DEAR SHAREHOLDERS,

I am pleased to report on behalf of the board of directors (the "Board") of China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") the unaudited results of the Group for the first six months ended 30th June, 2001 (the "Period").

SUMMARY OF INTERIM RESULTS FOR THE FIRST SIX MONTHS ENDED 30TH JUNE, 2001

The unaudited financial results of the Group for the Period reviewed by Ernst & Young (certified public accountants in Hong Kong) in accordance with SAS 700 issued by the Hong Kong Society of Accountants, as compared with those for the same period in 2000, are as follows:

Unaudited Consolidated Profit and Loss Account *(note 1)*

Items	**For the six months ended 30th June 2001** ***(RMB'000)***	For the six months ended 30th June 2000 *(RMB'000)*
Turnover *(note 2)*	**1,713,880**	1,521,608
Operating cost	**(1,306,894)**	(1,252,106)
Gross profit	**406,986**	269,502
Other revenue *(note 3)*	**102,337**	99,619
Administrative expenses	**(90,607)**	(64,449)
Other operating expenses	**(54,355)**	(55,963)
Profit from operating activities	**364,361**	248,709
Finance costs	**(92,642)**	(118,252)
Share of profit(loss) of an associate	**(48,388)**	1,346
Profit before tax	**223,331**	131,803
Tax *(note 4)*	**(45,131)**	(20,251)
Profit before minority interest	**178,200**	111,552
Minority interest	**-**	(57)
Net profit from ordinary activities attributable to shareholders	**178,200**	111,495
Earnings per share *(note 5)*	**RMB5.99**	RMB3.75
Dividends *(note 6)*	**-**	-

Notes:

1. Basis of presentation

   The condensed consolidated profit and loss accounts have been prepared in accordance with the accounting principles generally accepted in Hong Kong.

2. Turnover

   Turnover represents gross revenue arising from shipping operations, net of business taxes and surtaxes. Business taxes and surtaxes charged on the profit and loss account for the Period amounted to RMB43,620,000 (the same period in 2000: RMB38,480,000).

3. Other revenue

   Other revenue represent gains from the leasing of vessels, foreign exchange, disposal of vessels and management of vessels during the Period.

4. Tax

   Tax only includes the tax of the Group during the Period. As at 30th June, 2001, the associate of the Group had accumulated losses, and therefore no provision for income tax is required.

   Effective from 1st January, 1998, assessable profits earned by the Group in the People's Republic of China (the "PRC" or "China") have been calculated in accordance with PRC regulations and is subject to an income tax of 15%.

   No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the Period. (No provision for Hong Kong profits tax was made in the accounts as the Group had no assessable profits for the same period of 2000). Assessable profits earned by the Group in countries other than the PRC were subject to the applicable tax rate of the countries where its businesses are operated. No provision for material deferred income tax liabilities has been made for the period (the same period in 2000:Nil).

5. Earnings per share

   The calculation of earnings per share is based on the net profit attributable to shareholders for the Period of RMB178,200,000 (the same period in 2000: RMB111,495,000) and 2,976,000,000 shares in issue during the period (the same period in 2000: 2,976,000,000 shares in issue).

6. Interim dividend

   The Board does not recommend the payment of any interim dividend in respect of the Period.

7. Transfer to reserves (statutory surplus reserve and statutory public welfare fund)

   No appropriations were made to the statutory surplus reserve and statutory public welfare fund during the Period. Such appropriations would be made at the year end in accordance with the PRC Company Law and the Company's articles of association.

BUSINESS REVIEW

For the first half of 2001, the international shipping market was adversely affected by the slowing down of global economic growth. The Baltic Freight Index ("BFI") dropped to about 1,000 from its highest point of 1,750 as at the end of 2000. Other indices such as International Oil Transportation Index ("IOTI") and China Export Container Freight Rate Index ("CEFRI")) also dropped significantly. The changes in these indices reflect that both the international and domestic shipping markets faced fierce competition. Moreover, the government's policy releasing its control of domestic coastal freight rate had the effect of intensifying competition in the domestic coastal shipping market. Notwithstanding the challenges arising from market changes, the Group insisted on adhering to its policy of "market orientation" and "continuing to develop coastal transportation and expanding ocean transportation". By making great efforts to strengthen internal management and explore new shipping market, the Group accomplished its operation target and increased its profits during the first half of 2001 as compared with the same period of 2000. Meanwhile, the Group won its customers' confidence in its high quality service and good reputation, and reached an understanding with cargo owners on a freight rate so as to stabilise its freight rate in the domestic shipping market. The Group' s net turnover for the Period was RMB1,713,880,000, representing an increase of approximately 12.6 per cent as compared with the same period of 2000. Profit before tax was RMB223,331,000, representing an increase of approximately 69.4 per cent as compared with the same period of 2000. Net profit from ordinary activities attributable to shareholders was RMB178,200,000, representing an increase of approximately 60 per cent as compared with the same period of 2000. Earning per share was RMB5.99 cents, representing an increase of approximately 59.7 per cent as compared with the same period of 2000.

