in Hong Kong:*

20/F., Alexandra House

16-20 Charter Road

Central, Hong Kong

Independent Non-Executive Directors:

Xie Rong

Hu Honggao

Zhu Yongguang

Zhou Zhanqun

13 October 2008

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION CONSTRUCTION OF NEW VESSELS AND AMENDMENTS TO ARTICLES OF ASSOCIATION

1. INTRODUCTION

By an announcement dated 10 September 2008, the Board announced that CS Development Hong Kong entered into the Agreements with the Vendor for the construction of four tankers each of 76,000 dwt for the transportation of crude oil and refined oil for a total consideration of approximately US\$228,000,000 (equivalent to approximately HK\$1,778,400,000).

Further, the Company announced in its announcement dated 10 June 2008 that the Board has approved, subject to approval by Shareholders, certain amendments to the articles of association of the Company in order to reflect the change in the share capital structure following the completion of the procedure for the conversion and the redemption of the Company's RMB2 billion convertible bonds in April 2008.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further information on the terms of the Agreements and the amendments to the articles of association, and to convene the EGM to seek the approval of the Shareholders with respect to the Agreements and the amendments to the articles of association.

2. THE AGREEMENTS

Background Information

Reference is made to the Company's announcements dated 22 October 2007 and 29 December 2007 concerning, among other things, the construction of new vessels which constituted major transactions.

On 10 September 2008, CS Development Hong Kong entered into the Agreements with the Vendor for the construction of four tankers each of 76,000 dwt for the transportation of crude oil and refined oil. The total consideration for the construction of the tankers is approximately US\$228,000,000 (equivalent to approximately HK\$1,778,400,000). The consideration is determined by reference to the market price of crude oil and refined oil carriers ranging in sizes from 60,000 to 80,000 dwt during the 3 months prior to 10 September 2008.

The principal terms and conditions of the Agreements are summarised as follows:

Date:	10 September 2008
Parties	Purchaser: CS Development Hong Kong Seller: The Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules).
Price:	The prices of the tankers will be payable in cash in US\$. Relevant payments under each of the Agreements will be payable in 5 instalments at various stages of the construction of the relevant vessel: (i) for the first instalment, to pay 20% of the price within 3 business days after the Agreements become effective; (ii) for the second, third and fourth instalment, to pay 20% of the price within 5 business days of the receipt of the relevant invoice issued by the Vendor; and (iii) for the final instalment, to pay 20% of the price within 5 business days of the receipt of all documentation in relation to completion of the relevant tanker by the Vendor.

LETTER FROM THE BOARD

Delay adjustment in price:	Each of the four Agreements provides that there will be no adjustment in the price of the relevant tanker if the delivery is delayed for a period not exceeding 35 days. If the delay exceeds such period of time but does not exceed 95, 155 and 215 days respectively, there will be a reduction in the price of the relevant tanker determined on the basis of the extent of the delay. The reduction in the price will be calculated based on a daily reduction rate ranging from US\$5,000 per day to US\$8,600 per day (depending on the extent of the delay) with a maximum cap of US\$1,224,000 deduction. Under the four Agreements, delay will be permitted on account of force majeure events. If the delay exceeds 180 days from the thirty-sixth day from the relevant expected date of delivery, CS Development Hong Kong has the right to accept delivery of the relevant tanker with a renegotiated price or refuse to accept delivery of the relevant tanker in which case all payments paid under the relevant Agreement together with interests will be refunded to CS Development Hong Kong.
Expected Delay Date:	The expected delivery date for each of the tankers is on or before 31 July 2011, 31 October 2011, 30 November 2011 and 31 December 2011 respectively.
Condition:	The Agreement are conditional upon the approval of the Shareholders at the EGM.

On 22 October 2007, CS Development Hong Kong entered into agreements with the Vendor and CSOC for the construction of four VLOCs each of 300,000 dead weight tons each for the transportation of iron ores, details of which were contained in the Company's major transaction announcement dated 22 October 2007. On 29 December 2007, CS Development Hong Kong entered into agreements with the Vendor and CSOC for the construction of four VLOCs of 300,000 dead weight tons each for the transportation of iron ores, details of which were contained in the Company's major transaction announcement dated 29 December 2007. Save as aforesaid, in the 12 months prior to the date of the Agreements there were no other transactions between the Company and the Vendor and its associates which require aggregation under Rule 14.22 of the Listing Rules.

3. REASONS FOR, AND BENEFITS OF, THE AGREEMENTS

The Directors are optimistic of the demand in the oil transportation market and its persistent growth in the coming years. The Directors are of the view that the construction and ownership of the tankers will enable the Group to take advantage of the business opportunities in the shipping market, enjoy economies of scale, optimize its overall route arrangements and improve its operating efficiency and profitability.

No financial information or pro forma financial information has been prepared in respect of the tankers as they have yet to be constructed.

LETTER FROM THE BOARD

4. MAJOR TRANSACTION

Under the Listing Rules, the entering into of the Agreements (which, for the purpose of the Listing Rules, will be aggregated with the agreements for the construction of four VLOCs, details of which were contained in the Company's announcement dated 22 October 2007, and the construction of four VLOCs, details of which were contained in the Company's announcement dated 29 December 2007), constitutes a major transaction of the Company.

As at the Latest Practicable Date, China Shipping holds approximately 46.36% of the issued share capital of the Company and is the controlling shareholder of the Company.

The purpose of this circular is to provide you with details of the transactions under the Agreements, together with a notice convening the EGM. China Shipping, the controlling Shareholder of the Company, does not have and, as far as the Directors are aware having made all reasonable enquiries, no Shareholder has, a material interest in the Agreements. As such, no Shareholder will be required under the Listing Rules to abstain from voting on the Agreements at the EGM.

5. AMENDMENTS TO ARTICLES OF ASSOCIATION

On 10 June 2008 the Company announced that the board has approved certain amendments to the articles of association of the Company in order to reflect the change in share capital structure following the completion of the procedure for conversion and redemption of the Company's RMB2 billion convertible bonds in April 2008. The details of the proposed amendments are as follows:

- (i) One more clause shall be added as clause 5 of Article 19 at the end of the existing Article 19 as follows: "In July 2007, the Company issued RMB2 billion convertible bonds to the domestic public upon the approval of the China Securities Regulatory Committee. The procedures for conversion and redemption of all the convertible bonds were completed in April 2008, as a result of which there was a change in the shareholding structure of the Company. The total share capital of the Company has been increased to 3,404,552,270 shares, of which 2,108,552,270 shares are domestic listed A Shares, representing 61.93% of the total issued ordinary shares of the Company, and 1,296,000,000 shares are overseas listed foreign shares, representing 38.07% of the total issued ordinary shares of the Company."
- (ii) Article 20 shall be changed from "The registered capital of the Company is RMB3,326,000,000" to "The registered capital of the Company is RMB3,404,552,270".

A further resolution will also be proposed to authorise the senior management of the Company to make such further relevant amendments as necessary to the registered capital in the business license of the Company pursuant to the proposed resolution above having changed the registered capital of the Company in accordance with the requirements of the Administration for Industry and Commerce and other relevant governmental authorities.

The amendments set out above are subject to the passing of special resolutions by the Shareholders at the EGM.

LETTER FROM THE BOARD

6. EGM

It is proposed that the EGM be convened on Friday, 28 November 2008 to consider and if thought fit, approve the Agreements and the amendments to the articles of association of the Company. A notice of the EGM is set out on pages N-1 to N-4 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Ltd. at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM and any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

Pursuant to the articles of association of the Company, a resolution put to vote at a general meeting shall be decided on a show of hands unless a poll is required by the rules of the Stock Exchange or the SFC (before or on the declaration of the result of the show of hands or on withdrawal of any other demand for a poll) is duly demanded. A poll may be demanded by:

- (a) the Chairman of the meeting;
- (b) at least two members present in person or by a duly authorized corporate representative or by proxy and entitled to vote at the meeting;
- (c) any member or members present in person or by a duly authorized corporate representative or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by a duly authorized corporate representative or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

7. INFORMATION ABOUT THE COMPANY

The business scope of the Company includes coastal, ocean and Yangtze River cargo transportation, container transportation, oil transportation, chartering, cargo agency and cargo transportation agency.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors (including independent non-executive Directors) consider that the Agreements are in the ordinary course of business of the Group and their terms are determined on an arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM for the approval of the Agreements. The Board also recommends the Shareholders to vote in favour of the special resolutions to approve the amendments to the articles of association at the EGM.

Yours faithfully,
China Shipping Development Company Limited
Li Shaode
Chairman

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****A. SUMMARY OF THE AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2007 AND THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007 AND 30 JUNE 2008 RESPECTIVELY**

The following financial information has been extracted from the published audited financial statements of China Shipping Development Company Limited (the “Company”) and its subsidiaries (the “Group”) for the three years ended 31 December 2007 and the unaudited condensed financial statements of the Group for the six months ended 30 June 2007 and 30 June 2008 respectively.

Income Statement

	Year ended 31 December			Six months ended	
	2007	2006	2005	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>			<i>(Restated)</i>
Revenue	12,394,739	9,203,557	8,515,191	9,113,592	5,527,476
Operating costs	(7,329,308)	(5,916,742)	(5,155,273)	(5,381,480)	(3,073,730)
Gross profit	5,065,431	3,286,815	3,359,918	3,732,112	2,453,746
Other income and gains	542,947	311,251	266,186	211,253	258,890
Marketing expenses	(36,744)	(32,933)	—	(17,902)	(16,598)
Administrative expenses	(214,841)	(196,458)	(253,295)	(105,746)	(93,659)
Other expenses	(21,374)	(30,542)	(90,699)	(3,265)	(18,486)
Share of profits of jointly controlled entities	165,745	75,170	—	302,447	93,036
Finance costs	(173,129)	(120,490)	(135,593)	(42,861)	(96,937)
PROFIT BEFORE TAX	5,328,035	3,292,813	3,146,517	4,076,038	2,579,992
Tax	(781,652)	(531,339)	(452,639)	(891,149)	(374,440)
PROFIT FOR THE YEAR	<u>4,546,383</u>	<u>2,761,474</u>	<u>2,693,878</u>	<u>3,184,889</u>	<u>2,205,552</u>
Attributable to:					
Equity holders of the parent	4,546,383	2,758,477	2,691,200	3,184,889	2,205,552
Minority interests	—	2,997	2,678	—	—
	<u>4,546,383</u>	<u>2,761,474</u>	<u>2,693,878</u>	<u>3,184,889</u>	<u>2,205,552</u>
DIVIDEND					
Proposed final	<u>1,702,510</u>	<u>997,800</u>	<u>997,800</u>	<u>—</u>	<u>—</u>
EARNINGS PER SHARE					
ATTRIBUTABLE TO					
ORDINARY EQUITY					
HOLDERS OF THE PARENT					
Basic	<u>136.69 cents</u>	<u>82.94 cents</u>	<u>80.91 cents</u>	<u>94.52 cents</u>	<u>66.31 cents</u>
Diluted	<u>135.09 cents</u>	<u>82.94 cents</u>	<u>80.91 cents</u>	<u>94.52 cents</u>	<u>66.31 cents</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Assets, liabilities and minority interests**

	As at 31 December			As at 30 June	
	2005	2006	2007	2007	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	11,551,033	14,687,373	21,169,413	21,169,413	23,829,452
Current assets	<u>1,836,324</u>	<u>2,312,779</u>	<u>2,437,701</u>	<u>2,437,701</u>	<u>3,661,626</u>
Total assets	<u>13,387,357</u>	<u>17,000,152</u>	<u>23,607,114</u>	<u>23,607,114</u>	<u>27,491,078</u>
Current liabilities	1,073,261	2,653,451	1,766,218	1,766,218	3,809,217
Non-current liabilities	<u>1,440,406</u>	<u>1,741,448</u>	<u>5,671,381</u>	<u>5,671,381</u>	<u>4,402,948</u>
Total liabilities	<u>2,513,667</u>	<u>4,394,899</u>	<u>7,437,599</u>	<u>7,437,599</u>	<u>8,212,165</u>
Minority interests	<u>24,969</u>	<u>—</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>
	<u>10,848,721</u>	<u>12,605,253</u>	<u>16,071,515</u>	<u>16,071,515</u>	<u>19,180,913</u>

B. AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below are the published audited financial statements of the Company and the Group for the year ended 31 December 2007 (the date of which the latest audited financial statements were made up). Capitalized terms used in this sub-section have the same meanings as defined in the published audited financial statements of the Company and the Group for the year ended 31 December 2007. The reference to page numbers in this sub-section refers to page numbers of the published audited financial statements of the Company and the Group for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
Revenue	5	12,394,739	9,203,557
Operating costs		<u>(7,329,308)</u>	<u>(5,916,742)</u>
Gross profit		5,065,431	3,286,815
Other income and gains	5	542,947	311,251
Marketing expenses		(36,744)	(32,933)
Administrative expenses		(214,841)	(196,458)
Other expenses		(21,374)	(30,542)
Share of profits of jointly controlled entities		165,745	75,170
Finance costs	7	<u>(173,129)</u>	<u>(120,490)</u>
PROFIT BEFORE TAX	6	5,328,035	3,292,813
Tax	10	(781,652)	(531,339)
PROFIT FOR THE YEAR		<u>4,546,383</u>	<u>2,761,474</u>
Attributable to:			
Equity holders of the parent	11	4,546,383	2,758,477
Minority interests		<u>—</u>	<u>2,997</u>
		<u>4,546,383</u>	<u>2,761,474</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
DIVIDEND			
Proposed final	12	<u>1,702,510</u>	<u>997,800</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	13	<u>136.69 cents</u>	<u>82.94 cents</u>
Diluted		<u>135.09 cents</u>	<u>82.94 cents</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED BALANCE SHEET***31 December*

		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	20,002,142	13,725,146
Investments in jointly-controlled entities	16	1,162,971	892,226
Available-for-sale investments	17	4,300	4,578
Deferred staff expenditure	19	—	45,333
Deferred tax assets	28	—	20,090
TOTAL NON-CURRENT ASSETS		<u>21,169,413</u>	<u>14,687,373</u>
CURRENT ASSETS			
Bunker oil inventories		285,606	192,573
Trade and bills receivables	20	559,437	400,327
Prepayments, deposits and other receivables	21	237,880	1,084,572
Equity investments at fair value through profit or loss	18	257,400	159,000
Derivative financial instruments	25	17,610	1,044
Cash and cash equivalents	22	<u>1,079,768</u>	<u>475,263</u>
TOTAL CURRENT ASSETS		<u>2,437,701</u>	<u>2,312,779</u>
CURRENT LIABILITIES			
Trade payables	23	462,146	216,192
Other payables and accruals	24	531,733	909,322
Tax payable	10	50,514	52,450
Current portion of interest-bearing bank and other borrowings, and finance lease payables	26	<u>721,825</u>	<u>1,475,487</u>
TOTAL CURRENT LIABILITIES		<u>1,766,218</u>	<u>2,653,451</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>671,483</u>	<u>(340,672)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>21,840,896</u>	<u>14,346,701</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	245,102	80,082
Convertible bonds	29	1,871,438	—
Interest-bearing bank and other borrowings, and finance lease payables	27	<u>3,554,841</u>	<u>1,661,366</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,671,381</u>	<u>1,741,448</u>
NET ASSETS		<u>16,169,515</u>	<u>12,605,253</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	3,326,000	3,326,000
Reserves	31	11,043,005	8,281,453
Proposed final dividend	12	<u>1,702,510</u>	<u>997,800</u>
		16,071,515	12,605,253
Minority Interests		<u>98,000</u>	<u>—</u>
TOTAL EQUITY		<u>16,169,515</u>	<u>12,605,253</u>
Li Shaode		Mao Shijia	
<i>Director</i>		<i>Director</i>	

