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

			Group		Company	
			2005	2004	**2005**	2004
	Effective interest rate (%)	Maturity	**Rmb'000**	Rmb'000 (Restated)	**Rmb'000**	Rmb'000
Current						
Finance lease payables (note 28)	3.25 - 6.12	2006	**62,416**	43,654	**37,131**	43,654
Bank loans - secured	5.184 - 6.12	2006	**233,225**	317,455	**228,225**	245,455
Bank loans - unsecured	5.184 - 5.508	2006	**-**	49,000	**-**	49,000
			295,641	410,109	**265,356**	338,109
Non-current						
Finance lease payables (note 28)	3.25 - 6.12	2007-2013	**93,661**	76,395	**27,848**	76,395
Bank loans - secured	5.184 - 6.12	2007-2014	**1,346,745**	1,482,967	**1,336,745**	1,462,967
Bank loans - unsecured	5.184 - 6.12	2007-2015	**-**	364,900	**-**	364,900
			1,440,406	1,924,262	**1,364,593**	1,904,262
			1,736,047	2,334,371	**1,629,949**	2,242,371

26. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES (continued)

	Group		Company	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
		(Restated)		
Analysed into:				
Bank loans :				
Within one year or on demand	**233,225**	366,455	**228,225**	294,455
In the second year	**233,225**	393,095	**228,225**	388,095
In the third to fifth years, inclusive	**619,675**	935,722	**614,675**	920,722
Beyond five years	**493,845**	519,050	**493,845**	519,050
	1,579,970	2,214,322	**1,564,970**	2,122,322
Finance lease payables:				
Within one year	**62,416**	43,654	**37,131**	43,654
In the second year	**39,556**	43,654	**27,848**	43,654
In the third to fifth years, inclusive	**26,690**	32,741	**-**	32,741
Beyond five years	**27,415**	-	**-**	-
	156,077	120,049	**64,979**	120,049
	1,736,047	2,334,371	**1,629,949**	2,242,371

26. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES (continued)

The Group's bank loans are secured by pledges on the Group's 19 vessels (2004: 39 vessels) with an aggregate net book value at 31 December 2005 of Rmb2,249,791,000 (2004: Rmb2,763,931,000).

Bank loans of Rmb627,495,000 were guaranteed by China Shipping as at 31 December 2004. Such guarantee was released during the year ended 31 December 2005.

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

27. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES, AND RELATED COMPANIES

The balances are unsecured, interest-free and have no fixed terms of repayments. The carrying amounts of these balance approximate to their fair values.

28. FINANCE LEASE PAYABLES

As at 31 December 2005, the Group had non-cancellable finance leases for the purchase of vessels. The terms of such leases are for 11 years while one of the Group's jointly-controlled entities had non-cancellable finance leases for 7 years and 7 months. All these terms commence from the respective dates of delivery of the vessels. The Group has the option to purchase the leased vessels at the end of the lease terms. At 31 December 2005, the total future minimum lease payments under finance leases and their present values were as follows:

28. FINANCE LEASE PAYABLES (continued)

Group

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Amounts payable				
Within one year	**67,369**	47,201	**62,416**	43,654
In the second year	**43,300**	45,782	**39,555**	43,654
In the third to fifth years, inclusive	**36,116**	33,450	**26,690**	32,741
After five years	**34,982**	-	**27,416**	-
Total minimum finance lease payments	**181,767**	126,433	**156,077**	120,049
Future finance charges	**(25,690)**	(6,384)		
Total net finance lease payables	**156,077**	120,049		
Portion classified as current liabilities - note 25	**(62,416)**	(43,654)		
Long term portion - note 26	**93,661**	76,395		

Company

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Amounts payable				
Within one year	**38,941**	47,201	**37,131**	43,654
In the second year	**28,451**	45,782	**27,848**	43,654
In the third to fifth years, inclusive	**-**	33,450	**-**	32,741
Total minimum finance lease payments	**67,392**	126,433	**64,979**	120,049
Future finance charges	**(2,413)**	(6,384)		
Total net finance lease payables	**64,979**	120,049		
Portion classified as current liabilities - note 25	**(37,131)**	(43,654)		
Long term portion- note 26	**27,848**	76,395		