Breakdown of cargo handled by volume (billion tonne-nautical miles):

Geographical area of operations	Description	For the six months ended 30th June **2001**	2000	Increase/ (Decrease)%
Domestic	Coal transportation	**12.1**	11.3	7.1
	Oil transportation	**7.8**	8.0	(2.5)
	Others	**1.6**	1.7	(5.9)
	Sub-total	**21.4**	21.0	1.9
International	Coal transportation	**0.9**	1.8	(50.0)
	Oil transportation	**10.2**	8.9	14.6
	Others	**4.7**	6.3	(25.4)
	Sub-total	**15.9**	17.0	(6.5)
	Total	**37.3**	38.0	(1.8)

Breakdown of turnover (RMB million):

Geographical area of operations	Description	For the six months ended 30th June **2001**	2000	Increase/ (Decrease)%
Domestic	Coal transportation	**472.94**	434.61	8.8
	Oil transportation	**668.84**	631.40	5.9
	Others	**71.76**	63.00	13.9
	Sub-total	**1,213.54**	1,129.01	7.5
International	Coal transportation	**14.99**	25.19	(40.5)
	Oil transportation	**411.64**	267.95	53.6
	Others	**117.33**	137.94	(14.9)
	Sub-total	**543.96**	431.08	26.2
	Total	**1,757.50**	1,560.09	12.7
Business taxes and surtaxes		**(43.62)**	(38.48)	13.4
Net of business tax and surcharges		**1,713.88**	1,521.61	12.6

MANAGEMENT DISCUSSION AND ANALYSIS

1. Achieving the highest volume in the oil transportation sector

In the first half of 2001, there were some changes in the oil transportation market. First, the shipping volume of crude oil in northern China dropped substantially to only 42.44% of the volume for the same period of last year, due to increased oil consumption in the region as well as direct oil transportation by pipe. Some major suppliers increased the production in their coastal refineries and decreased the production in inland refineries so as to reduce their oil refining costs. As a result, both the shipping volume of crude oil and the corresponding transportational distance decreased. As the oil price in the international market remained high, the volume of domestic offshore oil production increased, and therefore the trend was that there would be increased demand for oil shipment. As the domestic market for refined oil started to recover in March 2001, the volume of gasoline and diesel oil for shipment in northern China increased. Finally, as the active trend of the second half of last year continued, oil resources for shipment in the foreign trade market remained sufficient this year. Having regard to the changing market environment, the Group made the following readjustment to its operating strategies:

1. To address the decrease in the shipping volume of crude oil in northern China, the Group deployed some crude oil tankers after tank cleaning and maintenance to the shipment of product oil.

2. The Group deployed more oil tankers to the shipment of offshore oil due to the increase in the domestic trade volume of offshore oil. For the first half of 2001, the volume of offshore oil shipped by the Group was 7.8292 million tons, representing an increase of 415 thousand tons and 5.6 per cent as compared with the same period of 2000. It also made various transportation arrangements to maximize the shipping capacity of and minimize the empty-load distance of its tanker fleet.

3. The Group made great efforts to take up a larger market share in the foreign trade oil transportation market. Following active efforts, the Group succeeded in entering into the 2001 contract of affreightment (the "COA") for transporting crude oil from China to Japan. Under the COA, all crude oil to be exported should be shipped by the Group. Meanwhile, the Group opened up excellent shipping routes from the Middle East to Japan and Korea for the shipment of naphtha. In addition, the Group opened up another two foreign trade shipping routes: the Dalian/East Asia/Huangpu route and the East Asia/Huangpu/Southeast Asia/East China.