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Convertible bonds equity reserve <i>RMB'000</i>	Revaluation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Statutory public welfare fund reserve <i>RMB'000</i>	General surplus reserve <i>RMB'000</i>
At 1 January 2006	3,326,000	2,037,884	—	176,979	764,776	661,170	93,158
Reclassification	—	—	—	—	661,170	(661,170)	—
Dividend paid	—	—	—	—	—	—	—
Changes in fair value of available-for-sale financial investments	—	—	—	—	—	—	—
Release on disposal of items of property, plant and equipment	—	—	—	(8,150)	—	—	—
Transfer (to)/from reserves	—	—	—	—	276,202	—	—
Liquidation of a subsidiary	—	—	—	—	(26,222)	—	—
Net gains on cash flow hedges	—	—	—	—	—	—	—
2006 Proposed final dividend	—	—	—	—	—	—	—
Exchange realignment	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—
At 31 December 2006 and at 1 January 2007	3,326,000	2,037,884	—	168,829	1,675,926	—	93,158
Prior year adjustment Adjusted on accounting for common control entity	—	—	—	—	—	—	—
As restated	3,326,000	2,037,884	—	168,829	1,675,926	—	93,158
Convertible bonds equity	—	—	109,177	—	—	—	—
Reallocation	—	—	—	—	(42,978)	—	—
Changes in fair value of available-for-sale financial investments	—	—	—	—	—	—	—
Transfer (to)/from reserves	—	—	—	—	372,450	—	—
Net gains on cash flow hedges	—	—	—	—	—	—	—
2007 Proposed final dividend	—	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—	—
Paid to minority shareholders of subsidiary	—	—	—	—	—	—	—
Exchange realignment	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—
Minority interest	—	—	—	—	—	—	—
At 31 December 2007	<u>3,326,000</u>	<u>2,037,884</u>	<u>109,177</u>	<u>168,829</u>	<u>2,005,398</u>	<u>—</u>	<u>93,158</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Derivative instrument Hedging reserve <i>RMB'000</i>	Available- for-sale revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits/ (Accumulated losses) <i>RMB'000</i>	Dividend <i>RMB'000</i>	Total <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2006	—	—	(4,136)	2,795,090	997,800	10,848,721	24,969	10,873,690
Reclassification	—	—	—	—	—	—	—	—
Dividend paid	—	—	—	—	(997,800)	(997,800)	—	(997,800)
Changes in fair value of available-for-sale financial investments	—	182	—	—	—	182	—	182
Release on disposal of items of property, plant and equipment	—	—	—	8,150	—	—	—	—
Transfer (to)/from reserves	—	—	—	(276,202)	—	—	—	—
Liquidation of a subsidiary	—	—	—	26,222	—	—	(27,966)	(27,966)
Net gains on cash flow hedges	861	—	—	—	—	861	—	861
2006 Proposed final dividend	—	—	—	(997,800)	997,800	—	—	—
Exchange realignment	—	—	(10,890)	—	—	(10,890)	—	(10,890)
Profit for the year	—	—	—	2,755,850	—	2,755,850	2,997	2,758,847
At 31 December 2006 and at 1 January 2007	861	182	(15,026)	4,311,310	997,800	12,596,924	—	12,596,924
Prior year adjustment								
Adjusted on accounting for common control entity	—	—	—	8,329	—	8,329	—	8,329
As restated	861	182	(15,026)	4,319,639	997,800	12,605,253	—	12,605,253
Convertible bonds equity	—	—	—	—	—	109,177	—	109,177
Reallocation	—	—	—	42,978	—	—	—	—
Changes in fair value of available-for-sale financial investments	—	837	—	—	—	837	—	837
Transfer (to)/from reserves	—	—	—	(372,450)	—	—	—	—
Net gains on cash flow hedges	12,877	—	—	—	—	12,877	—	12,877
2007 Proposed final dividend	—	—	—	(1,702,510)	1,702,510	—	—	—
Dividend paid	—	—	—	—	(997,800)	(997,800)	—	(997,800)
Paid to minority shareholders of subsidiary	—	—	—	(9,948)	—	(9,948)	—	(9,948)
Exchange realignment	—	—	(195,264)	—	—	(195,264)	—	(195,264)
Profit for the year	—	—	—	4,546,383	—	4,546,383	—	4,546,383
Minority interest	—	—	—	—	—	—	98,000	98,000
At 31 December 2007	13,738	1,019	(210,290)	6,824,092	1,702,510	16,071,515	98,000	16,169,515

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED CASH FLOW STATEMENT***Year ended 31 December*

	<i>Notes</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Net cash inflow from operating activities	32	5,602,060	3,171,218
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		43,234	25,610
Payments for construction in progress		(5,787,263)	(2,741,538)
Purchases of property, plant and equipment		(1,993,385)	(1,982,863)
Proceeds from disposal of property, plant and equipment		813,711	635,997
Liquidation of a subsidiary		—	(45,221)
Addition in equity investments at fair value through profit or loss		—	(74,200)
Addition in available-for-sale investments		<u>(578)</u>	<u>(364)</u>
Net cash outflow from investing activities		<u>(6,924,281)</u>	<u>(4,182,579)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(237,824)	(171,449)
Dividend paid		(1,079,011)	(978,503)
Proceeds from issue of convertible bonds		1,965,000	—
New bank loans		3,148,624	3,512,406
Repayment of bank loans		(1,908,484)	(1,923,783)
Capital element of finance lease rental payments		(29,845)	(31,284)
Minority share of increase in capital of a subsidiary		<u>98,000</u>	<u>—</u>
Net cash inflow from financing activities		<u>1,956,460</u>	<u>407,387</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		634,239	(603,974)
Cash and cash equivalents at beginning of year		475,263	1,098,539
Effect of foreign exchange rate changes, net		<u>(29,734)</u>	<u>(19,302)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>1,079,768</u>	<u>475,263</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>1,079,768</u>	<u>475,263</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEET***31 December*

	<i>Notes</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	14,007,638	10,715,050
Investments in jointly-controlled entities	16	1,043,839	931,839
Interests in subsidiaries	15	26,764	4,140
Available-for-sale investments	17	4,300	4,578
Deferred staff expenditure	19	—	45,333
Deferred tax assets	28	—	15,854
Total non-current assets		<u>15,082,541</u>	<u>11,716,794</u>
CURRENT ASSETS			
Bunker oil inventories		263,931	192,132
Trade and bills receivables	20	505,790	392,038
Prepayments, deposits and other receivables	21	3,024,299	2,195,406
Equity investments at fair value through profit or loss	18	257,400	159,000
Cash and cash equivalents	22	<u>549,402</u>	<u>370,808</u>
Total current assets		<u>4,600,822</u>	<u>3,309,384</u>
CURRENT LIABILITIES			
Trade payables	23	391,138	213,899
Other payables and accruals	24	259,596	332,793
Tax payable		104,376	52,293
Current portion of interest-bearing bank and other borrowings, and finance lease payables	26	<u>83,600</u>	<u>1,366,995</u>
Total current liabilities		<u>838,710</u>	<u>1,965,980</u>
NET CURRENT ASSETS		<u>3,762,112</u>	<u>1,343,404</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,844,653</u>	<u>13,060,198</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	45,800	12,752
Convertible bonds	29	1,871,438	—
Interest-bearing bank and other borrowings, and finance lease payables	27	<u>1,997,340</u>	<u>760,620</u>
Total non-current liabilities		<u>3,914,578</u>	<u>773,372</u>
Net assets		<u>14,930,075</u>	<u>12,286,826</u>
EQUITY			
Issued capital	30	3,326,000	3,326,000
Reserves	31	9,901,565	7,963,026
Proposed final dividend		<u>1,702,510</u>	<u>997,800</u>
		<u>14,930,075</u>	<u>12,286,826</u>
Li Shaode <i>Director</i>		Mao Shijia <i>Director</i>	

NOTES TO FINANCIAL STATEMENTS*31 December 2007***1. CORPORATE INFORMATION**

China Shipping Development Company Limited (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office of the Company is located at 168 Yuan Shen Road, Shanghai, the PRC. During the year, the Company and its subsidiaries (the “Group”) were involved in the following principal activities:

- a) investment holding; and / or
- b) oil and cargo shipment along the PRC coast and international shipment.

In the opinion of the directors, the Company’s ultimate holding company is China Shipping (Group) Company (“China Shipping”), a state-owned enterprise established in the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. All significant intercompany transactions and balances within the Group are eliminated on consolidation. The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net asset of the Company’s subsidiaries.

These financial statements are presented in Renminbi (“Rmb”), which is the functional currency of the Group, and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.3 Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group using the purchase method of accounting. They are de-consolidated from the date that control ceases.

Purchase method of accounting

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to equity holders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

2.4 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity jointly.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

Results of subsidiaries are accounted for in accordance with the policy as disclosed in note 2.3.

- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Interests in jointly controlled entities and associates are accounted for in the consolidated financial statements under the equity method and are stated at cost plus the Group's share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit-sharing ratios.

Results of equity investments as described in (d) are accounted for by the Group to the extent of dividends received and receivable.

2.5 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.6 Related parties

A party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.7 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the periods of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10%
Vessels	3.57% to 20%
Machinery and equipment	6.67% to 20%
Motor vehicles	10% to 12.5%
Buildings	3.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related

borrowed funds during the periods of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.8 Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.9 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements. In which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2.10 Deferred staff expenditure

The Company provided staff quarters to selected employees and, according to a housing reform scheme in Shanghai, the People's Republic of China (the "PRC"), arrangements were made to transfer the staff quarters to employees who agreed to remain in service for the Company for a period of 10 years. As of the date of this report, 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 the straight-line basis over 10 years, which approximates the expected service period of the relevant employees. The deferred staff expenditure has been amortized for eight years up to 2006. In order to align with the presentation in the financial statements prepared under PRC accounting standards, the directors decided to charge the remaining balance as expenses in 2007.

2.11 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment, or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if

they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the income statement.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis, and other valuation models.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original transaction. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity investments classified as available for sale are not reversed through the income statement.

2.13 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.14 Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method, except when the effect of discounting would be insignificant in which case, they are carried at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.15 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

2.16 Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as convertible bonds equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bonds.

When the bonds are converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to retained profit.

2.17 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.18 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) from shipping operations, on the percentage of completion basis;
- (b) from vessel chartering, on a time proportion basis over the lease terms;
- (c) from vessel management, in the period in which the vessels are managed in accordance with the respective agreement;
- (d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

2.19 Bunker oil inventories and ship stores and spare parts

Bunker oil inventories are stated at cost less any impairment losses considered necessary by the directors. Cost is determined on the weighted average cost method basis.

Ship stores and spare parts are charged as operating expenses when purchased.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2.21 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Foreign currencies

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation and functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) *Translation for foreign operations*

For the foreign operations, the Company translated all items into reporting currency — Renminbi "Rmb". All the assets and liabilities accounts at the balance sheet date are translated into Rmb at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profit" are translated into Rmb at the exchange rate on the date of occurrence. Income and expenses for each income statement are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as separate item behind "undistributed profit". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.23 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.24 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

2.25 Accounting estimates and judgements

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of preproperty, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimates is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation of vessels

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at each balance sheet date. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations and scrap value of vessels in future. The carrying amount of the Group's vessels as at 31 December 2007 was Rmb14,212,139,000 (2006: restated at Rmb11,381,386,000).

Estimated net realizable value of inventories

The Group makes provision for slow-moving or obsolete inventories based on an assessment of the net realizable value of the inventories. Provisions are applied to the inventories where events or changes in circumstances indicate that net realizable value is less than cost. The determination of net realizable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on carrying value of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

Estimated provision for impairment of trade, prepayments, deposits and trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade, prepayments, deposits and trade and other receivables. Provisions are applied to trade, prepayments, deposits and trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will have impact on carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Valuation of convertible bonds

On initial recognition date, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 29.

Provision for losses incurred in accidents

Provision for losses incurred in accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation and the recoverability of losses from insurance companies, which requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying value of the provisions and losses incurred in accidents/write-back in the period in which such estimate has been changed.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN ACCOUNTING POLICIES

3.1 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

a) Amendment to HKAS 1 *Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital. These new disclosures are shown in note 31 to the financial statements.

b) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation clarifies the requirement for transactions in which an entity cannot identify some or all of the specific goods or services received to come under the scope of HKFRS 2 Share-based payment transactions. As the Group does not have any share-based payments, the interpretation has had no effect on these financial instruments.

d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group does not have any embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously recognised in respect of such assets, the interpretation has had no effect on the financial position or results of operations of the Group.

3.2 Impact of HKFRS issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 January 2008

a) HKFRS 8 *Operating Segments*

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1, "Presentation of financial statements", replaces HKAS 1 (revised on 2004) as amended in 2005 and establishes the amendments to the presentation of information in the financial statements. It requires the presentation of recognized income and expenses in a statement of comprehensive income or in a statement of profit or loss together with a statement of comprehensive income, separately from owner changes in equity. All other non-owner changes in equity and related current and deferred tax should also be presented separately from the owner changes in equity. HKAS 1 also requires, as a minimum, the presentation of three statements of financial position (balance sheet) in a complete set of financial statements whenever there is prior period adjustment or a reclassification of items in the financial statements — as at the end of the current period, the end of the comparative period and the beginning of the comparative period. Dividends recognized as distributions to owners and related per-share amounts should be presented on the face of statement of changes in equity or in the notes and not on the face of the statement of comprehensive income or the face of income statement. The Group will apply HKAS 1 in its financial statements for the period commencing from January 1, 2009. Management does not expect any material impact from adopting HKAS 1 on the financial statements of the Group.

c) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

d) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC)-Int 11, HKFRS 2 — Group and treasury share transactions (effective from 1 January 2008), provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

e) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK (IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

f) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

g) HK(IFRIC)-Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14, HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statement.

3.3 Changes in accounting policies

With effect from 1 January 2007, the Group changed its policy of accounting for the results and net assets of its jointly-controlled entities from proportionate consolidation method to equity method in order to be consistent with the accounting treatment of its PRC subsidiaries which follow the "China Accounting Standards for Business Enterprises". As a result, the Group's interests in these jointly-controlled entities are carried in the balance sheet at cost plus its share of their post-acquisition reserves less impairment losses identified and results of their operation were accounted for in the consolidated income statement as a share of profit or loss from jointly-controlled entities. The change in accounting policy has been effected retrospectively. The comparative figures for 2006 have been restated accordingly.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

In addition, there is a re-statement to retained profits due to the recognition on a merger accounting basis of a subsidiary acquired during the year.

	2006	Share of assets and liabilities of	2006
	As originally reported	jointly-controlled entities	As restated
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Non-current assets	15,149,292	(904,770)	14,244,522
Interest in jointly-controlled entities	—	907,169	907,169
Current assets	2,074,270	(241,131)	1,833,139
Current liabilities	(2,658,498)	56,460	(2,602,038)
Non-current liabilities	<u>(1,968,140)</u>	182,272	<u>(1,785,868)</u>
Net assets	<u>12,596,924</u>		12,596,924
Retained profits brought forward of a subsidiary acquired during the year			<u>8,329</u>
Total shareholders' equity			<u>12,605,253</u>

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

- (a) oil shipment;
- (b) coal shipment;
- (c) other dry bulk shipment

In determining the Group's geographical segments, revenues and results are attributed to the segments based on domestic and international shipment.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Business segments

The following table presents revenue and results information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Oil shipment		Coal shipment		Other dry bulk shipment		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>
Segment revenue:								
Revenue	<u>4,924,349</u>	<u>5,356,583</u>	<u>5,324,189</u>	<u>2,806,027</u>	<u>2,146,201</u>	<u>1,040,947</u>	<u>12,394,739</u>	<u>9,203,557</u>
Segment results	<u>1,392,688</u>	<u>1,734,323</u>	<u>2,482,111</u>	<u>1,128,030</u>	<u>1,190,632</u>	<u>424,462</u>	<u>5,065,431</u>	<u>3,286,815</u>
Unallocated revenue:								
Other income and gains							542,947	311,251
Unallocated operating expenses:								
Marketing expenses							(36,744)	(32,933)
Administrative expenses							(214,841)	(196,458)
Other expenses							(21,374)	(30,542)
Share of Profits of jointly controlled entities							165,745	75,170
Finance costs							<u>(173,129)</u>	<u>(120,490)</u>
Profit before tax							5,328,035	3,292,813
Tax							<u>(781,652)</u>	<u>(531,339)</u>
Profit for the year							<u>4,546,383</u>	<u>2,761,474</u>

The net book values of oil vessels and cargo vessels at 31 December 2007 amounted to Rmb8,957,375,000 and Rmb5,254,764,000 respectively. Since the Group's assets and liabilities (other than the vessels) are not directly employed according to its business segments, nor could they be allocated to these segments on a reasonable basis, business segment information relating to segment assets and liabilities is not presented.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

Geographical segments

The following table presents revenue and segment results from operating activities by geographical area of operations for the years ended 31 December 2007 and 2006.

	Year ended 31 December 2007		Year ended 31 December 2006	
	Revenue <i>Rmb'000</i>	Contribution <i>Rmb'000</i>	Revenue <i>Rmb'000</i> <i>(Restated)</i>	Contribution <i>Rmb'000</i> <i>(Restated)</i>
Domestic	7,312,282	3,144,305	4,986,156	1,740,253
International	<u>5,082,457</u>	<u>1,921,126</u>	<u>4,217,401</u>	<u>1,546,562</u>
	<u>12,394,739</u>	5,065,431	<u>9,203,557</u>	3,286,815
Other income and gains		542,947		311,251
Marketing expenses		(36,744)		(32,933)
Administrative expenses		(214,841)		(196,458)
Other expenses		(21,374)		(30,542)
Share of Profits of jointly controlled entities		165,745		75,170
Finance cost		<u>(173,129)</u>		<u>(120,490)</u>
Profit before tax		5,328,035		3,292,813
Tax		<u>(781,652)</u>		<u>(531,339)</u>
Profit for the year		<u>4,546,383</u>		<u>2,761,474</u>

The principal assets employed by the Group are located in the PRC, and accordingly, no segment analysis of assets and expenditure has been prepared for the year.

5. REVENUE, OTHER INCOME AND GAINS

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 year amounted to Rmb247,370,892 (2006: Rmb177,984,265).