29. DEFERRED TAX

Deferred tax assets

	Group		Company	
	Deductible tax depreciation		Deductible tax depreciation	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000 (Restated)	**Rmb'000**	Rmb'000
At 1 January	**20,860**	17,451	**14,319**	15,773
Deferred tax credited/(charged) to the income statement during the year(note 23)	**(65)**	3,409	**1,246**	(1,454)
Gross deferred tax assets at 31 December	**20,795**	20,860	**15,565**	14,319

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

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

30. ISSUED CAPITAL

	Group and Company			
	2005	**2005**	2004	2004
	Number of shares	**Rmb'000**	Number of shares	Rmb'000
Registered, issued and fully paid				
State-owned legal person shares/A shares of Rmb1.00 each	**1,578,500,000**	**1,578,500**	1,680,000,000	1,680,000
H shares of Rmb 1.00 each	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
List A shares of Rmb 1.00 each	**451,500,000**	**451,500**	350,000,000	350,000
	3,326,000,000	**3,326,000**	3,326,000	3,326,000

During 2005, the PRC government launched its Revised State Share Reform which aims to convert the state-owned shares of the listed A share companies to A shares. On 23 December 2005, the Company received approval from the Ministry of Commerce for its Revised State Share Reform proposal. According to the approval, a total of 101,500,000 state-owned shares were converted into listed A shares, which were then allotted to the existing A share holders on a 2.9 per 10 basis as consideration for agreeing to make all the state-owned shares marketable.

China Shipping made the following commitments in respect of the state-owned A shares:

i) they should not be listed or sold within a period of 12 months from 30 December 2005;

30. ISSUED CAPITAL (continued)

ii) they should not be sold on the stock exchange within a period of 36 months from 30 December 2005; and

iii) the selling price should not be lower than Rmb9.38 per share within a period of 24 months from the end of 2008.

31. RESERVES

Group

	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Exchange fluctuation reserve	Retained profits	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
At 1 January 2004	2,037,884	184,120	287,795	192,490	93,158	51	693,197	3,488,695	6,201	3,494,896
Net profit for the year	-	-	-	-	-	-	1,844,527	1,844,527	1,090	1,845,617
Transfers from/(to) reserves	-	-	195,846	192,980	-	-	(388,826)	-	-	-
Exchange realignment	-	-	-	-	-	(142)	-	(142)	-	(142)
Release on disposal of items of property, plant and equipment	-	(4,024)	-	-	-	-	4,024	-	-	-
Proposed final 2004 dividend - note 12	-	-	-	-	-	-	(498,900)	(498,900)	-	(498,900)
Capital injection by minority Interests for the year	-	-	-	-	-	-	-	-	5,000	5,000
At 31 December 2004 and beginning of year										
As previously reported	2,037,884	180,096	483,641	385,470	93,158	(91)	1,654,022	4,834,180	12,291	4,846,471
Adoption of a new accounting policy	-	-	-	-	-	-	1,386	1,386	-	1,386
As restated	2,037,884	180,096	483,641	385,470	93,158	(91)	1,655,408	4,835,566	12,291	4,847,857
Net profit for the year	-	-	-	-	-	-	2,691,200	2,691,200	2,678	2,693,878
Transfers from/(to) reserves	-	-	281,135	275,700	-	-	(556,835)	-	-	-
Exchange realignment	-	-	-	-	-	(4,045)	-	(4,045)	-	(4,045)
Release on disposal of items of property, plant and equipment	-	(3,117)	-	-	-	-	3,117	-	-	-
Proposed final 2005 dividend - note 12	-	-	-	-	-	-	(997,800)	(997,800)	-	(997,800)
Capital injection by minority Interests for the year	-	-	-	-	-	-	-	-	10,000	10,000
At 31 December 2005	2,037,884	176,979	764,776	661,170	93,158	(4,136)	2,795,090	6,524,921	24,969	6,549,890

31. RESERVES (continued)

	Company						
	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Retained profits	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1January 2004	2,037,884	180,956	283,229	190,071	93,158	674,600	3,459,898
Net profit for the year	-	-	-	-	-	1,718,442	1,718,442
Transfers from/(to) reserves	-	-	189,638	189,638	-	(379,276)	-
Release on disposal of property, plant and equipment	-	(4,024)	-	-	-	4,024	-
Proposed final 2004 dividend -note 12	-	-	-	-	-	(498,900)	(498,900)
At 31 December 2004 and beginning of year	2,037,884	176,932	472,867	379,709	93,158	1,518,890	4,679,440
Net profit for the year	-	-	-	-	-	2,477,262	2,477,262
Transfers from/(to) reserves	-	-	269,109	269,109	-	(538,218)	-
Release on disposal of property, plant and equipment	-	(3,117)	-	-	-	3,117	-
Proposed final 2005 dividend -note 12	-	-	-	-	-	(997,800)	(997,800)
At 31 December 2005	2,037,884	173,815	741,976	648,818	93,158	2,463,251	6,158,902

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 such reserve 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 the capitalisation is not less than 25% of the registered capital.