4. The Group further increased its oil transportation capacity by acquiring 20 oil tankers from its parent company. The Group accomplished the acquisition of the 20 oil tankers in June 2001. The revenue derived from the operations of the 20 oil tankers in 2000 was RMB706.57 million, and the gross profit was RMB186.69 million. For the first half of 2001, the revenue derived from transportation and its gross profit were RMB361.85 million and RMB105.49 million respectively, of which, revenue to be included in the results of the Company for the first half of the year amounted to RMB26.2 million, with gross profit of RMB6.55 million. At this point, the Group owned a fleet composed of 86 tankers, totalling 2.183 million tonnage and accounting for approximately 51 per cent of the aggregate tonnage of the Group.

During the first half of 2001, the Group achieved the highest level in the oil transportation sector. The revenue arising from oil transportation for the first half of 2001 was RMB1.08 billion, representing an increase of approximately 20 per cent as compared with the same period of 2000, and achieved the level for the whole year of 1995. In respect of oil transportation, the Group realised gross profit of RMB0.321 billion, representing an increase of approximately 69.8 per cent as compared with the same period of 2000.

2. Significant increase in the efficiency of dry bulk cargo transportation

During the first six months of 2001, the demand for international dry bulk cargo transportation decreased. The economy in the PRC improved steadily, and the domestic demand increased enormously. The demand for coastal dry bulk cargo transportation in the PRC remained high. Facing with such changes in the shipping market, the Group has taken the following measures to explore new markets:

1. The Group took the opportunity to visit the cargo owners and ports when the cargo-ordering meeting was held in the beginning of 2001. The Group also strengthened communication with the cargo owners and ports so as to enhance its relationship with them; the Group made much efforts to enter into long-term chartered shipping contracts with its major customers. The Group entered into mid-term or long-term agreements of 3 to 5 years with Shanghai Bao Steel Company, Guangdong Electricity Power Company, Zhujiang Electricity Power Company, and Zhejiang Electricity Power Company, Jiangsu Electricity Power Company respectively. At the beginning of 2001, the Group entered into long-term shipment contracts with its major customers at the domestic coastal areas. The transportation volume under these shipment contracts has reached over two thirds of the total annual transportation volume. This has laid down good foundation for achieving our annual transportation target.

2. The Group allocated more shipping capacity to the transportation of coal, ores and other dry bulk cargoes, with a view to increasing its market share in the dry bulk cargo transportation sector.

3. The Group continued to strengthen its cooperation with major cargo owners. The Group chose some major customers of abundant capacity as its partners. After several rounds of negotiations, the Group achieved substantial results. The Group entered into cooperation agreements with Shanghai Electricity Power Company and Shenhua Group on 15th June, and 20th July, 2001, respectively. The negotiation of cooperation with Shenzhen Energy Company is in progress.

For the first half of 2001, China Shipping Development Company Limited Tramp Company, one of the Group' s subsidiaries, realised a profit of RMB21.73 million, representing an increase of RMB29.13 million, as compared with a loss of RMB7.4 million during the same period of 2000.

3. Further Rapid progress in container transportation

For the first half of 2001, the growth rate of the international trade volume slowed down due to adverse effect of the declining world economy. Increasingly fierce competition in the container transportation sector resulted in the decrease in the freight rate and the revenue derived from shipping lines. Almost every container liners faced insufficient usage of shipping space and decreasing operating results.In 2001, China Shipping Container Lines Co. Ltd. ("CS Container Lines"), an associate of the Company (with 25% of its shares owned by the Company), also faced tremendous challenges.

In spite of such difficult situation, we adopted active measures to decrease operating risks so as to ensure the continuous development of container transportation. During the first half of 2001, CS Container Lines adopted the following measures: Continuous efforts were made to increase the exploration of cargo resources, improve cargo canvassing and enhance shipping efficiency; readjustments to the existing shipping routes and the use of new routes were to improve the coverage of shipping routes; CS Container Lines entered into cooperation with a number of liners such as ZIM Israel Navigation Company Limited ("ZIM") and Orient Overseas Container Line Limited ("OOCL") so as to increase the sources of cargoes and its service frequency, thereby expanding its scope of services, which is beneficial to all parties; an all-out effort to reduce costs, focusing on controlling the equipment and route costs; in addition, CS Container Lines also let out part of its available capacity, whereby 25 smaller container vessels were leased out, which played an important role in reducing costs and enhancing its income.