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>
Revenue		
Oil shipments	4,924,349	5,356,583
Coal shipments	5,324,189	2,806,027
Other dry bulk shipments	<u>2,146,201</u>	<u>1,040,947</u>
	<u>12,394,739</u>	<u>9,203,557</u>
Other income		
Interest income	34,513	24,148
Service income from vessel management	39,125	43,652
Others	<u>5,731</u>	<u>16,084</u>
	79,369	83,884
Gains		
Gain on disposal of property, plant and equipment, net	421,073	177,989
Exchange losses, net	(55,895)	(38,972)
Fair value gains on equity investments at fair value through profit or loss	98,400	84,800
Others	<u>—</u>	<u>3,550</u>
	<u>463,578</u>	<u>227,367</u>
Other income and gains	<u>542,947</u>	<u>311,251</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	3,588,437	2,934,471
Others	3,740,871	2,982,271
Depreciation	1,000,854	977,001
Operating lease rentals:		
Land and buildings	24,900	22,290
Vessels	75,194	83,742
	<u>100,094</u>	<u>106,032</u>
Auditor's remuneration	3,512	3,030
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	617,951	495,409
Pension scheme contributions	85,951	79,871
	<u>703,902</u>	<u>575,280</u>
Provision/(reversal of provision) for bad and doubtful debts	9,334	(9,423)
Write-off of construction in progress	—	2,875
Amortization of deferred staff expenditure	49,668	12,784
Loss on liquidation of a subsidiary	—	17,254
Dry-docking and repairs	<u>456,415</u>	<u>401,970</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****7. FINANCE COSTS**

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>
Interest on convertible bonds within five years	32,155	—
Interest on bank loans and other borrowings wholly repayable within five years	230,394	141,347
Interest on finance leases	<u>649</u>	<u>3,511</u>
Total interest	231,043	144,858
Less: Interest capitalised	<u>(90,069)</u>	<u>(24,368)</u>
	<u>140,974</u>	<u>120,490</u>

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Directors		Supervisors	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Fees	320	180	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	1,562	1,495	850	353
Pension scheme costs	<u>38</u>	<u>46</u>	<u>38</u>	<u>17</u>
Total	<u>1,920</u>	<u>1,721</u>	<u>888</u>	<u>370</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
Mr. Zhou Zhanqun	80	60
Mr. Hu Honggao	80	60
Mr. Xie Rong	80	60
Mr. Ma Xun	80	—
	<u>320</u>	<u>180</u>

There were no other emoluments payable to the independent non-executive directors during the year (2006:Nil).

(b) Executive directors and a non-executive director and supervisors

2007	Fees <i>Rmb'000</i>	Salaries, allowances and benefits in kind <i>Rmb'000</i>	Pension scheme contributions <i>Rmb'000</i>	Total remuneration <i>Rmb'000</i>
Executive directors:				
Mr. Li Shaode	—	—	—	—
Mr. Ma Zehua	—	—	—	—
Mr. Lin Jianqing	—	—	—	—
Mr. Wang Daxiong	—	—	—	—
Mr. Zhang Guofa	—	—	—	—
Mr. Mao Shijia	—	814	19	833
Mr. Wang Kunhe	—	748	19	767
	<u>—</u>	<u>1,562</u>	<u>38</u>	<u>1,600</u>
Non-executive directors:				
Mr. Yao Zuozhi	—	—	—	—
Supervisors:				
Mr. Kou Laiqi	—	—	—	—
Mr. Yan Zhichong	—	—	—	—
Mr. Xu Hui	—	—	—	—
Mr. Luo Yuming	—	458	19	477
Ms. Chen Xiuling	—	392	19	411
	<u>—</u>	<u>850</u>	<u>38</u>	<u>888</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

		Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
2006	Fees			
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Executive directors:				
Mr. Li Shaode	—	—	—	—
Mr. Lin Jianqing	—	—	—	—
Mr. Wang Daxiong	—	—	—	—
Mr. Zhang Guofa	—	—	—	—
Mr. Mao Shijia	—	701	29	730
Mr. Wang Kunhe	—	794	17	811
	<u>—</u>	<u>1,495</u>	<u>46</u>	<u>1,541</u>
Non-executive directors:				
Mr. Yao Zuozhi	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Supervisors:				
Mr. Kou Laiqi	—	—	—	—
Mr. Xu Hui	—	—	—	—
Ms. Chen Xiuling	—	353	17	370
Mr. Yan Mingyi	—	—	—	—
Mr. Zhang Rongbiao	—	—	—	—
	<u>—</u>	<u>353</u>	<u>17</u>	<u>370</u>

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join an upon joining the Group or as compensation for loss of office.

No direction of the Company waived or agreed to waive any emoluments during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: three) directors or supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: two) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Salaries, allowances and benefits in kind	2,282	1,005
Pension scheme contributions	<u>57</u>	<u>63</u>
	<u>2,339</u>	<u>1,063</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The number of non-director, non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2007	2006
Nil to Rmb\$1,000,000	<u>3</u>	<u>2</u>

10. TAX

Pursuant to the directive 1998 (250) jointly issued by the Shanghai State Tax Bureau and the Shanghai Bureaus of Finance on 8 October 1998, the Company is entitled to a preferential income tax rate of 15% effective from 1 January 1998. Accordingly, PRC income tax of the Company has been provided at the rate of 15% (2006: 15%) on the estimated assessable profits for the year.

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2006: Nil). 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.

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i> (<i>Restated</i>)
Group:		
Current-Hong Kong	—	—
Current-PRC		
Charge for the year	636,722	453,178
Over provision in prior years	(20,090)	(1,706)
Deferred (note 28)	<u>165,020</u>	<u>79,867</u>
Total tax charge for the year	<u>781,652</u>	<u>531,339</u>
Company:		
Tax	596,418	466,261
Deferred Tax	<u>48,902</u>	<u>(3,102)</u>
Total tax charge for the year	<u>645,320</u>	<u>463,159</u>

Income tax for the year of jointly-controlled entities attributable to the Group amounted to Rmb34,772,000 (2006: Rmb8,790,000).

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	2007		2006	
			<i>(Restated)</i>	
	<i>Rmb'000</i>	<i>%</i>	<i>Rmb'000</i>	<i>%</i>
Profit before tax	5,328,035		3,292,813	
Tax at the statutory tax rate	799,203	15.0	493,922	15.0
Higher tax rate for specific provinces	11,896	0.2	42,418	1.3
Adjustments in respect of current tax of previous periods	(20,090)	(0.3)	(1,706)	(0.5)
Expenses not deductible for tax	13,267	0.2	1,872	0.6
Income not subject to tax	<u>(22,624)</u>	<u>(0.4)</u>	<u>(5,167)</u>	<u>(0.2)</u>
Tax charge at the Group's effective rate	<u>781,652</u>	<u>14.7</u>	<u>531,339</u>	<u>16.2</u>

Tax payable in the balance sheet represented by:

	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Corporate income tax payable of previous year	52,450	36,436
Provision for Corporate Income tax during the year	636,722	453,178
(Reversal)/Increase of previous year tax provisional	(20,090)	(1,706)
Corporate income tax paid	<u>(618,568)</u>	<u>(435,458)</u>
Corporate income tax charge for the year	<u>50,514</u>	<u>52,470</u>

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of Rmb3,531,035,000 (2006: Rmb2,801,742,000) which has been dealt within the financial statements of the Company (note 31).

12. DIVIDEND

	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Proposed final — Rmb0.50 (2006: Rmb0.30) per ordinary share	<u>1,702,510</u>	<u>997,800</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary equity holders of the Company for the year ended 31 December 2007 of Rmb4,546,383,000 (2006: Rmb2,758,477,000) and the number of 3,326,000,000 ordinary shares issued for both years ended 31 December 2007 and 2006.

Diluted earnings per share for the year ended 31 December 2007 was calculated taking into account the potential dilutive effect of 39,510,075 ordinary shares issuable on full conversion of convertible bonds issued in July 2007.

14. PROPERTY, PLANT AND EQUIPMENT

	Group						
31 December 2007	Leasehold improvements	Vessels	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost or valuation							
At 1 January 2007	50,264	19,329,752	48,466	14,704	16,419	2,286,915	21,746,520
Transfers	—	2,457,558	—	—	—	(2,457,558)	—
Additions	5,647	1,744,152	1,956	1,586	—	5,915,059	7,668,400
Disposals	—	(1,347,908)	(3,945)	(746)	—	—	(1,352,599)
At 31 December 2007	<u>55,911</u>	<u>22,183,554</u>	<u>46,477</u>	<u>15,544</u>	<u>16,419</u>	<u>5,744,416</u>	<u>28,062,321</u>
Accumulated depreciation							
At 1 January 2007	19,648	7,948,366	40,908	7,168	4,348	—	8,020,438
Provided during the year	9,326	981,590	3,520	949	5,469	—	1,000,854
Disposals	—	(958,541)	(2,790)	(718)	—	—	(962,049)
At 31 December 2007	<u>28,974</u>	<u>7,971,415</u>	<u>41,638</u>	<u>7,399</u>	<u>9,817</u>	<u>—</u>	<u>8,059,243</u>
Impairment loss							
At 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>936</u>	<u>—</u>	<u>—</u>	<u>936</u>
At 31 December 2006	<u>—</u>	<u>—</u>	<u>—</u>	<u>936</u>	<u>—</u>	<u>—</u>	<u>936</u>
Accumulated depreciation and Impairment loss							
At 31 December 2007	<u>28,974</u>	<u>7,971,415</u>	<u>41,638</u>	<u>8,335</u>	<u>9,817</u>	<u>—</u>	<u>8,060,179</u>
At 31 December 2006	<u>19,648</u>	<u>7,948,366</u>	<u>40,908</u>	<u>8,104</u>	<u>4,348</u>	<u>—</u>	<u>8,021,374</u>
Net book value							
At 31 December 2007	<u>26,937</u>	<u>14,212,139</u>	<u>4,839</u>	<u>7,209</u>	<u>6,602</u>	<u>5,744,416</u>	<u>20,002,142</u>
At 31 December 2006 (Restated)	<u>30,616</u>	<u>11,381,386</u>	<u>7,558</u>	<u>6,600</u>	<u>12,071</u>	<u>2,286,915</u>	<u>13,725,146</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

31 December 2007	Company						
	Leasehold	Machinery		Motor	Construction		Total
	improvements	Vessels	equipment	vehicles	Buildings	in progress	
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Cost or valuation							
At 1 January 2007	50,264	15,496,416	52,072	14,715	6,395	1,956,588	17,576,450
Transfers	—	2,418,695	—	—	—	(2,418,695)	—
Additions	—	1,654,766	1,699	1,586	—	2,851,332	4,509,383
Disposals	(50,264)	(1,199,080)	(3,945)	(746)	—	—	(1,254,035)
Exchange realignment	—	(82,392)	(277)	(78)	—	(10,408)	(93,155)
At 31 December 2007	—	18,288,405	49,549	15,477	6,395	2,378,817	20,738,643
Accumulated depreciation							
At 1 January 2007	19,649	6,789,683	42,483	7,360	1,289	—	6,860,464
Provided during the year	8,397	808,302	3,362	1,885	69	—	822,015
Disposals	(28,046)	(920,856)	(2,790)	(718)	—	—	(952,410)
At 31 December 2007	—	6,677,129	43,055	8,527	1,358	—	6,730,069
Impairment loss							
At 31 December 2007	—	—	—	936	—	—	936
At 31 December 2006	—	—	—	936	—	—	936
Accumulated depreciation and Impairment loss							
At 31 December 2007	—	6,677,129	43,055	9,463	1,358	—	6,731,005
At 31 December 2006	19,649	6,789,683	42,483	8,296	1,289	—	6,861,400
Net book value							
At 31 December 2007	—	11,611,276	6,494	6,014	5,037	2,378,817	14,007,638
At 31 December 2006	30,615	8,706,733	9,589	6,419	5,106	1,956,588	10,715,050

Certain of the Group's and the Company's property, plant and equipment are leased to other parties under operating leases. Further details of the assets under operating lease arrangements are as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Vessels				
Cost at 31 December	1,141,184	976,926	932,322	527,166
Accumulated depreciation at 31 December	504,795	571,232	486,068	337,179

Further details of the operating leases are included in note 36(a) to the financial statements.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

Certain of the Group's vessels existing as at 31 August 1994 were revalued at that date by Colliers Jardine Appraisals Limited, independent professionally qualified valuers, on an open market existing use basis. Since then, no further revaluation of the Group's vessels has been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out revaluations on a regular basis of its vessels which were stated at valuation at that time. Had these vessels been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately Rmb737,264,000 (2006: Rmb816,613,000).

At 31 December 2007, certain of the Groups' vessels with a net book value of approximately Rmb1,473,601,000 (2006: Rmb1,636,110,100) were pledged to secure general banking facilities granted to the Group (note 27).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Unlisted shares, at cost	<u>26,764</u>	<u>4,140</u>

Particulars of the Group's principal subsidiary are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Class of shares in issue	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong	US\$500,000	Ordinary	100%	—	Investment holding
Shanghai Yinhua Shipping Company Limited	Shanghai	RMB22,623,500	Ordinary	51%	—	Provision of shipping services

The above table lists the subsidiary of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Equity method	<u>1,162,971</u>	<u>892,226</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	Company	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Unlisted shares, at cost	<u>1,043,839</u>	<u>931,839</u>

The Groups other payable balances due to the jointly-controlled entities are disclosed in note 24 to the financial statements.

As at 31 December 2007, particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of ownership interest, voting power and profit sharing attributable to the Company	Principal activities
Shanghai Friendship Marine Co., Ltd.	Registered Capital of Rmb1 each (Rmb25,000,000)	PRC	50%	Provision of shipping services
Zhuhai New Century Marine Co., Ltd.	Registered Capital of Rmb1 each (Rmb257,000,000)	PRC	50%	Provision of shipping services
Shanghai Times Shipping Co., Ltd.	Registered capital of Rmb1 each (Rmb600,000,000)	PRC	50%	Provision of shipping services

The financial statements of the above jointly-controlled entities are coterminous with those of the Group. Material transactions between the jointly-controlled entities and the Group companies have been adjusted for.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Listed equity investments, at fair value:		
Shanghai	300	578
Unlisted equity investments, at cost	<u>4,000</u>	<u>4,000</u>
	<u>4,300</u>	<u>4,578</u>

During the year, the gross gain on the Group's available-for-sale investments, net of tax impact, recognised directly in equity amounted to Rmb837,000 (2006: Rmb182,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The fair values of listed equity investments are based on quoted market prices. As at 31 December 2007, unlisted equity investments with a carrying amount of Rmb4,000,000 (2006: Rmb4,000,000) were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Listed equity investments, at fair value:		
Shanghai	<u>257,400</u>	<u>159,000</u>

The above equity investments at 31 December 2007 classified as held for trading were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

19. DEFERRED STAFF EXPENDITURE

	Group and Company	
	<i>Rmb'000</i>	
Cost		
At beginning of year and 31 December 2007		<u>127,845</u>
Accumulated amortisation		
At beginning of year		82,512
Amortisation provided during the year		<u>45,333</u>
At 31 December 2007		<u>127,845</u>
Net book value		
At 31 December 2007		<u>—</u>
At 31 December 2006		<u>45,333</u>

20. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Trade and bills receivables	568,932	410,565	513,346	402,276
Provision for doubtful debts	<u>(9,495)</u>	<u>(10,238)</u>	<u>(7,556)</u>	<u>(10,238)</u>
Trade and bills receivables, net	<u>559,437</u>	<u>400,327</u>	<u>505,790</u>	<u>392,038</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

An aged analysis of the trade and bills receivables of the Group and the Company as at the balance sheet date, based on the invoice date, is as follows:

	Group			
	2007		2006	
	Balance	Percentage	Balance	Percentage
	<i>Rmb'000</i>	<i>%</i>	<i>Rmb'000</i>	<i>%</i>
			<i>(Restated)</i>	
Within one year	568,866	100	401,225	98
One to two years	66	—	—	—
Over two years	<u>—</u>	<u>—</u>	<u>9,340</u>	<u>2</u>
	568,932	<u>100</u>	410,565	<u>100</u>
Provision for doubtful debts	<u>(9,495)</u>		<u>(10,238)</u>	
Trade and bills receivables, net	<u>559,437</u>		<u>400,327</u>	

	Company			
	2007		2006	
	Balance	Percentage	Balance	Percentage
	<i>Rmb'000</i>	<i>%</i>	<i>Rmb'000</i>	<i>%</i>
Within one year	513,346	100	392,936	98
One to two years	—	—	—	—
Over two years	<u>—</u>	<u>—</u>	<u>9,340</u>	<u>2</u>
	513,346	<u>100</u>	402,276	<u>100</u>
Provision for doubtful debts	<u>(7,556)</u>		<u>(10,238)</u>	
Trade and bills receivables, net	<u>505,790</u>		<u>392,038</u>	

The Group normally allows an average credit period of 30 days to its major customers. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Prepayments	157,673	787,583	205,309	284,046
Deposits and other debtors	80,207	296,989	76,155	66,845
Due from fellow subsidiaries	—	—	2,742,835	1,844,515
	<u>237,880</u>	<u>1,084,572</u>	<u>3,024,299</u>	<u>2,195,406</u>

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Cash and bank balances	<u>1,079,768</u>	<u>475,263</u>	<u>549,402</u>	<u>370,808</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values. At the balance sheet date, the cash and bank balances of the Group denominated in US\$ amounted to Rmb341,465,000 (2006: Rmb75,970,000).