31. RESERVES(continued)

In accordance with the Company Law of the PRC, the Company is required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to its statutory public welfare fund (the “PWF”) which is a non-distributable reserve other than in the event of the liquidation of the Company. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain as property of the Company unless subsequently transferred or disposed of.

When the PWF is utilised, an amount equal to the lower of either the cost of the assets and the balance of the PWF is transferred from the PWF to the general surplus reserve. This reserve is non-distributable other than in liquidation. The original transfers from the PWF are reversed upon disposal of the relevant assets and satisfying other relevant requirements. During the year, there was no transfer from the PWF to the general surplus reserve (2004: Nil).

The directors have proposed to transfer Rmb269,109,000 (2004: Rmb189,638,000) to each of the SSR and the PWF, respectively. Each transfer represents 10% (2004: 10%) of the Company’s profit after tax of Rmb2,691, 090,000 (2004: Rmb1,896,378,000), determined in accordance with PRC GAAP. The transfers to the SSR and the PWF are 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 2005, before the proposed final dividend, the Company had a reserve of Rmb3,461,051,000 (2004: Rmb2,017,790,000) available for distribution as dividends.

31. RESERVES(continued)

In addition, in accordance with the Company Law of the PRC, an amount of approximately Rmb2,037,884,000 (2004: 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.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities

	2005	2004
	Rmb'000	Rmb'000 (Restated)
Profit before tax	3,146,517	2,154,291
Adjustments for		
Interest income	(24,508)	(9,603)
Depreciation	922,049	778,523
Amortisation of deferred staff expenditure	12,784	12,785
Amortisation of negative goodwill	-	(198)
Provision/(write-back of provision) for bad debts	1,075	(2,032)
Gain on disposal of property, plant and equipment	(107,529)	(35,315)
Write-off of construction in progress	8,545	10,200
Operating profit before working capital changes	3,958,933	2,908,651
(Increase)/decrease in trade and bills receivables	(74,400)	79,288
Increase in bunker oil inventories	(120,449)	(26,133)
Decrease in prepayments	1,321	60
Increase in deposits and other debtors	(1,062)	(16,859)
Decrease in amounts due from fellow subsidiaries	108,653	35,206
Decrease in amounts due from jointly-controlled entities	-	1,825
Increase in trade payables	50,174	37,465
Increase in accruals	32,091	24,349
Increase in other liabilities	23,999	16,615
Increase/(decrease) in amounts due to fellow subsidiaries	18,295	(27,972)
Cash generated from operations	3,997,555	3,032,495
Interest paid	135,593	106,012
Income tax paid	(455,606)	(287,319)
Net cash inflow from operating activities	3,677,542	2,851,188

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Major non-cash transactions

The Group incurred payables of Rmb134,611,000 (2004: Rmb189,971,000) to shipyards for vessels under construction as at 31 December 2005.

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with total a capital value at the inception of the leases of Rmb100,985,000 (2004:Nil).

33. PENSION SCHEME

The Group is required to contribute to a pension scheme (the "Scheme") for the eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing and future retiring employees is limited to its annual contributions equivalent to 22.5% (2004: 22.5%) of the basic salaries of the Group's employees, after certain adjustments on individual employees' salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2005 amounted to Rmb78,612,000 (2004:Rmb64,935,000).

34. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are included in note 26 to the financial statements.

35. CONTINGENT LIABILITIES

(i) In September 2004, the Company was sued by three Korean banks, claiming WON11,974,643,000 (equivalent to Rmb81,689,000) in compensation for their losses arising from the letters of credit issued in connection with a shipment of crude oil by the Company from the PRC to Korea. The Company has made provision as at 31 December 2005 for the estimated loss from this claim taking into consideration the proceeds of WON5,150,000,000 (equivalent to approximately Rmb40,000,000) from the disposal of the relevant oil in March 2005, which could be used to offset part of the loss.