The growth of the domestic economy promoted the development of the domestic container transportation. In view of such development, CS Container Lines deployed more vessels, especially large vessels, to the domestic shipping services, and improved its operating efficiency. Taking advantage of the excellent weather conditions on the Hainan Island, CS Container Lines opened up the green express at sea from the Hainan Island to the ports in the north of China and strengthened the exploration of the reefer cargoes. In addition, CS Container Lines commenced the sea-railway multimodel transportation service in the northeast of China to extend its service into the northeast of China. In respect of domestic container transportation, CS Container Lines increased its operating profits during the first half of 2001 with gross profit margin of US$6,400,000, compared with the loss of US$3,100,000 of the corresponding period of last year, representing an increase in profit of US$9,500,000, representing a gross profit ratio of 14.7%, as compared to the -8.8% over the corresponding period of last year.

As at June 2001, the volume of loaded containers carried by CS Container Lines was 0.808 million TEU, representing an increase of 25 per cent as compared with the same period of 2000. The volume of foreign trade cargo and domestic trade cargo were 600 thousand TEU and 208 thousand TEU respectively, representing increases of 32 per cent and 8 per cent as compared with the same period of 2000 respectively. The revenue derived from container transportation was RMB3.81 billion, representing an increase of 30 per cent as compared with the same period of 2000. In spite of deficit in its operations, CS Container Lines has established itself as one of the top liners in the world and made further improvement in the container transportation business.

4. Achievements in controlling operating costs

For the first half of 2001, the Group adopted active measures to control its operating costs. The aggregate operating costs of the Group was RMB1.307 billion, increasing by merely 4.4 per cent as compared with the same period of 2000, which includes: a decrease of 5.1 per cent in fuel cost, an increase of 4.0 per cent in port charges, and an increase of 25.6 per cent in maintenance expenses. However, the revenue derived from the Group's operations increased by 12.6 per cent, representing an increase in its operating efficiency as compared with the increase in its operating costs. This reflected that the Group has achieved remarkable results in increasing revenue and reducing costs.

As at the end of June 2001, the total assets of the Group was RMB9.382 billion, the total liability was RMB4.174 billion, and the net assets was RMB5.208 billion, representing increases by RMB1.002 billion, RMB 0.824 billion and RMB0.178 billion respectively as compared with the beginning of 2001. Interest-bearing bank loans and other borrowings, and finance lease payables were RMB2.546 billion, representing a decrease of 4.8 per cent as compared with the beginning of 2001, of which there were amounts in US dollars equivalent to RMB0.64 billion, and amounts in Deutschemarks equivalent to RMB0.17 billion, which decreased significantly as compared with the beginning of 2000 for foreign borrowings. The gearing and the equity ratio of the Group were 44 per cent and 80 per cent respectively, increases by 4 per cent and 13 per cent as compared with the beginning of 2001 respectively. The above-mentioned ratios remained low due to the Group' s favorable operating conditions. If so required, the Group may increase its financial gearing to raise fund for further development of its business.

5. Prospects

The competition in the global shipping market has become more fierce and complicated due to the slowing down of global economic growth. All shipping companies, including the Group, are faced with more challenges. Following careful analysis, the Group found that great advantage and potential of the Group would enable itself to handle such challenges with ease, and to maintain stable and continuous improvement in its operating results.

First, the growth of the gross domestic product (the "GDP") of the PRC remained stable for the first half of 2001, at the rate of 7.9 per cent. The growth rate of GDP is likely to slow down due to adverse effect of the declining world economy. However, the central government of China has implemented a series of active financial policies, such as increasing domestic demand, opening up western China to the outside world and making preparations for the Olympic Games to be held in 2008, aiming at maintaining the continuous steady development of the domestic economy. The main businesses of the Group are in PRC, with the revenue derived from domestic businesses accounting for 70 per cent of its aggregate revenue. The stable development of the domestic economy is expected to promote the improvement in the businesses of the Group.

Second, China is accelerating its expected entry into the World Trade Organization (the "WTO"). China is expected to become one of the official members of the WTO at the end of 2001. China's entry into the WTO is expected to play an important role in accelerating domestic economic construction, upgrading diplomatic relations with other countries and increasing foreign trade volume. This will also create an excellent opportunity for the development of transportation industry in the PRC. The Group, being one of the largest shipping groups in China and the Far East, is expected to benefit from China's entry into the WTO.

