Mr. Li Kelin, Chairman

The board of directors (the "Board") of China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") is pleased to report the audited results of the Group for the year ended 31st December, 2001.

BUSINESS REVIEW

The international shipping market was adversely affected in 2001 due to the slowing down of the growth of the global economy. The volume of cargo shipped by sea decreased by 3.6 %. as compared with 2000. This was the first time that the volume of cargo carried by sea decreased since 1986. In 2001, notwithstanding the challenges arising from market changes, the Group adhered to its policy of "market orientation" and continued to develop coastal transportation and expand 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 in 2001 as compared with 2000.

The Group's net turnover for the year ended 31 December 2001 was Rmb3,894,926,000, representing an increase of approximately 22.1 %. as compared with 2000. Profit before tax was Rmb438,313,000, representing an increase of 34.9 %. as compared with 2000. Net profit from ordinary activities attributable to shareholders was Rmb325,258,000, representing an increase of 15.4 %. as compared with 2000. Earnings per share is Rmb 0.1093, representing an increase of 15.4 %. as compared with 2000.

Breakdown of cargo handled by volume (billion tonnenautical miles):

Geographical area of operations	Description	2001	2000	Increase/ (Decrease) %
Domestic	Coal transportation	**25.1**	24.4	2.9
	Oil transportation	**17.6**	14.8	18.9
	Others	**3.4**	2.9	17.2
	Sub-total	**46.1**	42.1	9.5
International	Coal transportation	**1.2**	2.4	(50.0)
	Oil transportation	**23.6**	19.1	23.6
	Others	**9.3**	11.8	(21.2)
	Sub-total	**34.0**	33.3	2.4
	Total	**80.2**	75.4	6.4

Breakdown of turnover (Rmb million) :

Geographical area of operations	Description	2001	2000	Increase/ (Decrease) %
Domestic	Coal transportation	**976.2**	944.7	3.3
	Oil transportation	**1,621.0**	1,285.0	26.1
	Others	**146.2**	123.7	18.2
	Sub-total	**2,743.4**	2,353.4	16.6
International	Coal transportation	**20.7**	35.6	(41.9)
	Oil transportation	**979.0**	635.3	54.1
	Others	**249.8**	249.5	0.1
	Sub-total	**1,249.5**	920.4	35.8
	Total	**3,992.9**	3,273.8	22.0
	Business tax and surtax	**98.0**	83.0	18.1
	Net turnover	**3,894.9**	3,190.8	22.1

Breakdown of gross profit of the group (Rmb million):

Geographical area of operations	Description	**2001**	2000	**Increase/ (Decrease)** %
Domestic	Coal transportation	**176**	148	18.9
	Oil transportation	**555**	374	48.4
	Others	**23**	13	76.9
	Sub-total	**754**	535	40.9
International	Coal transportation	**5**	(3)	
	Oil transportation	**209**	84	148.8
	Others	**12**	3	300.0
	Sub-total	**226**	84	169.0
	Total	**980**	619	58.3

1. Achieving the highest volume in oil transportation

In 2001, there were some changes in the oil transportation market. Firstly, the shipping volume of oil from domestic pipe oil and the imported oil transhipped at domestic ports decreased. Secondly, the shipping volume of ocean oil increased, and the transportation of refined oil was full of fierce competition. Significant changes took place in the international oil shipping market in the fourth quarter of 2001. The international shipping market remained vibrant during the first nine months of 2001, and recorded a drop in activities since the terrorist attack happened on 11 September 2001 in America. Having regard to the change in market environment, the Group made the following adjustment to its operating strategies:

i. The Group made great efforts to explore the foreign trade oil shipping market, and entered into a

series of long term contracts of affreightment (the "COA") with its major customers. The Group actively arranged for tankers to undertake shipment of imported bunker oil. The Group also organised some tankers to undertake the shipment of naphtha from the Middle East to East Asia. The Group succeeded in entering into agreements for shipment of crude oil (for export) with some domestic cargo owners. The revenue derived from foreign trade oil shipment was Rmb 0.979 billion, representing an increase of 54 %. as compared with 2000.

ii. The Group took advantage of the favorable market opportunity to increase its market share in ocean oil transportation market and effective measures to further strengthen its cooperation with ocean oil companies. The Group transferred several crude oil tankers equipped with Inert Gas System to undertake shipment of ocean oil, and arranged the shipment schedule according to the requirements put forward by the ocean oil companies. As a result, the Group won high appraisal from cargo owners. The volume of ocean oil shipped by the Group was 15.7791 million tons, and the revenue derived from ocean oil transportation was Rmb 0.811 billion, representing increases of 15.57 %. and 31.18 %. respectively as compared with 2000.