23. TRADE PAYABLES

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>		
Trade payables	288,288	215,717	217,280	213,899
Due to fellow subsidiaries	<u>173,858</u>	<u>475</u>	<u>173,858</u>	<u>—</u>
	<u>462,146</u>	<u>216,192</u>	<u>391,138</u>	<u>213,899</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

An aged analysis of trade payables as at the balance sheet date is as follows:

	Group			
	2007		2006	
	Balance	Percentage	Balance	Percentage
	<i>Rmb'000</i>	<i>%</i>	<i>Rmb'000</i>	<i>%</i>
			<i>(Restated)</i>	
Within one year	451,011	98	216,011	100
One to two years	11,133	2	181	—
Beyond two years	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>462,146</u>	<u>100</u>	<u>216,192</u>	<u>100</u>

	Company			
	2007		2006	
	Balance	Percentage	Balance	Percentage
	<i>Rmb'000</i>	<i>%</i>	<i>Rmb'000</i>	<i>%</i>
Within one year	380,003	97	213,718	100
One to two years	11,133	3	181	—
Over two years	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>391,138</u>	<u>100</u>	<u>213,899</u>	<u>100</u>

The trade payables are non-interest-bearing and are normally settled in one to three months.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>		
Accruals	108,117	45,858	108,354	145,766
Other liabilities	402,521	836,302	151,242	179,088
Due to jointly-controlled entities	—	1,163	—	2,325
Due to fellow subsidiaries	<u>21,095</u>	<u>25,999</u>	<u>—</u>	<u>5,614</u>
	<u>531,733</u>	<u>909,322</u>	<u>259,596</u>	<u>332,793</u>

Other payables are non-interest-bearing and have an average term of one to three months.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2007		2006
	Contract/ notional amount <i>Rmb'000</i>	Fair Values Assets <i>Rmb'000</i>	Fair Values Assets <i>Rmb'000</i>
Cross currency swap agreements	<u>913,837</u>	<u>17,610</u>	<u>1,044</u>

The carrying amounts of forward currency contracts are the same as their fair values.

Cash flow hedges

As at 31 December 2007, the Group held two cross currency swap agreements designated as hedges in respect of expected future JPY bank loans for which the Group has firm commitments.

The terms of the cross currency swap agreements have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and a net gain of Rmb13,738,000 was included in the hedging reserve as follows:

	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
Total fair value gains included in the hedging reserve	17,610	1,044
Deferred tax on fair value gains	<u>(3,872)</u>	<u>(183)</u>
Net gains on cash flow hedges	<u>13,738</u>	<u>861</u>

26. CURRENT PORTION OF INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

		Group		Company	
	Notes	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i> (Restated)	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
Current portion of bank and other borrowings	27	721,825	1,445,642	83,600	1,337,150
Current portion of finance lease payables	27	<u>—</u>	<u>29,845</u>	<u>—</u>	<u>29,845</u>
		<u>721,825</u>	<u>1,475,487</u>	<u>83,600</u>	<u>1,366,995</u>

On 5 March 2007, a bank loan of Rmb720,000,000 included in the current portion of bank and other borrowings at the balance sheet date has been replaced by a long-term loan offered by the bank.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

27. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

			Group		Company	
			2007	2006	2007	2006
	Effective interest rate(%)	Maturity	Rmb'000	Rmb'000 (Restated)	Rmb'000	Rmb'000
Current						
Financial lease payables		2008	—	29,845	—	29,845
Bank loans-secured	6.07 or (Libor+0.38-0.45)	2008	210,505	225,642	83,600	117,150
Bank loans-unsecured	Libor+0.25	2008	<u>511,320</u>	<u>1,220,000</u>	<u>—</u>	<u>1,220,000</u>
			<u>721,825</u>	<u>1,475,487</u>	<u>83,600</u>	<u>1,366,995</u>
Non-current						
Financial lease payables			—	—	—	—
Bank loans-secured	5.67-6.48 or (Libor+0.38-0.45)	2009-2012	1,700,001	1,661,366	142,500	760,620
Bank loans-unsecured	5.67-6.72	2010	<u>1,854,840</u>	<u>—</u>	<u>1,854,840</u>	<u>—</u>
			<u>3,554,841</u>	<u>1,661,366</u>	<u>1,997,340</u>	<u>760,620</u>
Analysed into:						
Bank loans:						
Within one year or on demand			721,825	1,445,642	83,600	1,337,150
In the second year			1,316,857	247,012	41,800	117,150
In the third to fifth years, inclusive			945,135	570,815	945,135	352,020
Beyond five years			<u>1,292,849</u>	<u>843,539</u>	<u>1,010,405</u>	<u>291,450</u>
			4,276,666	3,107,008	2,080,940	2,097,770
Finance lease payables:						
Within one year			—	29,845	—	29,845
In the second year			—	—	—	—
In the third to fifth years, inclusive			—	—	—	—
Beyond five years			<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
			<u>—</u>	<u>29,845</u>	<u>—</u>	<u>29,845</u>
			<u>4,276,666</u>	<u>3,136,853</u>	<u>2,080,940</u>	<u>2,127,615</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

The Group's bank loans are secured by pledges of the Group's 6 vessels and construction in progress with an aggregate net book value at 31 December 2007 of Rmb1,473,601,000.

Bank loans of Rmb4,276,666,000 were guaranteed by China Shipping as at 31 December 2007 (2006: Rmb211, 840,000).

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of Rmb1,684,405,000 which are denominated in United States dollars, all borrowings are in Renminbi.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Unremitted earnings <i>Rmb'000</i>	Available- for-sale investments <i>Rmb'000</i>	Cash flow hedge <i>Rmb'000</i>	Equity investments at fair value through profit or loss <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2007	67,147	32	183	12,720	80,082
Deferred tax charged to the income statement during the year (<i>note 10</i>)	<u>129,073</u>	<u>(32)</u>	<u>2,899</u>	<u>33,080</u>	<u>165,020</u>
Deferred tax liabilities at 31 December 2007	<u>196,220</u>	<u>—</u>	<u>3,082</u>	<u>45,800</u>	<u>245,102</u>

Company

	Available- for-sale investments <i>Rmb'000</i>	Equity investments at fair value through profit or loss <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2007	32	12,720	12,752
Deferred tax charged to the income statement during the year	(32)	33,080	33,048
Deferred tax debited to equity during the year	<u>—</u>	<u>—</u>	<u>—</u>
Deferred tax liabilities at 31 December 2007	<u>—</u>	<u>45,800</u>	<u>45,800</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Group

	Unremitted earnings <i>Rmb'000</i>	Available- for-sale investments <i>Rmb'000</i>	Cash flow hedge <i>Rmb'000</i>	Equity investments at fair value through profit or loss <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2006	—	—	—	—	—
Deferred tax charged to the income statement during the year (<i>note 10</i>)	67,147	—	—	12,720	79,867
Deferred tax debited to equity during the year	—	32	183	—	215
Deferred tax liabilities at 31 December 2006	<u>67,147</u>	<u>32</u>	<u>183</u>	<u>12,720</u>	<u>80,082</u>

Company

	Available- for-sale investments <i>Rmb'000</i>	Equity investments at fair value through profit or loss <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2006	—	—	—
Deferred tax charged to the income statement during the year	—	12,720	12,720
Deferred tax debited to equity during the year	32	—	32
Deferred tax liabilities at 31 December 2006	<u>32</u>	<u>12,720</u>	<u>12,752</u>

Deferred tax assets

	Group Deductible tax depreciation		Company Deductible tax depreciation	
	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i> (<i>Restated</i>)	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
At 1 January	20,090	20,795	15,854	15,565
Deferred tax credited/(charged) to the income statement during the year (<i>note 10</i>)	<u>(20,090)</u>	<u>(705)</u>	<u>(15,854)</u>	<u>289</u>
Deferred tax assets at 31 December	<u>—</u>	<u>20,090</u>	<u>—</u>	<u>15,854</u>

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. CONVERTIBLE BONDS

Group and Company

	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
Convertible bonds	<u>1,871,438</u>	<u>—</u>

Convertible bonds amounting to Rmb2,000,000,000 were issued on 2 July 2007. The bonds are convertible into ordinary shares of the Company at anytime between six months after the date of issue of the bonds and their settlement date.

If the bonds have not been converted, they will be redeemed on 1 July 2012 at par. The convertible bonds bear interest from 1.84% to 2.70% during the five years.

The fair value of the liability component included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond equity reserve.

The convertible bonds are denominated in Renminbi 100 each.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2007 <i>Rmb'000</i>	2006 <i>Rmb'000</i>
Fair value of convertible bond	1,948,460	—
Equity component	<u>(109,177)</u>	<u>—</u>
Liability component on initial recognition	1,839,283	—
Imputed interest expense	<u>32,155</u>	<u>—</u>
Liability component at 31 December	<u>1,871,438</u>	<u>—</u>

The fair value of the liability component of the convertible bonds at 31 December 2007 amounted to RMB 2,770, 584,942 (2006: Nil). The fair value is calculated using cash flows discounted at a rate based on the estimated discount rate of 3.49%.

Interest expense of Rmb32,155,000 (2006: Nil) has been recognised in the income statement in respect of the convertible bonds for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 3.74% to the liability component.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

30. ISSUED CAPITAL

	Group and Company			
	2007	2007	2006	2006
	<i>Number of</i>	<i>Rmb'000</i>	<i>Number of</i>	<i>Rmb'000</i>
	<i>shares</i>		<i>shares</i>	
Registered, issued and fully paid				
State-owned legal person shares/A shares of				
Rmb1.00 each	1,578,500,000	1,578,500	1,578,500,000	1,578,500
H shares of Rmb1.00 each	1,296,000,000	1,296,000	1,296,000,000	1,296,000
List A shares of Rmb1.00 each	<u>451,500,000</u>	<u>451,500</u>	<u>451,500,000</u>	<u>451,500</u>
	<u>3,326,000,000</u>	<u>3,326,000</u>	<u>3,326,000,000</u>	<u>3,326,000</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

31. RESERVES

	Group										Total
	Share premium account	Convertible bonds equity reserve	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Hedging reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits (Distributable)	
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2006	2,037,884	—	176,979	764,776	661,170	93,158	—	—	(4,136)	2,795,090	6,524,921
Reclassification	—	—	—	661,170	(661,170)	—	—	—	—	—	—
Changes in fair value of available-for-sale investments	—	—	—	—	—	—	—	182	—	—	182
Release on disposal of items of property, plant and equipment	—	—	(8,150)	—	—	—	—	—	—	8,150	—
Transfers from/(to) reserves	—	—	—	276,202	—	—	—	—	—	(276,202)	—
Liquidation of a subsidiary	—	—	—	(26,222)	—	—	—	—	—	26,222	—
Proposed final 2006 dividend	—	—	—	—	—	—	—	—	—	(997,800)	(997,800)
Net gains on cash flow hedges	—	—	—	—	—	—	861	—	—	—	861
Exchange realignment	—	—	—	—	—	—	—	—	(10,890)	—	(10,890)
Profit for the year	—	—	—	—	—	—	—	—	—	2,755,850	2,755,850
At 31 December 2006 and at 1 January 2007	2,037,884	—	168,829	1,675,926	—	93,158	861	182	(15,026)	4,311,310	8,273,124
Prior year adjustment-adjustment on accounting for common control entity	—	—	—	—	—	—	—	—	—	8,329	8,329
	2,037,884	—	168,829	1,675,926	—	93,158	861	182	(15,026)	4,319,639	8,281,453
Convertible bonds	—	109,177	—	—	—	—	—	—	—	—	109,177
Reallocation	—	—	—	(42,978)	—	—	—	—	—	42,978	—
Changes in fair value of available-for-sale investments	—	—	—	—	—	—	—	837	—	—	837
Transfers from/(to) reserves	—	—	—	372,450	—	—	—	—	—	(372,450)	—
Net gains on cash flow hedges	—	—	—	—	—	—	12,877	—	—	—	12,877
Dividend paid to minority shareholders of subsidiary	—	—	—	—	—	—	—	—	—	(9,948)	(9,948)
2007 Proposed final	—	—	—	—	—	—	—	—	—	(1,702,510)	(1,702,510)
Exchange realignment	—	—	—	—	—	—	—	—	(195,264)	—	(195,264)
Profit for the year	—	—	—	—	—	—	—	—	—	4,546,383	4,546,383
At 31 December 2007	2,037,884	109,177	168,829	2,005,398	—	93,158	13,738	1,019	(210,290)	6,824,092	11,043,005

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	Company								
	Share premium account	Revaluation reserve	Statutory surplus reservewelfare	Statutory public fund	General surplus reserve	Available- for-sale investment revaluation reserve	Convertible bonds	Retained profits	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2006	2,037,884	173,815	741,976	648,818	93,158	—	—	2,463,251	6,158,902
Profit for the year	—	—	—	—	—	—	—	2,801,742	2,801,742
Transfers from/(to) reserves	—	—	274,111	—	—	—	—	(274,111)	—
Release on disposal of property, plant and equipment	—	(8,150)	—	—	—	—	—	8,150	—
Proposed final 2006 dividend — (note 12)	—	—	—	—	—	—	—	(997,800)	(997,800)
Reclassification	—	—	648,818	(648,818)	—	—	—	—	—
Changes in fair value of available-for-sale investments	—	—	—	—	—	182	—	—	182
At 31 December 2006 and 1 January 2007	<u>2,037,884</u>	<u>165,665</u>	<u>1,664,905</u>	<u>—</u>	<u>93,158</u>	<u>182</u>	<u>—</u>	<u>4,001,232</u>	<u>7,963,026</u>
Profit for the year	—	—	—	—	—	—	—	3,531,035	3,531,035
Transfers from/(to) reserves	—	—	372,450	—	—	—	—	(372,450)	—
Proposed final 2007 dividend — (note 12)	—	—	(31,957)	—	—	—	—	31,957	—
Convertible bonds equity	—	—	—	—	—	—	109,177	—	109,177
Reclassification	—	—	—	—	—	—	—	(1,702,510)	(1,702,510)
Changes in fair value of available-for-sale investments	—	—	—	—	—	837	—	—	837
At 31 December 2007	<u>2,037,884</u>	<u>165,665</u>	<u>2,005,398</u>	<u>—</u>	<u>93,158</u>	<u>1,019</u>	<u>109,177</u>	<u>5,489,264</u>	<u>9,901,565</u>

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC and the Company's articles of association, part of the SSR may be converted to increase share capital, provided that the remaining balance after capitalisation is not less than 25% of the registered capital.

The directors have proposed to transfer Rmb372,450,000 (2006: Rmb274,111,000) to SSR, represents 10% (2006: 10%) of the Company's profit after tax of Rmb3,724,500,000 (2006: Rmb2,801,742,000), as determined in accordance with PRC GAAP. The transfer to the SSR is subject to shareholders' approval at the forthcoming annual general meeting.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. On this basis, as at 31 December 2007, before the proposed final dividend, the Company had reserve of Rmb7,928,539,000 (2006: Rmb4,999,032,000) available for distribution as dividends.

In addition, in accordance with the Company Law of the PRC, an amount of approximately Rmb2,037,884,000 (2006: Rmb2,037,884,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

Share premium account

Share premium arose from the issuance of shares at prices in excess of their par value.

Convertible bonds equity reserve

The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds equity reserve.

Hedging reserve

Changes in the fair values of derivative financial instruments and hedged items are to be charged directly and transferred to hedging reserve.

Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

Statutory surplus reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must before distribution of a dividend to shareholders.

Statutory public welfare fund

Pursuant to the revised Company Law of the PRC, the Company is no longer required by law to make appropriations to the statutory public welfare fund as from 1 January 2006. The balance of the statutory public welfare fund as at 1 January 2006 of RMB 661,170,000 had been transferred to the statutory surplus reserve in 2006.

General surplus reserve

When the public welfare fund is utilized, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>
Profit before tax	5,328,035	3,292,813
Adjustments for:		
Interest income	(43,234)	(25,610)
Depreciation of property, plant and equipment	1,000,854	977,001
Amortisation of deferred staff expenditure	45,333	12,784
Impairment/reversal of impairment on bad and doubtful debts	9,334	(9,423)
Gain on disposal of property, plant and equipment, net	(421,072)	(260,431)
Loss on liquidation of a subsidiary	—	17,254
Fair value gain on equity investments at fair value through profit or loss	(98,400)	(84,800)
Operating profit before working capital changes	5,820,850	3,919,588
Increase in trade and bills receivables	(159,110)	(184,260)
(Increase)/decrease in bunker oil inventories	(93,033)	64,152
Decrease in prepayments	629,910	635
Decrease/(increase) in deposits and other receivables	216,782	(80,213)
Increase in amounts due from fellow subsidiaries	—	(170,098)
Increase in trade payables	312,852	17,308
Increase/(decrease) in accruals	112,546	(49,030)
Decrease in other liabilities	(574,387)	(52,418)
Decrease in amounts due to fellow subsidiaries	(72,746)	(31,600)
Increase in amounts due to holding company	944	—
(Decrease)/increase in amounts due to jointly-controlled entities	(1,163)	1,163
Cash generated from operation	6,193,445	3,435,227
Finance cost	237,823	171,449
Income tax paid	(829,208)	(435,458)
Net cash inflow from operating activities	<u>5,602,060</u>	<u>3,171,218</u>

33. PENSION SCHEME

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing and future retiring employees are limited to its annual contributions equivalent to 22.5% (2006: 22.5%) of the basic salaries of the Group's employees, after certain adjustments on individual employee's salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2007 amounted to Rmb85,951,771 (2006: Rmb79, 591,000).

34. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are include in note 27 to the financial statements.

35. CONTINGENT LIABILITIES

- i) In December 2005, one of the Company's of oil tankers "Daqing 91" leaked fuel during its voyage. According to a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. The Company has made provision for the estimated loss from the claims taking into consideration the amount that could be compensated by the insurance company.
- ii) In December 2007, one of the Company's cargo vessels "Zhenfen 10" collided with "Mowushunfeng 276" which sunk afterward. The case is still under investigation up to 31 December 2007 and the Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company on the cargo vessel. On 3 January 2008, the Company signed an agreement with the owners and agreed to pay all the salvage expenses and, to settle the dispute agreed to pay Rmb3,000,000 as compensation and waive the amount of Rmb50,000 due from the owner. Up to 25 March 2008, the Company is still in the process of claiming compensation from the insurance company.
- iii) In December 2007, one of the Company's cargo vessels, "Cheungshun" collided with "Shenming 6" resulting in damages of its bow. According to the local authorities including the Maritime Safety Administration of Shanghai Province, the Company should assume responsibility of the accident. The Company has made provision for the estimated loss from the claims taking into consideration the amount that could be compensated by the insurance company. By 25 March 2008, the claiming is still in progress.

36. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from 1 to 12 years.

As at 31 December 2007, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follow:

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Within one year	442,735	91,119	49,973	40,813
In the second to fifth years, inclusive	57,704	6,839	5,904	6,839
After five years	1,353	—	1,353	—
	<u>501,792</u>	<u>97,958</u>	<u>57,230</u>	<u>47,652</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****(b) As lessee**

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from one to six years.

As at 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Within one year	1,545,747	103,103	46,687	278,673
In the second to fifth years, inclusive	212,500	1,802	—	671,925
After five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>852,277</u>
	<u>1,758,247</u>	<u>104,905</u>	<u>46,687</u>	<u>1,802,875</u>

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group and the Company had the following capital commitments at the balance sheet date of which Rmb3,604,517,000 (The Company: Rmb5,044,867,000) will be due within the next financial year.

	Group		Company	
	2007	2006	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>		
Authorized and contracted for construction and purchases of vessels (Note)	23,436,298	7,633,629	8,886,700	4,624,093
Capital payable to jointly-controlled entities and subsidiary	<u>163,377</u>	<u>—</u>	<u>163,377</u>	<u>—</u>
	<u>23,599,675</u>	<u>7,633,629</u>	<u>9,050,077</u>	<u>4,624,093</u>

Note: According to the construction purchase agreements entered into by the Group in 2006 and 2007, these capital commitments will fall due as from 2008 to 2012 respectively.

38. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER HK GAAP AND PRC GAAP

The Group has prepared a separate set of financial statements for the year ended 31 December 2007 in accordance with accounting principles generally accepted in the PRC ("PRC GAAP"). The major differences between the financial statements prepared under PRC GAAP and HKFRS are as followed:

	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit attributable to equity holders of the parent under HKFRS	4,546,383	2,758,477
Adjustments for deferred staff expenditure	<u>49,668</u>	<u>12,784</u>
Equity attributable to equity holders of the parent under PRC GAAP	<u><u>4,596,051</u></u>	<u><u>2,771,261</u></u>
Profit attributable to equity holders of the parent under HKFRS	16,169,515	12,605,253
Adjustments for deferred staff expenditure	<u>—</u>	<u>(49,668)</u>
Equity attributable to equity holders of the parent under PRC GAAP	<u><u>16,169,515</u></u>	<u><u>12,555,585</u></u>

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balance detailed elsewhere in these financial statements, business transactions between the Group and its holding company, fellow subsidiaries and jointly-controlled entities of the Group as well as related parties for the year ended 31 December 2007, which are also considered by the directors as related party transactions, are set out below:

- (1) A services agreement dated 31 October 2006 between the Company and China Shipping became effective subsequent to an approval by the independent shareholders at an extraordinary general meeting held on 28 December 2006. Pursuant to the services agreement and a supplementary agreement entered into in 2006, China Shipping or its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operations of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The service agreement has been updated by a new agreement entered into between China Shipping (and its subsidiaries and jointly-controlled entities) and is effective for 3 years from 1 January 2007 to 31 December 2009. The fees for the agreed supplies payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state price, market price or cost.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the year ended 31 December 2007 are set out below:

		2007	2006
	Pricing basis	Total value	Total value
		<i>Rmb'000</i>	<i>Rmb'000</i>
			<i>(Restated)</i>
Dry-docking and repairs	State-fixed prices	274,487	282,752
	or market prices		
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for lifeboats	Market prices	2,107,357	1,623,251
Whitewashing and water treatment for vessels	State-fixed prices	13,468	9,927
	or market prices		
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	32,904	30,254
Hiring of sea crew	Market prices	360,824	172,786
Accommodation, lodging and transportation for employees	Market prices	612	7,814
Medical services (for existing employees)	State-fixed prices	321	261
Miscellaneous management services	Market prices	46,606	48,804
Agency commissions	Market prices	87,289	75,110
Service fees on sale and purchase of vessels, accessories and other equipment	Market prices	9,676	2,832

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

- (2) Save for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, jointly-controlled entities and related companies are as follows:

		2007	2006
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
			<i>(Restated)</i>
Vessel chartering charges paid	(a)	75,194	83,742
Vessel chartering income received	(b)	(32,629)	(67,273)
Sale of vessels		(173,404)	(240,800)
Vessel management fees		(2,566)	(10,236)
Purchases of vessels		356,057	712,713
Delivery income received		35,110	—
Interest expenses		23,593	—

Notes:

(a) The Company has entered into the following agreements:

- A time charter-party agreement on 22 December 2004 with one of its fellow subsidiaries, namely China Shipping (Hong Kong) Holdings Co., Ltd., whereby the Company agreed to lease from this fellow subsidiary a vessel for a term of three years commencing 1 January 2005. The charter payment for this vessel for the year ended 31 December 2007 was Rmb48,744,120 (2006: Rmb55,965,000).
- A time charter-party agreement on 22 December 2004 with one of its fellow subsidiaries, namely Shanghai Shipping Industrial Co., Ltd., whereby the Company agreed to lease from this fellow subsidiary a vessel for a term of three years commencing 1 January 2005. The charter payment for this vessel for the year ended 31 December 2007 was Rmb26,450,020 (2006: Rmb27,777,000).

(b) The Company has entered into the following agreements:

- Various bare-boat charter party agreements in 1998 with one of its fellow subsidiaries, namely China Shipping Container Lines Co., Ltd., - “CSC”, whereby the Company has agreed to lease to this fellow subsidiary three vessels for a term of 12 years commencing 4 September 1998, 18 September 1998 and 23 September 1998, respectively.
- Together with one of its subsidiaries, namely China Shipping Development (Hong Kong) Marine Co., Limited (“China Shipping Hong Kong”), various bare-boat charter-party agreements on 22 December 2004 with CSC, whereby the Company and China Shipping Hong Kong have agreed to lease to this fellow subsidiary four and five vessels respectively for a term of three years commencing 1 January 2005. The chartering income for these vessels for the year ended 31 December 2007 was Rmb32,628,854 (2006: Rmb64,094,000).

(3) Outstanding balances with related parties:

Details of the Group’s current account balances with its fellow subsidiaries as at the balance sheet date are disclosed in notes 21, 23 and 24 to the financial statements.

(4) Compensation of key management personnel of the Group:

	2007	2006
	<i>Rmb’000</i>	<i>Rmb’000</i>
Fees	320	180
Other emoluments:		
Salaries, allowances and benefits in kind	4,236	2,852
Pension scheme contributions	340	122
	<u>4,896</u>	<u>3,154</u>

Details of directors’ and supervisor’s emoluments are included in note 8 to the financial statements.

The related party transactions as disclosed in paragraphs (1) and (2) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally including interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk**i) Interest rate profile**

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date.

	Effective interest rate	Group		Company	
		2007	2006	2007	2006
		<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	(%)		(Restated)		
Variable rate borrowings:					
Current liabilities	6.07 or	210,505	225,642	83,600	117,150
Bank loans-secured	(Libor+0.38-0.45)				
Bank loan-unsecured	Libor+0.25	511,320	1,220,000	—	1,220,000
Long-term liabilities	5.67-6.48 or	1,700,001	1,661,366	142,500	760,620
Bank loans-secured	(Libor+0.38-0.45)				
Bank loan-unsecured	5.67-6.72	1,854,840	—	1,854,840	—
Convertible bonds	3.49	32,155	—	—	—
		<u>4,308,821</u>	<u>3,107,008</u>	<u>2,080,940</u>	<u>2,097,770</u>

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain all its interest-bearing borrowings in a cost-effective manner. To achieve this purpose, the Group enters into interest rate swaps whereby the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of the interest rate swaps, the directors consider that the Group's exposure to interest rate risk is contained.

ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would not lead to significant decrease/increase of the Group's profit after tax and retained profits. Other components of consolidated equity would have not fluctuate in response to the general increase/decrease in interest rates.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases transactions undertaken by operating units in currencies other than the units' functional currency.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedges.

The Group entered into swap arrangements for borrowings denominated in United States Dollars.

As at 31 December 2007, assets of the Group were mostly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars and other foreign currencies, while the Group's borrowings are denominated in Renminbi or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

Credit risk

The Group is exposed to credit risk that any single counter party or group of counter parties having similar characteristics will be unable to pay amounts in full when due. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The carrying amount of cash and bank deposits, trade and other receivables, deposits and prepayments, and balances with related parties represents the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bank to meet its liquidity requirements in the short and longer term. The contractual maturities of financial liabilities are disclosed in note 27.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay.

The Group

	2007				Total <i>Rmb'000</i>
	Less than 3	3 to 12	1 to 5 years	Over 5 years	
	months <i>Rmb'000</i>	months <i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	
Interest-bearing bank and other loans	<u>—</u>	<u>721,820</u>	<u>2,677,100</u>	<u>877,746</u>	<u>4,276,666</u>
	<u>—</u>	<u>721,820</u>	<u>2,677,100</u>	<u>877,746</u>	<u>4,276,666</u>
2006					
	Less than 3	3 to 12	1 to 5 years	Over 5 years	Total
	months	months			
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest bearing bank and other loans	<u>—</u>	<u>1,434,217</u>	<u>895,424</u>	<u>807,212</u>	<u>3,136,853</u>
	<u>—</u>	<u>1,475,484</u>	<u>895,424</u>	<u>807,212</u>	<u>3,136,853</u>

The Company

	2007				Total <i>Rmb'000</i>
	Less than 3	3 to 12	1 to 5 years	Over 5 years	
	months <i>Rmb'000</i>	months <i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	
Interest-bearing bank and other loans	<u>—</u>	<u>83,600</u>	<u>1,980,240</u>	<u>17,100</u>	<u>2,080,940</u>
	<u>—</u>	<u>83,600</u>	<u>1,980,240</u>	<u>17,100</u>	<u>2,080,940</u>
2006					
	Less than 3	3 to 12	1 to 5 years	Over 5 years	Total
	months	months			
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest bearing bank and other loans	<u>—</u>	<u>963,682</u>	<u>601,655</u>	<u>562,278</u>	<u>2,127,615</u>
	<u>—</u>	<u>963,682</u>	<u>601,655</u>	<u>562,278</u>	<u>2,127,615</u>

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets (see notes 17).

The Group's listed investments are listed on the Shanghai Stock Exchange ("SSE") in the PRC. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Fair values

The following table indicates the difference between carrying amount and fair value of financial instruments as at 31 December 2007 and 2006.

	2007		2006	
	Carrying Amount <i>Rmb'000</i>	Fair Value <i>Rmb'000</i>	Carrying Amount <i>Rmb'000</i>	Fair Value <i>Rmb'000</i>
The Groups and the Company				
Available-for-sales financial assets	4,300	4,300	4,578	4,578
Equity investment at fair value through profit or loss	74,200	257,400	74,200	159,000

Estimate of fair values*Securities*

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

41. CAPITAL RISK MANAGEMENT

The Group's primary objectives of managing capital are to safeguard the Group's ability to continue as a going concern and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to be capital structure through the amount of dividend payments to shareholders, repayment to creditors, sell assets to reduce debt or raise new debt financing at a reasonable cost.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

The management monitors the Group's capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt which includes interest-bearing loans and borrowings and trade and other payables plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's net debt-to-adjusted capital ratio at 31 December 2007 and 2006 was as follow:

	Group		Company	
	2006	2007	2006	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Restated)</i>		
Current liabilities				
Trade payables	462,146	216,192	391,138	213,899
Other payables and accruals	531,733	909,322	259,596	332,793
Current portion of interest-bearing bank and other borrowings, and finance lease payables	<u>721,825</u>	<u>1,475,487</u>	<u>83,600</u>	<u>1,366,995</u>
	1,715,704	2,601,001	734,334	1,913,687
Non-current liabilities				
Convertible bonds	1,871,438	—	1,871,438	—
Interest-bearing bank and other borrowings, and finance lease payables	3,554,841	1,661,366	1,997,340	760,620
Proposed dividend	<u>1,702,510</u>	<u>997,800</u>	<u>997,800</u>	<u>997,800</u>
	8,844,493	5,260,167	5,600,912	3,672,107
Total debts	8,844,493	5,260,167	5,600,912	3,672,107
Less:				
Cash and cash equivalents	<u>(1,079,768)</u>	<u>(475,263)</u>	<u>(549,402)</u>	<u>(475,263)</u>
Net Debt	<u>7,764,725</u>	<u>4,784,904</u>	<u>5,051,510</u>	<u>3,196,844</u>
Adjusted capital	<u>14,369,005</u>	<u>11,607,453</u>	<u>13,227,565</u>	<u>11,289,026</u>
Net Debt-to-adjusted capital ratio	<u>54.0%</u>	<u>41.2%</u>	<u>38.2%</u>	<u>28.3%</u>

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42. POST BALANCE SHEET EVENT

- (i) As disclosed by the "Prospectus for the Issue of Convertible Corporate Bonds" issued by the Group, during the current period for the conversion of convertible bonds, if the closing price of the Company's A shares is not less than 130% (inclusive of 130%) of the current exercise price of the China Shipping Convertible Bonds for 20 consecutive trading days, the Company is entitled to redeem all or part of the China Shipping Convertible Bonds which have not been converted at 103% (inclusive of interests for the current interest-bearing year) of the nominal value of the bonds. The price of the Company's A shares (Rmb32.91 per share) had been higher than the exercise price (Rmb25.31 per share) for 20 consecutive trading days from 23 January 2008 to 26 February 2008 and

satisfied the first requirement of redemption. According to the above agreement, Administrative Measures on Securities Issuance by Listed Companies and the Listing Rules, the Company passed the conditional redemption resolution in the fifth board meeting and decided to redeem all of the China Shipping Convertible Bonds which have not been converted on 26 March 2008.

- (ii) The Company obtained approval from the China Securities Regulatory Commission [2007] No. 150, for the issue of 2,000,000,000 convertible bonds on 2 July 2007. The convertible bonds have been convertible to A shares since January 2008. A total value of Rmb1,587,385,000 of convertible bonds were converted into A shares while a total value of Rmb412,615,000 of convertible bonds were still in the market up to 21 March 2008.
- (iii) At the sixth board meeting on 10 March 2008, the Company amended the resolution regarding the formation of a joint venture shipping company by China Shipping Development (Hong Kong) Marine Co., Ltd. (“CS Development Hong Kong”) and Shanghai Puyuan Shipbuilding Co., Ltd. (“Shanghai Puyuan”). The joint venture shipping company was established in Hong Kong with a registered capital of US\$19,000,000, with CS Development Hong Kong contributing US\$9,690,000 (equivalent to approximately Rmb70,780,000) accounting for 51% equity holding of the joint venture company and Shanghai Puyuan contributing US\$9,310,000 (equivalent to approximately Rmb68,004,000) accounting for 49% equity holding of the joint venture company. There will be one 230,000 tons ore vessels at the first stage of investment, the expansion will depend on the growth of the investment.
- (iv) At the fourth board meeting on 21 February 2008, the Company announced the resolution regarding the formation of a joint venture shipping company by the Company and Baosteel Trading Co., Ltd. (“Baosteel Trading”), to deal with imports of ocean shipping business of large bulk cargo such as iron ore. The joint venture shipping company was established in Hong Kong with a registered capital US\$8,000,000 with the Company contributing US\$4,080,000, accounting for 51% equity holding of the joint venture company and Baosteel Trading contributing US\$3,920,000, accounting for 49% equity holding of the joint venture company. The Company intended to transfer the shipbuilding contracts in respect of two 300,000 tons ore vessels and four 230,000 tons ore vessels to the joint company. The contract price of the two 300,000 tons ore vessels was US\$113,800,000 per vessel. Of the four 230,000 tons ore vessels, two were contracted at a price of US\$80,800,000 per vessel, while the other two were contracted at a price of US\$90,160,000 per vessel.
- (v) According to the seventh resolution of Board of Directors on 25 March 2008, the Company will distribute 10% of its net profit of Rmb3,724,491,700 to the statutory surplus reserve the directors also proposed to pay a final dividend for the year 2007 of Rmb0.5 per share. The resolution proposing the final dividend will be submitted to the forth-coming annual general meeting.

43. COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified pursuant to the changes in accounting policies set out in note 3.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2008.

C. UNAUDITED CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following information has been extracted from the published unaudited condensed financial statements of the Group for the six months ended 30 June 2008. Capitalized terms used in this sub-section have the same meanings as defined in the published unaudited condensed financial statements of the Group for the six months ended 30 June 2008. The reference to page numbers in this sub-section refers to page numbers of the published unaudited condensed financial statements of the Group for the six months ended 30 June 2008.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	<i>Note</i>	2008 <i>(Unaudited)</i> <i>RMB'000</i>	2007 <i>(Unaudited)</i> <i>RMB'000</i> <i>(Restated)</i>
Revenue	2	9,113,592	5,527,476
Operating costs		<u>(5,381,480)</u>	<u>(3,073,730)</u>
Gross Profit		3,732,112	2,453,746
Other income and gains	3	211,253	258,890
Marketing expenses		(17,902)	(16,598)
Administrative expenses		(105,746)	(93,659)
Other expenses		(3,265)	(18,486)
Share of profits of jointly-controlled entities		302,447	93,036
Finance costs	5	<u>(42,861)</u>	<u>(96,937)</u>
PROFIT BEFORE TAX	4	4,076,038	2,579,992
Tax	6	<u>(891,149)</u>	<u>(374,440)</u>
PROFIT FOR THE PERIOD		<u>3,184,889</u>	<u>2,205,552</u>
Attributable to:			
Equity holders of the parent		3,184,889	2,205,552
Minority interests		<u>—</u>	<u>—</u>
PROFIT FOR THE PERIOD		<u>3,184,889</u>	<u>2,205,552</u>
EARNINGS PER SHARE	7	<u>94.52 cents</u>	<u>66.31 cents</u>
DIVIDEND PER SHARE	8	<u>—</u>	<u>—</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

		30 June 2008	31 December 2007
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	22,375,734	20,002,142
Interest in jointly-controlled entities		1,449,418	1,162,971
Available-for-sale equity investment		<u>4,300</u>	<u>4,300</u>
TOTAL NON-CURRENT ASSETS		<u>23,829,452</u>	<u>21,169,413</u>
CURRENT ASSETS			
Bunker oil inventories		353,787	285,606
Trade and bills receivables	10	1,042,666	559,437
Prepayments, deposits and other receivables		821,966	237,880
Equity investments at fair value through profit or loss		123,400	257,400
Derivative financial instruments	11	13,095	17,610
Cash and cash equivalents		<u>1,306,712</u>	<u>1,079,768</u>
TOTAL CURRENT ASSETS		<u>3,661,626</u>	<u>2,437,701</u>
CURRENT LIABILITIES			
Trade payables	12	792,509	462,146
Other payables and accruals		449,177	531,733
Tax payable		522,312	50,514
Current portion of interest-bearing bank and other borrowings	13	<u>2,045,219</u>	<u>721,825</u>
TOTAL CURRENT LIABILITIES		<u>3,809,217</u>	<u>1,766,218</u>
NET (CURRENT LIABILITIES)/CURRENT ASSETS		(147,591)	671,483
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,681,861</u>	<u>21,840,896</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		30 June 2008	31 December 2007
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		298,909	245,102
Convertible bonds	14	—	1,871,438
Interest-bearing bank and other borrowings	13	<u>4,104,039</u>	<u>3,554,841</u>
TOTAL NON-CURRENT LIABILITIES		<u>4,402,948</u>	<u>5,671,381</u>
NET ASSETS		<u>19,278,913</u>	<u>16,169,515</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	3,404,552	3,326,000
Reserves		15,776,361	11,043,005
Proposed interim/final dividend		<u>—</u>	<u>1,702,510</u>
		19,180,913	16,071,515
Minority interests		<u>98,000</u>	<u>98,000</u>
TOTAL EQUITY		<u>19,278,913</u>	<u>16,169,515</u>

Li Shaode
Director

Mao Shijia
Director

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2008

	Share capital RMB'000	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Instrument hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	3,326,000	2,037,884	—	1,675,926	93,158	861	182	(15,026)	4,311,310	997,800	12,596,924	—	12,596,924
Prior year adjustment	—	—	—	—	—	—	—	—	8,329	—	8,329	—	8,329
Adjustment on accounting for common control entity	—	—	—	—	—	—	—	—	—	—	—	—	—
As restated	3,326,000	2,037,884	—	1,675,926	93,158	861	182	(15,026)	4,319,639	997,800	12,605,253	—	12,605,253
Reallocation	—	—	—	(42,977)	—	—	—	—	42,977	—	—	—	—
Net loss on cash flow hedges	—	—	—	—	—	(5,745)	—	—	—	—	(5,745)	—	(5,745)
Dividend paid	—	—	—	—	—	—	—	—	—	(1,007,943)	(1,007,943)	—	(1,007,943)
Exchange realignment	—	—	—	—	—	—	—	(13,242)	—	—	(13,242)	—	(13,242)
Release on disposal of items of property, plant and equipment	—	—	—	—	—	—	—	—	37,096	—	—	—	—
Changes in fair value of available-for-sale financial investments	—	—	—	—	—	—	(182)	—	—	—	(182)	—	(182)
Profit for the Period	—	—	—	—	—	—	—	—	2,205,552	—	2,205,552	—	2,205,552
At 30 June 2007	3,326,000	2,037,884	—	1,632,949	93,158	(4,884)	—	(28,268)	6,605,264	(10,143)	13,783,693	—	13,783,693
(unaudited)													

	Convertible bonds			Available-for-sale										
	Share capital	Share premium	equity reserve	Revaluation reserve	Statutory surplus reserve	General surplus reserve	Instrument hedging reserve	investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Dividend	Total	Minority interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2008	3,326,000	2,037,884	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	1,702,510	16,071,515	98,000	16,169,515
Issue of new shares:														
- Convertible bonds equity	78,552	1,909,606	(109,177)	—	—	—	—	—	—	—	—	1,878,981	—	1,878,981
Net loss on cash flow hedges	—	—	—	—	—	—	(4,253)	—	—	—	—	(4,253)	—	(4,253)
Dividend paid	—	—	—	—	—	—	—	—	—	—	(1,702,276)	(1,702,276)	—	(1,702,276)
Exchange realignment	—	—	—	—	—	—	—	—	(247,943)	—	—	(247,943)	—	(247,943)
Profit for the period	—	—	—	—	—	—	—	—	—	3,184,889	—	3,184,889	—	3,184,889
At 30 June 2008	3,404,552	3,947,490	—	168,829	2,005,398	93,158	9,485	1,019	(458,233)	10,008,981	234	19,180,913	98,000	19,278,913
(unaudited)														

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	For the six months ended 30 June	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,168,603	2,750,907
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,121,313)	(1,887,593)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>217,140</u>	<u>(402,980)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,430	460,334
Cash and cash equivalents at beginning of the Period	1,079,768	475,263
Effect of foreign exchange rate changes, net	<u>(37,486)</u>	<u>(15,825)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>1,306,712</u></u>	<u><u>919,772</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,306,712	783,786
Time deposits with original maturity of less than three months when acquired	<u>—</u>	<u>135,986</u>
	<u><u>1,306,712</u></u>	<u><u>919,772</u></u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES****1.1 Basis of preparation**

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “HK Listing Rules”) on The HK Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain leasehold property, plant and equipment, equity investments and financial instruments.

1.2 New and revised HKFRSs

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2007 annual financial statements. Except in certain cases that give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the abovementioned accounting standards has had no material impact on the accounting policies of the Group and the methods of computation of the Group’s interim condensed consolidated financial statements.

1.3 HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

2. SEGMENT INFORMATION

During the Period, the Group was involved in the following principal activities:

- (a) investment holding; and / or
- (b) oil and cargo shipment along the PRC coast and international shipment.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Business segments

There is no major seasonality for the Group's turnover. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the Period is as follows:

	For the six months ended 30 June			
	2008		2007	
	(Unaudited)		(Unaudited)	
	Revenue <i>RMB'000</i>	Contribution <i>RMB'000</i>	Revenue <i>RMB'000</i> <i>(Restated)</i>	Contribution <i>RMB'000</i> <i>(Restated)</i>
By activity:				
Oil shipment	2,930,489	948,553	2,349,436	802,370
Coal shipment	3,850,343	2,145,204	2,454,571	1,244,716
Other dry bulk shipment	1,244,349	670,578	723,469	406,660
Rental income from leased vessels	1,088,411	(32,223)	—	—
	<u>9,113,592</u>	<u>3,732,112</u>	<u>5,527,476</u>	<u>2,453,746</u>
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly-controlled entities		302,447		93,036
Profit before tax		<u>4,076,038</u>		<u>2,579,992</u>

Geographical segments

	For the six months ended 30 June			
	2008		2007	
	(Unaudited)		(Unaudited)	
	Revenue <i>RMB'000</i>	Contribution <i>RMB'000</i>	Revenue <i>RMB'000</i> <i>(Restated)</i>	Contribution <i>RMB'000</i> <i>(Restated)</i>
By geographical area:				
Domestic	5,159,887	2,628,059	3,527,980	1,601,683
International	3,953,705	1,104,053	1,999,496	852,063
	<u>9,113,592</u>	<u>3,732,112</u>	<u>5,527,476</u>	<u>2,453,746</u>
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly-controlled entities		302,447		93,036
Profit before tax		<u>4,076,038</u>		<u>2,579,992</u>

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Gain on disposal of property, plant and equipment	321,929	185,337
Profits/(loss) from other investments	932	(1,516)
Fair value (loss)/gain on equity investments at fair value through profit or loss	(134,000)	60,400
Interest income	11,543	13,960
Rental income from leased vessels	—	38,141
Service income from vessel management	285	1,800
Exchange losses, net	(41,250)	(45,030)
Government subsidy	25,000	—
Bad debts	8,161	—
Others	18,653	5,798
Total	<u>211,253</u>	<u>258,890</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(including) the following items:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,334,939	1,688,075
Depreciation	506,596	446,844
Operating lease rentals:		
Land and buildings	10,013	11,864
Vessels	<u>86,941</u>	<u>195,789</u>
	96,954	207,653
Staff costs	466,010	378,583
Gain on disposal of property, plant and equipment	(321,929)	(185,337)

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Total interest	148,432	123,021
Less: Interest capitalised	<u>105,571</u>	<u>26,084</u>
Interest expenses	<u>42,861</u>	<u>96,937</u>

6. TAX

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprise at 25%.

Accordingly, PRC tax has been provided at the rate of 25% (six months ended 30 June 2007: 15%) on the estimated assessable profits for the Period.

No Hong Kong profits tax has been provided as no assessable profit was earned in or derived from Hong Kong during the Period (six months ended 30 June 2007: 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 legislations, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Group:		
Hong Kong	—	—
PRC		
Charge for the year	809,205	374,440
Under provision in prior year	27,949	—
Deferred tax	<u>53,995</u>	<u>—</u>
Tax charge for the Period	<u>891,149</u>	<u>374,440</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

A reconciliation of the tax expenses applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expenses at the effective tax rates is as follows:

	For the six months ended	
	30 June	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Accounting profit before tax	4,076,038	2,579,992
Profit attributable to jointly-controlled entities and other investments	<u>(303,379)</u>	<u>(91,520)</u>
	3,772,659	2,488,472
Tax at the applicable tax rate of 25% (2007: 15%)	<u>943,165</u>	<u>373,271</u>
Tax effect of net income that is not taxable in determining taxable profit	<u>(133,960)</u>	<u>1,169</u>
Tax charge at the Group's effective rate	<u>809,205</u>	<u>374,440</u>
Tax under-provided in the previous Period	27,949	—
Deferred tax	<u>53,995</u>	<u>—</u>
	<u>891,149</u>	<u>374,440</u>

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the Period of RMB3,184,889,000 (six months ended 30 June 2007: RMB2,205,552,000) and the weighted average number of shares of 3,369,426,265.83 (six months ended 30 June 2006: RMB3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month Periods ended 30 June 2007 and 2008 have not been presented as no diluting events existed during these periods.

8. DIVIDEND PER SHARE

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2007: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the construction and restructure of one oil tanker at cost of RMB298,370,850 (six months ended 30 June 2007: one oil tanker at cost of RMB291,848,000) was completed and has been put into operation. Meanwhile, no second-hand vessels was purchased (six months ended 30 June 2007: 33 second-hand cargo vessels were purchased from three fellow subsidiaries at a total cost of RMB1,757,827,000).

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

During the Period, five cargo vessels with net carrying amount of RMB179,521,000 and one oil tanker with net carrying amount of RMB3,594,000 were disposed of to related parties. In addition, two oil tankers with a net carrying amount of RMB46,966,000, two oil tankers with a net carrying amount of RMB1,176,000 and four cargo vessels with nil carrying amount were disposed of to third parties.

10. TRADE AND BILLS RECEIVABLES

Ageing analysis of trade and bills receivables is as follows:

	30 June 2008		31 December 2007	
	(Unaudited)		(Audited)	
	Balance	Percentage	Balance	Percentage
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Within one year	1,042,666	100%	568,866	100%
One to two years	<u>—</u>	<u>0%</u>	<u>66</u>	<u>0%</u>
	1,042,666	<u>100%</u>	568,932	<u>100%</u>
Provision for doubtful debts	<u>—</u>		<u>(9,495)</u>	
Trade and bills receivables, net	<u>1,042,666</u>		<u>559,437</u>	

The Group normally allows a credit period of 30 days to its major customers.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008		31 December 2007
	(Unaudited)		(Audited)
	Contract/Notional	Fair Values	Fair Values
	Amount	Assets	Assets
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cross currency swap agreements	<u>1,146,611</u>	<u>13,095</u>	<u>17,610</u>

The carrying amounts of cross currency swap agreements are the same as their fair values.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

12. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
Within one year	792,509	100%	451,011	98%
One to two years	—	0%	11,135	2%
	<u>792,509</u>	<u>100%</u>	<u>462,146</u>	<u>100%</u>

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Current				
Bank loans-secured	Libor + 0.38% to 0.45%	2008	143,040	210,505
Bank loans-unsecured	Libor + 0.25% to 1% or 5.913% or fluctuating interest rate	2008	<u>1,902,179</u>	<u>511,320</u>
			<u>2,045,219</u>	<u>721,825</u>
Non-current				
Bank loans-secured	Libor + 0.38% to 0.45%	2009-2019	2,056,349	1,700,001
Bank loans-unsecured	5.913% to 6.804%	2010	<u>2,047,690</u>	<u>1,854,840</u>
			<u>4,104,039</u>	<u>3,554,841</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Analysed into:		
Bank loans:		
Within one year	2,045,219	721,825
In the second year	143,040	1,316,857
In the third to fifth year, inclusive	1,598,834	945,135
Beyond five years	<u>2,362,165</u>	<u>1,292,849</u>
	<u>6,149,258</u>	<u>4,276,666</u>

The Group's bank loans are secured by pledges or mortgages of the Group's 5 vessels under construction with net carrying amount of RMB1,532,123,000 and another 4 vessels with net carrying amount of RMB1,314,598,000 at 30 June 2008.

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate their fair values.

Except for unsecured bank loans of RMB1,502,179,000 and secured bank loans of RMB2,199,388,000 which are denominated in United States dollar, all borrowings are in Renminbi.

14. CONVERTIBLE BONDS

During the period, convertible bonds with a total face value of RMB1,988,173,000 had been converted into 78,552,270 ordinary shares of the Company at RMB25.31 per share. The remaining convertible bonds with a total face value of RMB11,827,000 have all been redeemed by the Company during the period.

15. ISSUED CAPITAL

	30 June 2008 <i>Number of</i> (Unaudited) <i>shares</i> <i>RMB'000</i>		31 December 2007 <i>Number of</i> (Audited) <i>shares</i> <i>RMB'000</i>	
Registered, issued and fully paid:				
State-owned legal person shares/A shares of RMB1.00 each	1,578,500,000	1,578,500	1,578,500,000	1,578,500
Listed H shares of RMB1.00 each	1,296,000,000	1,296,000	1,296,000,000	1,296,000
Listed A shares of RMB1.00 each	451,500,000	451,500	451,500,000	451,500
Conversion of convertible bonds into A shares of RMB1.00 each	<u>78,552,270</u>	<u>78,552</u>	<u>—</u>	<u>—</u>
	<u>3,404,552,270</u>	<u>3,404,552</u>	<u>3,326,000,000</u>	<u>3,326,000</u>

16. OPERATING LEASE ARRANGEMENT**(a) As lessor**

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from one to twelve years.

As at 30 June 2008, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2008 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2007 <i>(Audited)</i> <i>RMB'000</i>
Within one year	206,464	442,735
In the second to fifth year, inclusive	—	57,704
After five years	—	1,353
	<u>206,464</u>	<u>501,792</u>

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on certain of its vessels, vehicles and buildings with leases negotiated for terms ranging from six months to five years.

