

Notes to condensed consolidated financial statements (continued)

6.26 Revenue

| Item | 2006.1-6 | 2005.1-6 |
|----------------|--------------------------------|-------------------------|
| Coal shipment | 1,627,416,420.34 | 1,585,051,521.09 |
| Oil shipment | 2,620,129,547.19 | 2,244,448,767.66 |
| Other shipment | 451,319,136.02 | 466,215,559.13 |
| Total | <u>4,698,865,103.55</u> | <u>4,295,715,847.88</u> |

The revenue from top five main clients is 978.49 million, 20.82% of total income during this period.

6.27 Sales tax and surtax

| Item | 2006.1-6 | 2005.1-6 |
|---------------------------|-----------------------------|----------------------|
| Sales tax | 87,930,795.93 | 83,921,328.87 |
| Tax of city construction | 6,079,971.97 | 5,816,940.02 |
| Education affixation | 2,637,923.88 | 2,517,639.86 |
| Maintenance for river way | 812,166.68 | 784,397.01 |
| Total | <u>97,460,858.46</u> | <u>93,040,305.76</u> |

6.28 Other operating income

| Item | 2006.1-6 | | | 2005.1-6 | | |
|--------------------|-----------------------------|-----------------------------|-----------------------------|----------------------|----------------------|----------------------|
| | Income | Cost | Profit | Income | Cost | Profit |
| Lease of vessels | 36,185,236.65 | 22,752,053.96 | 13,433,182.69 | 37,243,842.58 | 21,878,765.75 | 15,365,076.83 |
| Manage for vessels | 6,447,996.00 | 448,515.36 | 5,999,480.64 | 7,661,316.00 | 5,524,865.16 | 2,136,450.84 |
| Sales of Coals | 27,534,414.41 | 27,206,248.75 | 328,165.66 | 37,008,984.56 | 36,621,613.93 | 387,370.63 |
| Others | 320,192.18 | 211,556.26 | 108,635.92 | 2,119,058.15 | 1,162,203.48 | 956,854.67 |
| Total | <u>70,487,839.24</u> | <u>50,618,374.33</u> | <u>19,869,464.91</u> | <u>84,033,201.29</u> | <u>65,187,448.32</u> | <u>18,845,752.97</u> |

6.29 Finance expense

| Item | 2006.1-6 | 2005.1-6 |
|------------------------|-----------------------------|----------------------|
| Interest expense | 51,980,722.65 | 65,789,127.00 |
| Less: Interest income | 13,033,962.62 | 10,100,522.28 |
| Exchange gain and loss | 10,436,449.17 | -12,204,226.05 |
| Other | 1,844,856.81 | 1,525,691.70 |
| Total | <u>51,228,066.01</u> | <u>45,010,070.37</u> |

Notes to condensed consolidated financial statements

(continued)

6.30 Investment income

| Item | 2006.1-6 | 2005.1-6 |
|---|---------------------|---------------------|
| Equity investment difference amortization | 57,482.50 | 57,482.50 |
| Dividends income | - | 1,763,250.10 |
| Investment income of stocks | 1,451,053.72 | - |
| Total | <u>1,508,536.22</u> | <u>1,820,732.60</u> |

6.31 Subsidy Income

| Item | 2006.1-6 | 2005.1-6 |
|-----------------------|---------------------|---------------------|
| Government Subsidiary | <u>1,171,000.00</u> | <u>2,090,300.00</u> |

6.32 Non-operating income

| Item | 2006.1-6 | 2005.1-6 |
|-----------------------|----------------------|----------------------|
| Sales of vessels | 52,817,849.46 | 80,505,580.23 |
| Sales of other assets | 1,747.00 | - |
| Other | 637,750.80 | 1,600.00 |
| Total | <u>53,457,347.26</u> | <u>80,507,180.23</u> |

6.33 Non-operating expense

| Item | 2006.1-6 | 2005.1-6 |
|-----------------------|-------------------|---------------------|
| Sales of other assets | 126,591.12 | 6,003.68 |
| Penalty expense | 68,740.00 | 3,079,058.69 |
| Other | 65,278.31 | 3,375.00 |
| Total | <u>260,609.43</u> | <u>3,088,437.37</u> |

6.34 Nonrecurring Gain or Loss

| Item | 2006.1-6 | 2005.1-6 |
|--|----------------------|----------------------|
| Gains on disposal of fixed assets/(losses) | 52,693,005.34 | 80,499,576.55 |
| Government subsidiary | 1,171,000.00 | 2,090,300.00 |
| Other | 503,732.49 | -3,080,833.69 |
| Short-term investment income | 1,451,053.72 | - |
| Total | <u>55,818,791.55</u> | <u>79,509,042.86</u> |