(ii) In March 2005, one of the Company's cargo vessels "Hualing" collided with a vessel of a German company. In June 2005, the Company was sued by the German company, claiming US$10 million (equivalent to approximately Rmb83 million) in compensation for the losses arising from the accident. The Company has made provision as at 31 December 2005 for the estimated loss from the claim taking into consideration the amount that could be compensated by the insurance company.

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 one to twelve years.

36. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor *(continued)*

As at 31 December 2005, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Within one year	**75,283**	71,856	**43,647**	39,412
In the second to fifth years, inclusive	**78,875**	145,538	**47,239**	80,649
After five years	**-**	1,890	**-**	1,890
	154,158	219,284	**90,886**	121,951

In addition, the Group's share of the jointly-controlled entities' total future minimum lease rental receivables under non-cancellable operating leases is as follows:

	2005	2004
	Rmb'000	Rmb'000
Within one year	**-**	810

36. OPERATING LEASE ARRANGEMENTS
(continued)

(b) As lessee *(continued)*

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 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Within one year	**221,680**	139,269	**188,999**	205,665
In the second to fifth years, inclusive	**120,909**	185,981	**89,273**	185,981
	342,589	325,250	**278,272**	391,646

36. OPERATING LEASE ARRANGEMENTS
(continued)

(b) As lessee *(continued)*

In addition, the Group's share of the jointly-controlled entities' total future minimum lease payments under non-cancellable operating leases is as follows:

	2005	2004
	Rmb'000	Rmb'000
Within one year	**56,165**	55,759
In the second to fifth years, inclusive	**23,754**	78,647
	79,919	134,406

The Company entered into several bare-boat charter party agreements with its jointly-controlled entities, whereby the Company has agreed to lease from/to its jointly-controlled entities. The charter commitment for these vessels is as follows:

	2005	2004
	Rmb'000	Rmb'000
As lessor:		
Within one year	**5,000**	453
In the second to fifth years, inclusive	**4,875**	-
As lessee:		
Within one year	**9,875**	453
	-	4,240

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Contracted, but not provided for:				
Construction of vessels	**1,881,664**	4,306,768	**1,724,618**	3,892,370
Renovation of vessels	**-**	37,454	**-**	37,454
	1,881,664	4,344,222	**1,724,618**	3,929,824
Authorised, but not contracted for:				
Renovation of vessels	**31,200**	37,000	**31,200**	37,000
Capital contributions payable to jointly-controlled entities	**70,000**	-	**70,000**	-
	1,982,864	4,381,222	**1,825,818**	3,966,824

In addition, the Group's share of the jointly-controlled entities' capital commitments at the balance sheet date is as follows:

	2005	2004
	Rmb'000	Rmb'000
Contracted, but not provided for:		
Construction of vessels	**189,246**	-
Purchase of vessels	**67,991**	-
Renovation of vessels	**15,365**	-
	272,602	-

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 2005 in accordance with accounting principles generally accepted in the PRC ("PRC GAAP"). The major differences between the financial statements prepared under PRC GAAP and those under HK GAAP are as follows:

	2005	2004
	Rmb'000	Rmb'000
Net profit for the year attributable to equity holders of the parent under HK GAAP	**2,691,200**	1,844,527
Adjustments for depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	**23,023**	47,547
Net profit for the year attributable to equity holders of the parent under PRC GAAP	**2,714,223**	1,892,074
Equity attributable to equity holders of the parent under HK GAAP	**10,848,721**	8,659,080
Adjustments for revaluation surplus, depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	**(137,497)**	(134,783)
Equity attributable to equity holders of the parent under PRC GAAP	**10,711,224**	8,524,297

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances 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 2005, which are also considered by the directors as connected transactions, are set out below:

(1) A Services Agreement dated 3 April 2001 between the Company and China Shipping became effective subsequent to an approval by the independent shareholders at an extraordinary general meeting held on 22 May 2001. Pursuant to the Services Agreement and a supplementary agreement entered into on 8 January 2004, China Shipping (or its subsidiaries and 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 Services Agreement is effective for a period of 10 years. The service fees under the Services Agreement should be determined (after arm's length negotiations) with reference to, depending on applicability and availability, State-fixed price, market price or cost.