iii. The Group made a great effort to enlarge its market share in the foreign trade oil transportation market. Following active measures, the Group succeeded in entering into the 2001 COA for transporting crude oil from China to Japan. 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 shipping routes: Nan Hai Ocean platform/Dalian/Northeast Asia/Huangpu and the East Asia/East China/Southeast Asia/East China, so as to decrease empty load distance of tankers and improve the efficiency of shipping capacity.

iv. The Group made a great effort to secure the shipment for domestic refined oil so as to maintain its market share. With the recovery of the refined oil shipping market in March and April 2001, the Group took advantage of the favorable opportunity, and signed agreements with certain cargo owners for shipment of refined oil of 300,000 tons per month, so as to secure certain stability in shipment for domestic refined oil. Meanwhile, with the active bunker oil market and the increase in transportation requirement, the Group transferred certain tankers of 15,000 tons and 24,000 tons to undertake the transportation of bunker oil.

v. In June 2001, the Company accomplished the acquisition of 20 oil tankers from Guangzhou Maritime Transport (Group) Company Limited which is a wholly-owned subsidiary of China Shipping (Group) Company, the controlling shareholder of the Company. As a result, the Group further increased its shipping capability. The revenue derived from the operations of the 20 oil tankers was Rmb407.69 million, and the gross profit was Rmb153.91 million for the second half of 2001, which made important contribution for the increase in the Group's operating results.

The Group achieved the highest level in oil transportation sector in 2001. The revenue arising from oil transportation was Rmb2.6 billion, representing an increase of 35.4 %. as compared with 2000. The gross profit realised by the Group for 2001 was Rmb763 million, representing an increase of 66.8 %. as compared with 2000.

2. Further increase in dry bulk cargo transportation

In 2001, the demand for international dry bulk cargo transportation decreased. The Baltic Dry Bulk Cargo Index (the "BDI") dropped to 900 points at the year end from 1600 points at the beginning of 2001. The domestic coastal dry bulk cargo transportation remained stable for 2001. During the second half of 2001, resources of coal at the five ports in northern China, namely Qinghuangdao, Tianjin, Rizhao, Qingdao and Lianyungang, were in short supply, which adversely affected the efficiency of cargo vessels. The freight rate of coal in southern China in 2001 fluctuated, and dropped by over Rmb0.5 per ton. Faced with such changes in the shipping market, the Group has taken the following measures to explore new markets:

i. The Group continued to develop and expand its coastal transportation, and made active readjustment to its operating strategies. Firstly, the Group set up offices in the eastern, northern, northeastern, and southwestern parts of China and Fujian Province, China to canvass cargo, and improved the efficiency of its network. Secondly, the Group spread the cargo owner manager system and provided specific services to different customers. Thirdly, the Group adopted competitive strategies to enter into long term contracts for shipment with the major cargo owners, and stabilised the coal transportation businesses. In addition, the Group has also made great efforts to gain new business of coal transportation of Xiamen Songyu Electricity Plant, Zhangzhou Houshi Electricity Plant, Huaneng (Fuzhou) Electricity Plant, and sand transportation from Fujian Province to northern China. In 2001, the Group has taken up 44 %. of the domestic coal transportation market, and 56 %. of the coal shipping market in southern China.

ii. The Group has diversified into the business of ocean transportation of cargo by signing long term COAs with customers which major in ocean transportation by voyage chartering or time chartering. In 2001, the Group implemented the long term COA of phosphate rock from China to Japan, and the COA of cement from Japan to Dongguang of Guangdong Province, China. In addition, the Group has entered into COAs of metal ores from Australia to Ma An Shan Steel Cooperation and from Australia to Nanjing Steel Cooperation, COA of phosphate rock exported from Zhengjiang of Jiangsu Province, China, COA of cement from Japan to Hong Kong and COAs of exported coal and coke.

In 2001, the shipping volume of dry bulk cargo carried by the Group was 39 billion ton nautical miles. The revenue derived from dry bulk cargo transportation was Rmb1,392,920,000 representing an increase of 3 %. as compared with 2000, and the gross profit realised by the Group was Rmb216.32 million, increasing by Rmb55.91 million and 35 %. as compared with 2000.

3. Container transportation facing tremendous challenges

In 2001, China Shipping Container Lines Co. Ltd. ("CS Container Lines"), an associate of the Company, faced tremendous challenges. In 2001, the global shipping capacity of container vessels increased by 12.3 %., and the average freight rate dropped by over 20 %. as compared with 2000. China Export Container Complex Index dropped to 900 points at the year end from 1200 points at the beginning of 2001. Faced with such difficult market situation, the Group adopted a series of active measures to decrease the operating risk so as to ensure the continuous development of container transportation.

i. CS Container Lines decreased the vessels deployed in the European and American lines according to the market changes. The European line and the Mediterranean line were merged together in August 2001. In addition, CS Container Lines adjusted the ports of calling on the American line.