Third, the Group achieved further progress in the readjustment to its fleet composition. The Group accomplished the acquisition of 20 oil tankers from its parent company in June 2001, and purchased one oil tanker of 110,000 tons in February 2001. The shipping capacity of the Group increased by 42 per cent as compared with the same period of 2000, and the market share taken up by the Group increased to more than 80 per cent in the domestic coastal crude oil shipment market. The revenue derived from oil transportation for the second half of this year is expected to increase by over 40 per cent over the first half of this year.

Fourth, the fuel costs of the Group originally accounting for about 30 per cent of the aggregate operating costs decrease due to the decrease in world oil prices. For the first half of 2001, the average price of fuel oil consumed by the Group decreased by 6 per cent as compared with the second half of 2000. This helped the Group to reduce the pressure on itself caused by operating costs and to improve its operating efficiency.

Fifth, the Group increased its cooperation with major cargo owners. Following the establishment of joint ventures with Shanghai Bao Steel Corporation and other major cargo owners in 2000, the Group entered into cooperation contracts with Shanghai Electricity Power Co. Ltd. and Shenhua Group. Shanghai Electricity Power Co. Ltd. is responsible for the supply of coal to electricity plants in Shanghai with over 12 million tons of coal to be shipped annually. Shenhua Coal Supply Company is mainly responsible for the supply of Shanhua Group' s coal products both at home and abroad, with a plan to sell 38 million tons of coal to be sold in 2001. With the implementation of the joint venture with its major customers, the market share to be covered by the Group is expected to increase consistently.

Sixth, in order to further improve its businesses, the Group held an extraordinary general meeting on 22nd May, 2001, at which the Group approved the issue of A shares in the PRC. The Group has submitted an application for the said issue of A Shares to the China Securities Regulatory Commission. Once the plan is approved and put into force, the capital of the Group will be strengthened, which will promote the potential of the Group.

In order to achieve its operating target for 2001, the Group will focus on increasing its shipping volume and revenue derived from transportation in the second half of 2001. At the same time, the Group will continue to make efforts to strengthen its internal management, control its operating costs and improve its economic results.

With respect to oil transportation, the Group will continue to make readjustments to its fleet composition and strengthen the allocation of its shipping capacity according to the special conditions following the deregulation of the domestic prices for transportation to ensure the transportation of offshore oil, semirefined and product oil. In addition, the Group will actively explore a portfolio of domestic and foreign trade for higher profits and the oil transportation market in the third countries.

With respect to dry bulk cargo transportation, the Group will emphasise on the realisation of the COAs entered into with its major customers, and take full advantage of its large oil tankers so as to improve the operating efficiency of its shipping and its market share. In addition, the Group will adopt active measures not only to undertake trans-shipment of ores, but also to undertake shipment of dry bulk cargoes of high shipping efficiency.

With respect to container transportation, the Group will commence new shipping routes and expand its market share. CS Container Lines proposes to open up the Southeast Asia/West Africa service jointly with CMA CGM and ZIM in September 2001, to extend its services to the Africa Continent. On the other hand, CS Container Lines will enhance its exploration of cargo resources and cargo canvassing, and increase its shipment volume.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has not yet established an audit committee (the "Audit Committee") to review and supervise the Company's financial reporting process and internal controls pursuant to the Code of Best Practice (the "Code of Best Practice") set out in Appendix 14 to The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). However, the Company's organisational structure has a supervisory committee which carries out functions similar to that of the Audit Committee. The Company's supervisory committee comprises of 3 representatives (one of which shall be an employee of the company) who are elected and removed at general meetings by the shareholders, whereas the Audit Committee is appointed from the non-executive directors of the Company. The Company's supervisory committee reports to the general meetings of shareholders instead of the Board. Apart from this, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the Period, in full compliance with the Code of Best Practice.

MATERIAL LITIGATION OR ARBITRATION

The Group was not involved in any material litigation or arbitration during the Period.