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 2005 are set out below:

39. RELATED PARTY TRANSACTIONS
(continued)

	Pricing basis	**2005** **Total value** **Rmb'000**	2004 Total value Rmb'000
Dry-docking and repairs	State-fixed prices or market prices	**343,325**	340,560
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	**1,332,408**	907,948
Whitewashing and water treatment for vessels	State-fixed prices or market prices	**11,436**	10,748
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	**23,740**	15,251
Hiring of sea crew	Market prices	**200,132**	161,859
Accommodation, lodging and transportation for employees	Market prices	**5,949**	6,275
Medical services (for existing employees)	State-fixed prices	**1,596**	2,593
Miscellaneous management services	Market prices	**41,789**	38,960
Agency commissions	Market prices	**64,866**	28,878
Service fees on sale and purchase of vessels, accessories and other equipment	Market prices	**3,530**	927

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.

39. RELATED PARTY TRANSACTIONS
(continued)

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

		2005	2004
		Rmb'000	Rmb'000
Vessel chartering charges paid	(a)	**97,041**	86,804
Agency commissions paid		**880**	910
Vessel chartering income received	(b)	**(96,609)**	(71,488)
Sale of vessels	(c)	**(123,463)**	(88,847)
Vessel management fees	(d)	**(11,282)**	(11,282)

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 has 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 2005 was Rmb56,927,000.

- a time charter party agreement on 22 December 2004 with one of its fellow subsidiaries, namely Shanghai Shipping Industrial Co., Ltd., whereby the Company has 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 2005 was Rmb28,464,000.

- a bare-boat charter party agreement with one of its jointly-controlled entities, namely Zhuhai New Century Marine Co., Ltd. ("New Century"), whereby the Company has agreed to lease from this company a vessel for a term of one year commencing 1 January 2005. The charter payment for this vessel for the year ended 31 December 2005 was Rmb3,650,000.*

- a time charter party agreement with one of its fellow subsidiaries, namely Zhuhai Shipping Enterprise Co., Ltd., in the prior year, whereby the Company has agreed to lease from this fellow subsidiary a vessel for a term commencing 1 January 2002 and ending on the scrap date of the vessel. The charter payment for this vessel for the year ended 31 December 2005 was Rmb8,000,000.

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

- 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 one of their fellow subsidiaries, namely China Shipping Container Lines Co., Ltd. ("CSC"), whereby the Company and China Shipping Hong Kong have agreed to lease to this fellow subsidiary four and five vessels for a term of three years commencing 1 January 2005. The chartering income for these vessels for the year ended 31 December 2005 was Rmb65,689,000.

- various bare-boat charter party agreements in 1998 with one of its fellow subsidiaries, namely 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, for a total consideration of Rmb2,520,000 for the year ended 31 December 2005.

- a time charter party agreement with one of its jointly-controlled entities, namely Shanghai Times Shipping Co., Ltd. ("Times Shipping"), whereby Times Shipping has agreed to lease from the Company a vessel for a term of one year commencing 1 January 2005. Times Shipping has agreed to engage the Company's voyage charter service in the year. The charter income for this vessel for the year ended 31 December 2005 was Rmb15,316,000.*

- two bare-boat charter party agreements with one of its jointly-controlled entities, namely Shanghai Friendship Marine Co., Ltd. ("Friendship"), whereby Friendship has agreed to lease from the Company two vessels for a term of two months and two years commencing 1 January 2005 and 21 December 2005, respectively. The charter income for these vessels for the year ended 31 December 2005 was Rmb620,000. *

- one bare-boat charter party agreement in year 2002 with one of its fellow subsidiaries, namely Shanghai Puhai Marine Co., Ltd., whereby the Company has agreed to lease to this fellow subsidiary one vessel for a term commencing 1 January 2002 and ending on the scrap date of the vessel. The chartering income for this vessel for the year ended 31 December 2005 was Rmb1,200,000.

- some voyage charter party agreements with New Century, whereby New Century has agreed to engage the Company voyage charter services in year 2005. The charter income for these voyage charter services for the year ended 31 December 2005 was Rmb11,264,000.*

(c) The Company and one of its fellow subsidiaries, namely Yuzhou Ship Dismantling Company Limited, entered into two sale and purchase agreements on 27 June 2005 and on 29 July 2005, respectively, whereby the Company has agreed to sell and the fellow subsidiary has agreed to purchase two oil tankers, and thereafter to dismantle them for scrap metal. The consideration for the sale of these vessels was Rmb29,285,000 as determined based on the market price of scrap metal.