Notes to condensed consolidated financial statements (continued)

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

| Item | Beginning Balance | | Addition | | Decrease | | Ending Balance | |
|-----------------------------|-------------------|-----------|----------------|--------------|------------------|-----------|----------------|--|
| | Amt. | Provision | Amt. | Amt. | Amt. | Provision | | |
| Long-term equity investment | 865,411,542.96 | - | 152,329,469.51 | 5,250,000.00 | 1,012,491,012.47 | - | | |
| Total | 865,411,542.96 | - | 152,329,469.51 | 5,250,000.00 | 1,012,491,012.47 | - | | |

(1) Long-term equity investment

a. Stock investment

| Investee enterprise | Nature of stock | Stock Quantity | % of investee's registered capital | Amount of investment |
|---------------------------|-----------------|----------------|------------------------------------|----------------------|
| Shanghai Yuanshui Company | Non-trading | 101,200 | < 5% | 364,200.00 |

b. Other equity investment

| Investee | Term of investment | Ownership % | Cost of investment | Beginning balance | Addition of investment | Profit/loss of current period | Dividends distribution | Accumulated profit/loss | Ending balance |
|---|--------------------|-------------|--------------------|-------------------|------------------------|-------------------------------|------------------------|-------------------------|------------------|
| Shanghai Bao'jiang Shipping Co., Ltd. | Long-term | 10% | 4,000,000.00 | 4,000,000.00 | - | - | - | - | 4,000,000.00 |
| Zhu'hai New Century Shipping Co., Ltd. | Long-term | 50% | 145,000,000.00 | 100,842,309.10 | 70,000,000.00 | 2,450,601.39 | 5,250,000.00 | 23,042,910.49 | 168,042,910.49 |
| China Shipping Development (Hong Kong) Marine Co., Ltd. | Long-term | 100% | 4,140,000.00 | 245,480,927.68 | - | 48,823,858.19 | - | 290,164,785.87 | 294,304,785.87 |
| Hai'nan Hai'xiang Investment Co., Ltd. | Long-term | 95% | 380,018,350.00 | 474,410,300.64 | - | 30,333,058.54 | - | 121,725,009.18 | 504,743,359.18 |
| Equity investment difference | | - | -1,149,650.00 | -689,790.00 | - | 57,482.50 | - | 517,342.50 | -632,307.50 |
| Shanghai Friendship Shipping Co., Ltd. | Long-term | 50% | 25,000,000.00 | 41,003,595.54 | - | 664,468.89 | - | 16,668,064.43 | 41,668,064.43 |
| Total | | | 560,008,700.00 | 865,047,342.96 | 70,000,000.00 | 82,329,469.51 | 5,250,000.00 | 452,118,112.47 | 1,012,126,812.47 |

On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang Investment Co., Ltd. (old name Hai'nan Hai'xiang Shipping Industry Co., Ltd.) from Shanghai Shipping (Group) Company paying RMB 49,368,700.00. At the end of 31 December 2001, the equity of Hai'nan Hai'xiang Shipping Industry Co., Ltd. was RMB 53,177,210.53; so the short-fall of the equity investment difference was RMB 1,149,650.00 and the amortization period was 10 years.

Notes to condensed consolidated financial statements (continued)

7. Brief notes to financial statements of holding company (Continued)

7.2 Fixed Assets and Accumulated depreciation

| (1)Costs | Beginning Balance | Additions | Disposals | Ending Balance |
|----------------------------|--------------------------|-----------------------|-----------------------|--------------------------|
| Buildings | 2,156,021.80 | - | - | 2,156,021.80 |
| Vessels | 15,494,252,965.07 | 507,539,008.42 | 104,576,561.20 | 15,897,215,412.29 |
| Vehicles | 13,210,723.86 | 1,621,960.96 | 830,959.00 | 14,001,725.82 |
| Other equipment | 47,626,629.25 | 2,063,705.52 | 754,542.44 | 48,935,792.33 |
| Total | 15,557,246,339.98 | 511,224,674.90 | 106,162,062.64 | 15,962,308,952.24 |
| (2)Depreciation: | Beginning Balance | Additions | Disposals | Ending Balance |
| Buildings | 435,354.00 | 34,284.00 | - | 469,638.00 |
| Vessels | 6,584,393,827.22 | 408,776,025.99 | 100,393,498.75 | 6,892,776,354.46 |
| Vehicles | 7,070,022.94 | 504,638.70 | 717,538.50 | 6,857,123.14 |
| Other equipment | 37,604,913.44 | 3,210,285.99 | 602,538.82 | 40,212,660.61 |
| Total | 6,629,504,117.60 | 412,525,234.68 | 101,713,576.07 | 6,940,315,776.21 |
| (3)Provision: | 936,268.00 | - | - | 936,268.00 |
| (4)leasehold improvements: | 39,235,411.50 | - | 4,310,028.00 | 34,925,383.50 |
| (5)Net value | 8,966,041,365.88 | | | 9,055,982,291.53 |

There were 12 vessels which the net value of these vessels was RMB 1,410.76 million mortgaged to get the bank loan RMB 869.77 million.