INTERESTS OF DIRECTORS AND SUPERVISORS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June, 2001, none of the directors, supervisors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company as defined in the Securities (Disclosure of Interest) Ordinance, such that any of them needs to making a filing pursuant to the requirement of Article 29 of the Securities (Distclosure of interest) Ordinance or to inform the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of Appendix 10 of the Listing Rules.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period ended 30th June, 2001 was the Company, its subsidiaries, its holding company or any of its fellow subsidiaries a party to any arrangements to enable any director or supervisor of the Company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MAJOR SHAREHOLDERS

As at 30th June, 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interest) Ordinance:

Shareholder	Number of Shares	Percentage
China Shipping (Group) Company	1,680,000,000	56.45%
HKSCC Nominees Limited	1,243,312,299	41.78%

SUPPLEMENTARY INFORMATION TO BE PUBLISHED ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed interim results announcement of the Company for the Period containing all information as required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be available on the website of the Stock Exchange as soon as practicable.

REVIEW OF SIGNIFICANT EVENTS

Annual General Meeting on 22nd May, 2001

The Company held its 2000 Annual General Meeting (the "AGM") on 22nd May, 2001. The AGM approved by resolutions of the Company the 2000 report of the Board; the 2000 report of the supervisory committee of the Company; the 2000 audited financial statements of the Company; the proposed profit distributions plan of the Company for 2000; the remuneration of the directors and the supervisors of the Company for 2001; the reappointment of Shanghai Zhonghua Huying C.P.A. and Ernst & Young as the domestic and international auditors of the Company for 2001 respectively; and the appointment of Mr. Xue Qingxiang as director of the Company, whose term of office shall be as the term of the office of directors of the current Board. Resolutions were passed at the AGM that the directors of the Company were authorised to make decisions on matters in connection with the operations of the Company.

Class Meeting for holders of Domestic Shares and Class Meeting for holders of H Shares on 22nd May, 2001

The Company held a class meeting for holders of domestic shares and a meeting for holders of H Shares on 22nd May, 2001. Both meetings approved by special resolutions the proposed issue of A Shares in the PRC, and granted the leading underwriter over-allotment options to require the Company to issue additional shares up to 15 per cent of the total quantity of the public offering. Details of the proposed issue of A shares have been set out in the annoucement of the Company dated 3rd April, 2001 and the circular of the Company to its shareholder dated 23rd April, 2001.

Extraordinary General Meeting on 22nd May, 2001

The Company held an extraordinary general meeting (the "EGM") on 22nd May, 2001. The EGM approved, inter alia, by ordinary resolutions the Conditional Acquisition Agreement dated 3rd April, 2001 between the Company and Guangzhou Maritime Transport (Group) Company Limited (the "Acquisition Agreement"); the conditional Revised Service Agreement dated 3rd April, 2001 between the Company and China Shipping (Group) Company (the "Revised Service Agreement"), and the Memorandum entered into between the Company and Guangzhou Maritime Transport (Group) Company Limited. The EGM approved by special resolutions the proposed issue of A Shares in the PRC, and granted the leading underwriter over-allotment options to require the Company to issue additional shares up to 15 per cent of the total quantity of the public offering. The issue of the A Shares will be in compliance with the Provisional Measures on the Reduction of State Shares to Raise the Social Security Fund issued by the State Council.

Significant Connected Transactions

Each of the Acquisition Agreement and the transactions under the Revised Service Agreement constitutes a connected transaction of the Company for the purposes of the Listing Rules. The Company submitted an application to the Stock Exchange and received its approval on 23rd April, 2001 that the Company would be exempted from obtaining the approval of the independent shareholders under Chapter 14 of the Listing Rules.

The Company entered into nine bareboat charter parties with CS Container Lines on 13th February, 2001. The Company entered into one bareboat charter party with Shanghai Shipping Industry Company on 31st May, 2001. The Company entered into one bareboat charter party with Southern Shipping Company on 31st May, 2001. The Company entered into two bareboat charter parties with Zhuhai Shipping Corporation Limited and Sun River Navigation Inc., respectively on 29th June, 2001. Each of the above-mentioned bareboat charter parties constitutes a connected transaction of the Company. As the aggregate consideration for these transactions is less than the limit specified in Rule 14.25(1) of the Listing Rules, therefore such transactions do not require the approval of the independent shareholders of the Company.

DOCUMENTS FOR INSPECTION

1. The original of the Interim report signed by the Chairman of the board of directors and a complete set of interim financial report for the first half of 2001.
2. The board minutes and resolutions passed at a board meeting held on 29th August, 2001.
3. Address for inspection: Room 1716, 700 Dong Da Ming Road, Shanghai, the PRC

Li Kelin
Chairman of the Board

Shanghai, the PRC, 29th August, 2001