As at 30 June 2008, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2008 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2007 <i>(Audited)</i> <i>RMB'000</i>
Within one year	1,178,308	1,545,747
In the second to fifth year, inclusive	<u>188,995</u>	<u>212,500</u>
	<u>1,367,303</u>	<u>1,758,247</u>

17. CONTINGENT LIABILITIES

On 28 December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage. After the investigation done by the Maritime Safety Administration, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. As the Company had been insured with an insurance company in the United Kingdom, the provision of its liability is limited to RMB36 million. The Company had made provision for its estimated loss. Up to 30 June 2008, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

In December 2007, “Fuzhou” collided with “Chongcheong 118”, which sunk afterwards. According to the judgement made by the Maritime Law Court at Shanghai on 12 June 2008, Shanghai Boshan Steel had lost its claim. Shanghai Boshan Steel is preparing to make an appeal. Up to 30 June 2008, the case is still in progress. The Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company on the vessel. Up to 30 June 2008, the Company is still in the process of settling all the issues concerned.

In December 2007, one of the Company’s cargo vessels “Zhenfen 10” collided with “Mowushunfeng 276”, which sunk afterwards. The case is still under investigation up to 30 June 2008 and the Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company on the cargo vessel. On 3 January 2008, the Company signed an agreement with the owners and agreed to pay all the salvage expenses and, to settle the dispute, by agreeing to pay RMB3,000,000 as compensation and waiving the amount of RMB50,000 due from the owner. Up to 30 June 2008, the Company is still in the process of claiming compensation from the insurance company.

In December 2007, one of the Company’s cargo vessels, “Cheungshun” collided with “Changming 6” resulting in damages of its bow. The investigation was still in progress. The Company has made provision for the estimated loss from the claims, taking into consideration the amount that could be compensated by the insurance company. By 30 June 2008, the claiming of insurance is still in progress.

In May 2008, one of the Company’s cargo vessels “Ningon 11” collided with the pier at Shanghai resulting damages to the pier and the door. The case is still under investigation up to 30 June 2008. The Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company for the estimated loss from the claims. The Company is still in the process of claiming compensation from the insurance company at 30 June 2008.

18. COMMITMENTS

The followings were the details of the Company’s capital commitments as at 30 June 2008:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Authorized and contracted for:		
Construction and purchases of vessels (Note)	22,678,832	23,436,298
Capital payable to subsidiaries and jointly-controlled entities	94,450	163,377
	<u>22,773,282</u>	<u>23,599,675</u>

Note: According to the construction purchase agreements entered into by the Group from 2006 to 2008, these capital commitments will fall due as from 2008 to 2012.

Capital commitments signed and executed include the following:

308,000 tonnes of 4 Oil Tankers (Contract date: 28 October 2006)

The Company, the China State Shipbuilding Corporation and CSSC Guangzhou Longxue Shipbuilding Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company for the Company’s 4 oil tankers at a consideration of US\$114,260,000 per vessel, making a total consideration of US\$457,040,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$182,816,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of October 2009.

76,000 tonnes of 1 Oil Tanker (Contract date: 2 March 2007)

The Company, the China Shipping Building International Trading Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company for the Company an oil tankers at a consideration of US\$51,260,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$20,504,000 had been paid. The remaining outstanding will be settled when the vessel is ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of September 2010.

76,000 tonnes of 5 Oil Tankers (Contract date: 2 March 2007)

The Company, the China Shipbuilding & Offshore International Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company 5 oil tankers at a consideration of US\$51,260,000 per vessel, making a total consideration of US\$256,300,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$61,512,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of September 2010.

57,300 tonnes of 5 Bulk Cargo Carriers (Contract date: 29 March 2007)

The Company and the China Shipping Industry Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company 5 bulk cargo carriers at a consideration of RMB272,850,000 per vessel, making a total consideration of RMB1,364,250,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of RMB545,700,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of December in 2010.

57,300 tonnes of 7 Bulk Cargo Carriers (Contract date: 29 March 2007)

The Company and the China Shipping Industrial Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company 7 bulk cargo carriers at a consideration of RMB272,850,000 per vessel, making a total consideration of RMB1,909,950,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of RMB381,990,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of December in 2011.

57,300 tonnes of 6 Bulk Cargo Carriers (Contract date: 29 March 2007)

The Company and the China Shipping Industrial Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company 6 bulk cargo carriers at a consideration of RMB1,637,100,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of RMB327,420,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of December in 2011.

40,000 tonnes of 1 Oil Tanker (Contract date: 31 March 2006)

The Company, the China State Shipbuilding Corporation and Guangzhou Shipyard International Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company an oil tanker at a consideration of US\$37,000,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$22,200,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of December in 2008.

76,000 tonnes of 8 Bulk Cargo Carriers (Contract date: 10 June 2008)

The Company, the China State Shipbuilding Corporation and Jiangnan Construction Group Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company 8 bulk cargo carriers at a consideration set at US\$53,500,000 per vessel, making a total consideration of US\$428,000,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$85,600,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company will settle all the outstanding by the end of May in 2012.

46,000 tonnes of 1 Oil Tanker (Contract date: 16 February 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipping Industry Co., Ltd. and China Shipping Industrial (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker at a consideration of US\$43,500,000. The consideration will be settled in two instalments. Up to 30 June 2008, a total of US\$26,100,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of August in 2008.

46,500 tonnes of 1 Oil Tanker (Contract date: 12 April 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipping Industrial Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker at a consideration of US\$46,200,000. The consideration will be settled in three instalments. Up to 30 June 2008, a total of US\$27,720,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of October in 2008.

46,500 tonnes of 1 Oil Tanker (Contract date: 12 April 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the Industrial Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker at a consideration of US\$46,200,000. The consideration will be settled in four instalments. Up to 30 June 2008, a total of US\$27,720,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of January in 2009.

298,000 tonnes of 1 Oil Tanker (Contract date: 31 March 2006)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding International Trading Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tankers at a consideration of US\$99,890,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$59,934,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of September in 2009.

298,000 tonnes of 1 Oil Tanker (Contract date: 31 March 2006)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding International Trading Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker with at a consideration of US\$99,890,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$39,956,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of September in 2009.

298,000 tonnes of 1 Oil Tanker (Contract date: 31 March 2006)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding International Trading Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker with at a consideration of US\$104,490,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$41,796,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of December in 2009.

298,000 tonnes of 1 Oil Tanker (Contract date: 31 March 2006)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding International Trading Co., Ltd. and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary an oil tanker at a consideration of US\$104,490,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$20,898,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of December in 2009.

40,000 tonnes of 2 Oil Tankers (Contract date: 31 March 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding Trading Company Limited and Guangzhou Shipyard International Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 2 oil tankers at a consideration of US\$36,500,000 per vessel, making a total consideration of US\$73,000,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$14,600,000 had been paid. The remaining outstanding will be settled when the vessels are ready to be delivered. It is estimated that the Company's subsidiary will settle all the outstanding by the end of November in 2009.

300,000 tonnes of 4 Very Large Iron Ores Carriers (Contract date: 22 October 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding & Offshore International Company Limited and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 4 very large iron ores carriers at a consideration of US\$113,800,000 per vessel, making a total consideration of US\$455,200,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$91,040,000 had been paid. The remaining outstanding balances will be settled when the vessels are ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of March in 2012.

230,000 tonnes of 3 Very Large Iron Ores Carriers (Contract date: 2 February 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding Trading Company Limited and CSSC Guangzhou Longxue Shipbuilding Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 3 very large iron ores carriers at a consideration of US\$80,800,000 per vessel, making a total consideration of US\$242,400,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$48,480,000 had been paid. The remaining outstanding balances will be settled when the vessels are ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of December in 2010.

230,000 tonnes of 1 Very Large Iron Ores Carrier (Contract date: 2 February 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding Trading Company Limited and CSSC Guangzhou Longxue Shipbuilding Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary a very large iron ores carrier at a consideration of US\$80,800,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$32,320,000 had been paid. The remaining outstanding balances will be settled when the vessel is ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of December in 2010.

230,000 tonnes of 4 Very Large Iron Ores Carriers (Contract date: 27 October 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding Trading Company Limited and CSSC Guangzhou Longxue Shipbuilding Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 4 very large iron ores carriers at a consideration of US\$90,160,000 per vessel, making a total consideration of US\$360,640,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$72,128,000 had been paid. The remaining outstanding balances will be settled when the vessels are ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of December in 2011.

57,000 tonnes of 4 Bulk Cargo Carriers (Contract date: 28 November 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipping Industry Co., Ltd. and China Shipping Industry (Jiangsu) Co., Ltd. entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 4 bulk cargo carriers for the transportation of coal and other bulk cargo at a consideration of RMB300,220,000 per vessel, making a total consideration of RMB1,200,880,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$240,176,000 had been paid. The remaining outstanding balances will be settled when the vessels are ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of June in 2012.

300,000 tonnes of 4 Very Large Iron Ores Carriers (Contract date: 29 December 2007)

The Company's subsidiary - China Shipping Development (Hong Kong) Marine Co., Ltd., the China Shipbuilding & Offshore International Company Limited and Dalian Shipbuilding Industry Company Limited entered into an agreement whereby the latter companies agreed to procure the construction and delivery to the Company's subsidiary 4 very large iron ores carriers at a consideration of US\$116,800,000 per vessel, making a total consideration of US\$467,200,000. The consideration will be settled in five instalments. Up to 30 June 2008, a total of US\$93,440,000 had been paid. The remaining outstanding balances will be settled when the vessels are ready to be delivered. It is expected that the Company's subsidiary will settle all the outstanding balances by the end of June in 2012.

Capital commitments to Shanghai Yinhua Shipping Company Limited

The Company entered into an agreement with Jiangyin Sulong Power Generation Company Limited (later known as Jiangyin Xinlongyun Investment Company Limited) regarding the formation of Shanghai Yinhua Shipping Company Limited with a registered capital of HK\$200,000,000. The Company will inject its share of capital contribution in two instalments. The first instalment HK\$22,623,500 has already been paid and the second instalment of HK\$79,376,500 will be paid before September 2009.

Signed capital commitments

On 10 March 2008, the board of directors of the Company amended the resolution regarding the formation of a joint venture shipping company by the Company's subsidiary China Shipping Development (Hong Kong) Marine Co., Ltd. with Shanghai Puyuan Shipping Co., Ltd. at the sixth board meeting of 2008. Upon negotiations by the Group with Shanghai Puyuan Shipping Co., Ltd., both parties agreed to jointly contribute and form a joint venture shipping company. The joint venture shipping company will be incorporated in Hong Kong with a registered capital of US\$19,000,000. China Shipping Development (Hong Kong) Marine Co., Ltd. will contribute US\$9,690,000 (RMB70,780,000), representing 51% equity interest in the joint venture company; Shanghai Puyuan Shipping Co., Ltd. will contribute US\$9,310,000, representing 49% equity interest in the joint venture company. The joint venture will start with a construction of a 230,000 tonnes very large iron ores container, any further investments will depend on the future financial position of the joint venture.

On 21 February 2008, the board of directors of the Company passed a resolution regarding the formation of a joint venture shipping company with Baosteel Resources Co., Ltd. (formerly known as Baosteel Trading Co., Ltd.), at the fourth board meeting of 2008. Upon negotiations by the Company with Baosteel Resources Co., Ltd. both parties agreed to jointly contribute and form a joint venture shipping company to operate large bulk cargo ocean shipping business. The joint venture shipping company was incorporated in Hong Kong with a registered capital of US\$8,000,000. The Company will contribute US\$4,080,000, representing 51% equity interest in the joint venture company whereas Baosteel Resources Co., Ltd will contribute US\$3,920,000, representing 49% equity interest in the joint venture company.

19. THE ULTIMATE HOLDING COMPANY

In the opinion of the directors, the ultimate holding company of the Company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, business transactions between the Group and its holding company, fellow subsidiaries, jointly-controlled entities as well as related parties for the Period are set out as below:

- (1) Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the Period ended 30 June 2008 are set out below:

		For the six months ended 30 June	
	Pricing basis	2008	2007
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
			(Restated)
Dry-docking and repairs	State-fixed prices or market prices	245,276	103,939
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for life boats	Market prices	1,432,240	1,003,268
White washing and oily water treatment for vessels	State-fixed prices or market prices	—	5,758
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	18,414	12,571
Hiring of sea crew	Market prices	33,144	141,202
Accommodation, lodging and transportation for employees	Market prices	724	287
Medical services (for existing employees)	State-fixed prices	6	121
Miscellaneous management services	Market prices	11,997	18,036
Agency commissions	Market prices	62,998	39,282
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	8,251	4,491

In connection with the above transactions and for other operating purposes, the Group made prepayments/ advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

- (2) Save for the connected transactions outlined above, details of other connected transactions with the holding company, fellow subsidiaries, jointly-controlled entities and related companies are as follows:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Vessel chartering charges paid	34,926	48,677
Vessel chartering income received	13,383	43,517
Sale of vessels	274,450	99,944

Note:

The Group has entered into the following agreements:

A services agreement was signed in October 2006 between the Company and China Shipping which became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting held on 28 December 2006. Pursuant to the services agreement and a supplementary agreement entered into in 2006, China Shipping, its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operating of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The services agreement has been updated by a new agreement between China Shipping (and its subsidiaries and jointly-controlled entities) and is effective for 3 years from 1 January 2007 to 31 December 2009. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state price, market price or cost.

In accordance with the record of Hong Kong Marine Department, the Company's subsidiary, China Shipping Marine (Hong Kong) Company Limited had sold its four cargo vessels to the Company at a selling price of RMB351,065,000.

On 27 December 2007, the Company entered an agreement with China Shipping Haisheng Company Limited to sell an oil tanker named "Jianchi". "Jianchi" was delivered to China Shipping Haisheng Company Limited on 30 January 2008. The consideration of vessels was RMB23,889,000. The selling price was fixed by reference to the valuation report.

On 27 June 2008, the Company's subsidiary, China Shipping Marine (Hong Kong) Company Limited had signed five agreements for the sale of five cargo vessels to Shanghai Puhai Shipping (Hong Kong) Company Limited. The consideration of the vessels was RMB250,561,000. The selling price was fixed by reference to the valuation report.

21. APPROVAL OF INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 12 August 2008.

D. WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Directors of the Company are of the opinion that the Group has sufficient working capital for its requirement for at least 12 months from the date of this circular.

E. INDEBTEDNESS**Borrowings**

As at 31st August 2008, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately RMB6,311 million, comprising bank borrowings of approximately RMB1,010 million secured by mortgages, and unsecured bank borrowings of approximately RMB5,301million. The secured bank borrowings of RMB1,010 million were repayable within 1 to 10 years and were secured by mortgage on 4 vessels with an aggregate carrying value of approximately RMB1,298 million. There is no seasonality in the Group's borrowing requirements.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees, or other material contingent liabilities outstanding at the close of business on 31st August 2008.

F. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited consolidated accounts of the Group were made up.

G. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION

Segmental information

In the first half year of 2008, the Group kept its focus on the domestic coastal coal shipping and oil shipping business as its core business, and made efforts to enhance various cost control measures. Benefiting from the uprising in the freight rate of domestic coastal bulk in the PRC, the profits of the Company recorded a historic high in the first half in 2008. During the Reporting Period, the shipping volume achieved by the Group was 113.7 billion tonne-nautical miles and the total revenue derived from shipment was approximately RMB9,114 million, representing an increase of 2.7% and 64.9% as compared with the first half in 2007 respectively. Cost of operations was approximately RMB5,381 million, an increase of 75.1% as compared with the same period in 2007. Net profit was approximately RMB3,185 million, representing an increase of 44% as compared with the same period in 2007, and earnings per share was approximately RMB0.9452.

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

				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 (%)
	Revenue	Operating costs	Gross profit margin (%)		
Coal transportation	3,850,343	1,705,139	55.7	56.9	40.9
Oil transportation	2,930,489	1,981,936	32.4	24.7	28.1
Other bulk transportation	1,244,349	573,771	53.9	72.0	81.1
Chartering of vessels	<u>1,088,411</u>	<u>1,120,634</u>	<u>(3.0)</u>	<u>—</u>	<u>—</u>
Total	<u>9,113,592</u>	<u>5,381,480</u>	<u>41.0</u>	<u>64.9</u>	<u>75.1</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

Regions	Revenue	Increase/(decrease) in revenue as compared with the same period last year (%)
Domestic transportation	5,159,887	46.3
International transportation	<u>3,953,705</u>	<u>97.7</u>
Total	<u><u>9,113,592</u></u>	<u><u>64.9</u></u>

(1) Dry bulk cargo shipping

In the first half of 2008, benefiting from the increase of 40% of the all-year base freight rate in respect of bulk cargoes for the contract of affreightment along the coastal region, the Group's revenue derived from the dry bulk cargo shipping increased significantly. In the first half of 2008, the Group achieved a shipping volume of approximately 63.63 billion tonne-nautical miles of dry bulk cargoes, and revenue of approximately RMB5,094 million was derived, increasing by 3.3% and 60.3% as compared with the same period in 2007 respectively, and recorded a profit of RMB2,816 million. An analysis of the transportation volume and revenue in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2008 <i>(billion tonne nautical miles)</i>	In the first half of 2007 <i>(billion tonne nautical miles)</i>	Increase/(decrease) <i>(%)</i>
Domestic			
Coal transportation	39.28	36.00	9.1
Other bulk cargoes transportation	4.48	3.68	21.7
International			
Coal transportation	2.46	4.13	(40.4)
Other bulk transportation	<u>17.41</u>	<u>17.73</u>	<u>(1.8)</u>
Total	<u><u>63.63</u></u>	<u><u>61.54</u></u>	<u><u>3.4</u></u>

Revenue by cargo specie

	In the first half of 2008 <i>(RMB million)</i>	In the first half of 2007 <i>(RMB million)</i>	Increase/ (decrease) <i>(%)</i>
Domestic			
Coal transportation	3,725	2,254	65.3
Other bulk cargoes transportation	353	211	67.3
International			
Coal transportation	125	200	(37.5)
Other bulk transportation	891	512	74.0
Total	<u>5,094</u>	<u>3,177</u>	<u>60.3</u>

Note: Other bulk cargoes include metallic ore, non-metallic ore, steel, cement, timber, grain, insecticide, fertilizer and so on except for coal.