In addition, the Company and one of its fellow subsidiaries, namely China Shipping Industry Company Limited ("CS Industry"), entered into two sale and purchase agreements on 22 December 2004, whereby the Company has agreed to sell and CS Industry has agreed to purchase two oil tankers, and thereafter to dismantle them for scrap metal. The consideration for the sale of these vessels was Rmb81,971,000 as determined based on the market price of scrap metal. The vessels were delivered in January 2005.

Furthermore, the Company and one of its fellow subsidiaries, namely Digang Dili Material Recovery Company ("Dili Recovery Company"), entered into a sale and purchase agreement on 9 September 2005, whereby the Company has agreed to sell and Dili Recovery Company has agreed to purchase an oil tanker, and thereafter to dismantle it for scrap metal. The consideration for the sale of this vessel was Rmb12,207,000 as determined based on the market price of scrap metal.

(d) On 27 May 1998, the Company entered into two cargo vessel management agreements with Dalian Shipping (Group) Company ("Dalian Shipping") and Guangzhou Maritime Transport (Group) Company Limited ("Guangzhou Maritime") for the management of their 15 and 57 cargo vessels (the "Cargo Vessels"), respectively. Each of the cargo vessel management agreements contains an option exercisable by the Company at any time prior to the expiration thereof to acquire any of the Cargo Vessels, and under which the Company has a right of first refusal in respect of any proposed sale of the Cargo Vessels. In the event that Dalian Shipping or Guangzhou Maritime ceases to own any of the Cargo Vessels, the management fees shall be reduced accordingly by the percentage represented by the tonnage of the vessels disposed of to the total tonnage of the Cargo Vessels.

On 22 June 2005, the Company entered into two supplementary agreements with Guangzhou Maritime and Dalian Shipping, respectively. According to these agreements, Guangzhou Maritime should pay the Company Rmb9,199,000 (2004: Rmb9,199,000) for the management of its cargo vessels during the year ended 31 December 2005, while Dalian Shipping should pay Rmb2,083,000 (2004: Rmb2,083,000) for similar services in the same year.

(e) Pursuant to two bare-boat charter party agreements both dated 20 October 1994, Shanghai Shipping (Group) Company ("Shanghai Shipping", formally the Company's holding company and now a fellow subsidiary) agreed to charter two vessels to the Company from their respective dates of delivery to the Company until full repayment of the principal and interest of the related loans borrowed by Shanghai Shipping to purchase the vessels and under which, on due completion of the charters, the vessels will become the Company's property. The vessels were delivered to the Company on 1 January 1996. The principal amounts to be paid each year until 2007 total approximately DM7.6 million. With the currency reform in Europe starting from 1 January 2002, the principal amounts re-denominated to Euro amount to approximately EURO3.9 million.

(f) Pursuant to the share transfer agreement entered into between the Company and China Shipping on 9 September 2002, the Company transferred its 25% equity interest in CSC to China Shipping for a consideration of Rmb1. The Company is entitled to an option to buy back from China Shipping all or part of the interest in CSC disposed of on terms and at considerations to be agreed between the two parties ("the Option"). It was resolved in a board meeting of the Company on 8 January 2004 that the Company will not exercise the option within three years from the date when CSC was converted into a joint stock limited company, which was on 3 March 2004.

(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 20, 21, 23 and 24 to the financial statements.

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

	2005	2004
	Rmb'000	Rmb'000
Fees	180	150
Other emoluments:		
Salaries, allowances and benefits in kind	3,570	5,443
Pension scheme contributions	96	144
	3,846	5,737

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

Except for the vessel chartering transactions with jointly-controlled entities of the Group, namely New Century, Times Shipping and Friendship, as disclosed with asterisks in paragraphs (2) (a) and (b) above, the above related party transactions 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.

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.

Cash flow interest rate risk

Since the Group's bank loans and finance leases all bear fixed interest rates, the Group's exposure to the risk of changes in market interest rate is considered low.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 39.7% (2004: 37.2%) of the Group's revenue is denominated in currencies other than the functional currency of the operating units earning the revenue, whilst almost 77.9% (2004: 81.2%) of costs are denominated in the unit's functional currency.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

41. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2006.