7.2.1 Leasehold improvements

| Item | Cost of Fixed Assets | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|----------------------|-----------|---------------------|----------------------|
| Special painting of "Da Qing 88" | 13,669,240.00 | 10,582,637.39 | - | 2,645,682.00 | 7,936,955.39 |
| Special painting of "Sun River" ballast tank | 9,933,024.61 | 9,767,474.11 | - | 331,266.00 | 9,436,208.11 |
| Special painting of "Song L in Wan" | 26,661,600.00 | 18,885,300.00 | - | 1,333,080.00 | 17,552,220.00 |
| Total | 50,263,864.61 | 39,235,411.50 | - | 4,310,028.00 | 34,925,383.50 |

7.3 Revenue

| Item | 2006.1-6 | 2005.1-6 |
|----------------|-------------------------|-------------------------|
| Coal shipment | 1,358,483,548.67 | 1,364,995,282.06 |
| Oil shipment | 2,620,129,547.19 | 2,244,301,221.24 |
| Other shipment | 375,945,864.29 | 352,965,231.66 |
| Total | 4,354,558,960.15 | 3,962,261,734.96 |

The revenue from top five main clients is 955.22 million, 21.93% of total revenue during this period.

Notes to condensed consolidated financial statements (continued)

7.4 Investment Income

| Item | 2006.1-6 | 2005.1-6 |
|---|----------------------|----------------|
| Profits and loss of consolidation | 82,271,987.01 | 148,112,336.70 |
| Dividends income | - | 1,763,250.10 |
| Investment income of stocks | 1,451,053.72 | - |
| Equity investment difference amortization | 57,482.50 | 57,482.50 |
| Total | 83,780,523.23 | 149,933,069.30 |

8. The Difference between Chinese Accounting Standards and HK GAAP

(Unit: RMB '000)

| | 2006.1-6 | 2005.1-6 |
|---|-------------------|------------|
| Net profit under Chinese Accounting Standards | 1,298,617 | 1,607,557 |
| The difference between Chinese Accounting Standards and HK GAAP | -4,876 | -3,008 |
| Including: Difference of depreciation of vessels | 2,471 | - |
| Difference of deferred income from related companies | 1,399 | 2,623 |
| Difference of house funding | -6,287 | -6,287 |
| Deferred tax adjustment | -1,245 | -1,004 |
| Others | -1,214 | 1,660 |
| Net profit under HK GAAP | 1,293,741 | 1,604,549 |
| Owners' equity under Chinese Accounting Standards | 11,009,480 | 10,711,224 |
| 2006.1-6 house funding amortizing | 55,955 | 62,242 |
| Derivative Financial Instruments | 20,237 | - |
| Adjustments for revaluation surplus, exchange gain or loss, depreciation, income of vessels sales and others | 36,077 | 75,255 |
| Owners' equity under HK GAAP | 11,121,749 | 10,848,721 |

The international audit report of the company as at Jun 30,2006 was prepared by Ernst & Young.

9. Related Party Transactions and Outstanding Balances

9.1 The related parties that the Group control

| Name of related party | Registered address | Business Scope | Relationship | Economic type | Corporate delegate |
|--|------------------------------------|---|--------------------|---------------|--------------------|
| China Shipping (Group) Company | 700 Dong'da'ming Road, Shanghai | Cargo shipment along sea, ocean, domestic transportation for goods | Holding company | State owned | Li Shaode |
| Hai'nan Hai'xiang Investment Co., Ltd. | Haikou China | Project investment and management | subsidiary company | State owned | Wang Kunhe |
| China Shipping Development (Hong Kong) Marine Co., Ltd. | Hongkong China | Cargo shipment | subsidiary company | State owned | Wu Zhongxiao |

Notes to condensed consolidated financial statements

(continued)