(2) Oil shipment

In the first half of 2008, domestic oil shipping market remained steady, and the international oil shipping market had been better than expected. The Group seized favorable market opportunities, carefully organised the shipment and production, and made efforts in conducting safety management and cost control. In the first half year, the Group achieved a shipping volume of approximately 50.09 billion tonne-nautical miles of oil shipment, representing an increase of 1.9% as compared with the same period in 2007, and revenue achieved was approximately RMB2,930 million, representing an increase of 24.7% as compared with the same period in 2007. An analysis of the transportation volume and revenue in terms of cargo specie is as follows:

Transportation volume and revenue in terms of cargo specie

	In the first half of 2008 <i>(billion tonne nautical miles)</i>	In the first half of 2007 <i>(billion tonne nautical miles)</i>	Increase/ (decrease) <i>(%)</i>
Domestic			
Crude oil transportation	8.16	7.40	10.3
Refined oil transportation	0.95	1.11	(14.4)
International			
Crude oil transportation	23.83	22.56	5.6
Refined oil transportation	17.15	18.09	(5.2)
Total	<u>50.09</u>	<u>49.16</u>	<u>1.9</u>

Revenue by product specie

	In the first half of 2008 (RMB million)	In the first half of 2007 (RMB million)	Increase/ (decrease) (%)
Domestic			
Crude oil transportation	982	947	3.7
Refined oil transportation	100	116	(13.8)
International			
Crude oil transportation	825	422	95.5
Refined oil transportation	<u>1,024</u>	<u>865</u>	<u>18.4</u>
Total	<u>2,931</u>	<u>2,350</u>	<u>24.7</u>

(3) *Vessel chartering*

In the first half of 2008, the Group further strengthened its vessel chartering, and has chartered 15 bulk vessels with total capacity of 1.12 million dead weight for a term exceeding one year. In the first half year of 2008, the Group has achieved a revenue of RMB1,088 million from vessel chartering.

Effect of the Agreements

The price for the vessels to be constructed under the Agreements is US\$228,000,000. The construction of all the tankers under the Agreements will be funded by the Company as to approximately 80% of the price by bank borrowings and approximately 20% of the price by internal resources. The financing by way of bank borrowings is expected to increase the Company's level of borrowings. Taking into account the Company's capital and shareholders' base, the Company considers that bank borrowings is the best means of financing for the construction of the tankers. The Directors (including the independent non-executive Directors) believe that in light of the Company's fleet expansion plan, it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to finance the transaction with such bank borrowings. Money will be drawn down from the bank borrowings as and when required for each instalment payment. As such, the Agreements will result in increase in both assets and liabilities of the Company, but liability will be matched by the corresponding asset. Since 80% of the price will be funded by bank borrowings, the Agreements are not expected to have a material adverse impact on the net assets of the Group. They are not expected to have any effect on the earnings of the Company, since a relevant vessel will only contribute to the turnover of the Group after it has been delivered.

As at 30 June 2008, the Group's debt ratio was 29.87%, calculated by dividing total liabilities over total assets of the Group.

Risk on Foreign Currency

As at 30 June 2008, the Group's foreign exchange liabilities mainly comprised of bank loans payable in USD equivalent to approximately RMB3,701,567,000.

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 USD indebtedness increased from 51.3% at the beginning of the year to about 60.2% as at 30 June 2008. 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 rates will have certain impacts on the Group's profitability. Therefore, the Group will further strengthen its efforts in monitoring and studying exchange rate fluctuations, and will actively implement effective measures to strive to avoid exchange rate fluctuation risks. Firstly, the Group will strive to break even USD for its operations. Secondly, the Group will appropriately increase its USD loans. Thirdly, the Group will conscientiously analyse and compare available financial instruments for averting exchange rate risks, so as to hedge and lock in financial costs, and to effectively protect against risks caused by exchange rate fluctuations.

Employees

As at the Latest Practicable Date, the Company had approximately 3,200 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 knowhow and policies and laws. These training may be in different forms, such as seminars, site visits and study tours.

Business prospects

In the second half of 2008, due to the global financial turmoil and rising prices of large bulk commodity such as energy, raw materials and food triggered by the problem of sub-prime mortgage in the US, global inflation pressure is expected to continue its increase, and the speed of economic growth is expected to undergo a further drop. At the same time, under the further impact of the macro control of the PRC government, it is expected that there will be a slight retraction in the domestic economy. However, the steady growth in the PRC economy will still be a driving force to the shipping demands for large bulk cargoes such as iron ore, coal and oil, which will allow the Group to capitalize on its advantages in both domestic and overseas trades, and providing favorable conditions for maintaining its healthy development.

In respect of international oil shipping, it is anticipated that in the second half year, the international market will basically maintain its favorable trend of the first half year. However, under the impact of unfavorable factors such as high standing oil prices which curbs the growth in the global demand for oil, substantial increase in the investments for new vessels, the market will in the overall still risks drastic fluctuations and downward pressures.

In respect of international dry bulk cargo shipping, assuming global marine shipping demands remaining stable, it is anticipated that fluctuations in the level of activities in the international dry bulk cargo shipping market will remain high.

To cope with the current market situation, the Group will continue to carry out the following in the second half of 2008:

- (1) Continue to enhance strategic cooperation with major customers, maintaining long-term stable strategic cooperation relationship, so as to further consolidate and expand the Company's share in the domestic and overseas shipping markets, and reduce operating risks brought about by fluctuation in shipping tariffs. In the first half of 2008, the Board approved the establishment of joint ventures by the Company with Shanghai Puyuan Shipping Company Limited and with Baosteel Resources Co., Ltd. to expand the Group's iron ore shipping market. In respect of oil shipping, the Group will continue to enhance its strategic cooperation with major customers such as PetroChina, Sinopec and CNOOC, and to further sort out the pricing mechanism for coastal oil shipping. In addition, the Group will continue to enhance strategic cooperation with major customers, and negotiate with coal, power and steel enterprises for joint ventures, so as to promote the sustained and steady development of the Group's business.
- (2) Continue to enhance adjustments to fleet structure, and further optimize fleet structure, so as to enhance shipping efficiency of vessels. In the first half of 2008, the Group had disposed of 14 old vessels of 176,000 DWT, and plans to dispose of 4 old vessels of 86,300 DWT in the second half year. In order to compensate for shortage in coal shipping capacity, the Group had completed renovation to 1 oil tanker and 4 container vessels, and increased dry bulk cargo shipping capacity of 182,900 DWT in the first half year. In the first half year, one 46,000 DWT oil tanker had been delivered for use, and five new vessels with a total tonnage of 490,000 DWT are scheduled for delivery in the second half year. As at 30 June 2008, the Group had a total of 172 vessels with 7,702,600 DWT. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight	Average age
Tankers	56	3,579,600	9.6
Bulk vessels	<u>116</u>	<u>4,122,900</u>	<u>20.4</u>
Total	<u><u>172</u></u>	<u><u>7,702,500</u></u>	<u><u>16.9</u></u>

At the same time, the Group has further enhanced its efforts in the supervision of building new vessels, so as to ensure timely delivery of new vessels. In the first half of 2008, the Group has entered into contracts for the construction of 8 bulk cargo vessels with a tonnage of 76,000 DWT for each. Currently, the Group has a total of 66 vessels with 9.254 million DWT under construction, which are all scheduled for delivery by the end of 2012. Total capital expenditure between 2008 and 2012 is expected to be approximately RMB26.5 billion and the capital will be financed by the Company's internal cash flow and bank loans.

Given the Group's existing scope and structure of dry bulk cargo fleet, currently the Group (including its associated companies) has a market share of approximately 27.5% in the domestic coastal coal shipping market in the PRC. This market share is expected to drop further in the coming years. The Group will further enhance its strategic cooperation relationship with the major customers, and renew and enhance its shipping capacity through various ways, and make efforts to enhance its market share in coastal coal shipping.

- (3) Continue to implement various measures for reducing expenses, and focus on controlling fuel costs. The Group will continue to strengthen market analysis, adopt effective measures such as strengthening management and control of fuel purchase and supply, lock in certain fuel prices, reduce unit consumption of fuel and further improve the surcharge terms for domestic coastal power coal and crude oil transportation. The Group will devote full efforts to controlling fuel and other costs, so as to strive to minimize the increase in costs.
- (4) Continue to strengthen vessel chartering, and enhance the efficiency of vessel chartering. In the first half of 2008, the Group continued to increase its efforts in vessel chartering in the foreign trade market, and chartered 1 tanker of 47,000 DWT, 15 dry bulk cargo vessels of 1,120,000 DWT, with chartered shipping capacity representing approximately 15% of the self-owned shipping capacity. Under the current environment where the shipping market is operating at high costs with significant fluctuations, the operation and risk control of chartered vessels have greater difficulty. In the second half year, the Group will further strengthen tracking and studies on the international vessel chartering markets, and adopt measures to enhance the efficiency in vessel chartering and make efforts to avoid market risks.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**Directors' Interests and Short Positions**

As at the Latest Practicable Date, none of the Directors, chief executives and supervisors, nor their associates, had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

Directors' Interest in Any Asset Acquired, Disposed or Leased

None of the Directors or supervisors has had any material interest, direct or indirect, in any asset which, since 31 December 2007, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Directors' Service Contracts

None of the Directors or supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one (1) year without the payment of compensation other than statutory compensation.

The Directors are not entitled to any compensation if their respective service contracts are to be terminated by the Group.

Directors' Interest in Contracts

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director or supervisor had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular. None of the Directors or their respective associates has any competing interest (as would be required to be disclosed to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controller shareholder of the Company for the purpose of the Listing Rules).

Substantial Shareholders

As at the Latest Practicable Date, so far as known to any Directors or chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of shareholders	Class of shares	Number of shares interested	Percentage of the total number of shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company	A	1,578,500,000(L)	74.86%	46.36%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisers)	H	103,718,000(L)	8.00%	3.05%
Mondrian Investment Partners Ltd.	H	93,964,000(L)	7.25%	2.76%
JPMorgan Chase & Co.	H	75,864,872(L)	6.40%	2.44%
		3,799,000(S)	0.29%	0.11%
		41,641,509(P)	2.89%	1.10%
Morgan Stanley International Incorporated	H	68,047,176(L)	5.25%	2.00%
		499,400(S)	0.04%	0.01%
Morgan Stanley Asia Pacific (Holdings) Limited	H	65,992,776(L)	5.09%	1.94%
		424,000(S)	0.03%	0.01%
Morgan Stanley Asia Regional (Holdings) III LLC	H	65,399,000(L)	5.05%	1.92%
Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd	H	65,399,000(L)	5.05%	1.92%
Morgan Stanley Investment Management Company	H	65,399,000(L)	5.05%	1.92%

Note: Mr. Li Shaode is the president of China Shipping Group. Mr. Ma Zehua is the secretary of the party committee of China Shipping Group. Mr. Lin Jianqing is the vice president of China Shipping Group. Mr. Wang Daxiong is the vice president of China Shipping Group. Mr. Zhang Guofa is the vice president of China Shipping Group.

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, no other person (not being a Director or chief executive of the Company) who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, neither the Group nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

4. MATERIAL CONTRACT

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Group within 2 years preceding the date of this circular.

5. MISCELLANEOUS

- (i) The legal address of the Company is at 168 Yuanshen Road, Shanghai, The People's Republic of China.
- (ii) The principal place of business of the Company in Hong Kong is 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong.
- (iii) The Company's branch share registrar and transfer office in Hong Kong is at Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The secretary of the Company is Ms. Yao Qiaohong, being an affiliated person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao obtained a company secretary training certificate from the Shanghai Stock Exchange.
- (v) Mr. Wang Kangtian, a PRC qualified accountant, is the qualified accountant of the Company appointed under Rules 3.24 of the Listing Rules. Mr. Wang Kangtian is able to meet the requirement as set out in Rule 3.24 of the Listing Rules except that he is not a fellow or associate of the Hong Kong Institute of Certified Public Accountants ("HKICPA") or a similar body of accountants recognized by HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA. The Stock Exchange has agreed to grant a three-year conditional waiver to the Company from strict compliance with Rule 3.24 of the Listing Rules commencing from 27 December 2007. From 27 December 2007 to 27 December 2009, the Company has appointed Mr. Yip Sai On, David, a fellow member of the HKICPA, to assist Mr. Wang.

- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Richards Butler at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including Thursday, 27 November 2008:

- (a) the annual reports of the Company for the two years ended 31 December 2007 and the interim report of the Company for the period ended 30 June 2008;
- (b) the memorandum and articles of association of the Company;
- (c) a copy of the circular dated 26 November 2007 and 14 January 2008 for major transactions relating to constructions of new vessels; and
- (d) a copy of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

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

(Stock Code: 1138)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the extraordinary general meeting (the “EGM”) of China Shipping Development Company Limited (the “Company”) will be held at 2:00 p.m. on Friday, 28 November 2008 at 700 Dong Da Ming Road, Shanghai, the People's Republic of China to consider and, if thought fit, pass the following resolutions as an ordinary resolution and as special resolutions, as the case may be:

ORDINARY RESOLUTION

1. **“THAT** the four construction agreements all dated 10 September 2008 between China Shipping Development (Hong Kong) Marine Co., Limited and Dalian Shipbuilding Industry Company Limited, each for the construction of one tanker (for a total of four tankers), details of which are set out in the circular (the “Circular”) of the Company dated 13 October 2008, be and are hereby approved, ratified and confirmed; and the directors of the Company be and are hereby authorized to do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the agreements.”

SPECIAL RESOLUTIONS

2. **“THAT:**
 - (a) One more clause shall be added as clause 5 of Article 19 at the end of the existing Article 19 as follows: “In July 2007, the Company issued RMB2 billion convertible bonds to the domestic public upon the approval of the China Securities Regulatory Committee. The procedures for conversion and redemption of all the convertible bonds were completed in April 2008, as a result of which there was a change in the shareholding structure of the Company. The total share capital of the Company has been increased to 3,404,552,270 shares, of which 2,108,552,270 shares are domestic listed A Shares, representing 61.93% of the total issued ordinary shares of the Company, and 1,296,000,000 shares are overseas listed foreign shares, representing 38.07% of the total issued ordinary shares of the Company.”
 - (b) Article 20 shall be changed from “The registered capital of the Company is RMB3,326,000,000” into “The registered capital of the Company is RMB3,404,552,270”.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “THAT:

Subject to the passing of resolution 2 above, the senior management of the Company be authorized to make such further relevant amendments as necessary to the registered capital in the business license of the Company in accordance with the requirements of the Administration for Industry and Commerce and other relevant governmental authorities.”

By Order of the Board
China Shipping Development Company Limited
Yao Qiaohong
Company Secretary

13 October 2008
Shanghai
The People’s Republic of China

- (A) The H share register of the Company will be closed from Wednesday, 29 October 2008 to Friday, 28 November 2008 (both days inclusive), during which no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company’s register of members at the close of business on Tuesday, 28 October 2008, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company’s H share registrar not later than 4:00 p.m. on Tuesday, 28 October 2008.

The address of the share registrar (for share transfer) for the Company’s H Shares is as follows:

Hong Kong Registrars Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

- (B) Holders of H Shares, who intend to attend the EGM, must complete the reply slips for attending such meetings and return them to the Office of the Secretary to the Board of Directors of the Company not later than 20 days before the date of the EGM, i.e. no later than Saturday, 8 November 2008.

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

Room 1601, 700 Dong Da Ming Road, Shanghai,
People’s Republic of China
Postal Code: 200080
Tel: 86(21) 6596 6666
Fax: 86(21) 6596 6160

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Shares share registrar, Hong Kong Registrars Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of A Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (C) to (D) also apply to holders of A Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment, thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the EGM, such legal representative should produce his identity card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his identity card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (H) Set out below is the procedure by which shareholders and the chairman of any shareholders' meeting may demand a poll pursuant to article 74 of articles of association of the Company:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (1) the chairman of the meeting;
- (2) at least two shareholders, who possess the right to vote, present in person or by proxy; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or not carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded for or against such resolution.

A demand for a poll may be withdrawn by the person who made the demand.”

- (I) The EGM is expected to last an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.