9. Related Party Transactions and Outstanding Balances (Continued)

9.2 The change in registered capital of the related parties that the Group controls (unit: RMB '000)

| Name of related party | Beginning balance | Addition | Decrease | Ending balance |
|---|-------------------|----------|----------|------------------|
| China Shipping (Group) Company | 6,620,227 | - | - | 6,620,227 |
| Hai'nan Hai'xiang Investment Co., Ltd. | 40,100 | - | - | 40,100 |
| China Shipping Development (Hong Kong) Marine Co., Ltd. | 4,140 | - | - | 4,140 |
| | <u>6,664,467</u> | <u>0</u> | <u>0</u> | <u>6,664,467</u> |

9.3 The change in ownership of the Holding Company

(unit: RMB '000)

| Name of related party | Beginning balance | | Addition | | Decrease | | Ending balance | |
|---|-------------------|--------------|----------|----------|----------|----------|------------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| China Shipping (Group) Company | 1,578,500 | 47.46 | - | - | - | - | 1,578,500 | 47.46 |
| Hai'nan Hai'xiang Investment Co., Ltd. | 380,950 | 95.00 | - | - | - | - | 380,950 | 95.00 |
| China Shipping Development (Hong Kong) Marine Co., Ltd. | 4,140 | 100.00 | - | - | - | - | 4,140 | 100.00 |
| | <u>1,963,590</u> | <u>80.81</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,963,590</u> | <u>80.81</u> |

9.4 The nature of the related parties that the Group has no control

| Name of related party | Relationship |
|---|---|
| China Shipping Container Lines Co., Ltd. | be controlled by the same holding company |
| China Shipping Industry Co., Ltd. | be controlled by the same holding company |
| China Shipping Agency Co., Ltd. | be controlled by the same holding company |
| China Shipping International Trading Co., Ltd. | be controlled by the same holding company |
| China Shipping & Sinopec Suppliers Co., Ltd. | be controlled by the same holding company |
| Shanghai Shipping (Group) Company | be controlled by the same holding company |
| Guangzhou Maritime (Group) Co., Ltd. | be controlled by the same holding company |
| Da'lian Shipping (Group) Co., Ltd. | be controlled by the same holding company |
| China Shipping Tele-communication Co., Ltd. | be controlled by the same holding company |
| China Shipping (Hong Kong) Holding Co., Ltd. | be controlled by the same holding company |
| China Shipping International Shipping Management Co., Ltd | be controlled by the same holding company |
| JADE QUEEN NAVIGATION INC. | be controlled by the same holding company |
| SUPER DRAGON LTD. | be controlled by the same holding company |
| China Shipping Hai'sheng Co., Ltd. | be controlled by the same holding company |

Notes to condensed consolidated financial statements (continued)

9. Related Party Transactions and Outstanding Balances (Continued)

9.5 Related party transactions

The detailed information of related party transaction

(1) Lease of vessels

| Name of related party | Pricing basis | 2006.1-6 | 2005.1-6 |
|--|---------------|---------------|----------|
| China Shipping Container Lines Co., Ltd. | Market prices | 33,748 | 34,813 |

(2) Management for vessel

In June 2004, the Company signed a supplementary agreement of vessels management with Guangzhou Maritime (Group) Company and Da'lian Shipping (Group) Company for the management 31 cargo vessels of Guangzhou Maritime and 7 vessels of Da'lian Shipping:

| Name of related party | Pricing basis | 2006.1-6 | 2005.1-6 |
|--------------------------------------|------------------|--------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | Agreement prices | 4,599 | 4,599 |
| Da'lian Shipping (Group) Co., Ltd. | Agreement prices | 1,041 | 1,041 |

A services Agreement dated 3rd April 2001 between the Company and China Shipping (Group) Company became effective subsequent to an approval by the independent shareholder at an extraordinary general meeting held on 22nd May 2001. 8th Jan 2004, the company signed the supplement agreement. The agreement became effective after approved by the first general meeting in 2004. Pursuant to the Services Agreement China Shipping (or its subsidiaries) will provide to the Company the necessary supporting shipping materials and services for the on-going operations of dry-docking and repairs services, lubricating oil, fresh water supplies, raw material, bunker oil, as well as other services. The Services Agreement is effective for a period of ten years. According the agreement, whether the payment based on market price, state-fixed price or cost depends on the feasibility and applicability of the service.

- (a) 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

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--|---------------|----------------|---------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | Market price | 1,373 | 0.10% | 1,384 |
| Shanghai Shipping (Group) Company | Market price | 2,395 | 0.18% | 2,049 |
| China Shipping Industry Co., Ltd. | Market price | 170 | 0.01% | 45 |
| China Shipping & Sinopec Suppliers Co., Ltd. | Market price | 811,614 | 60.26% | 558,810 |
| China Shipping International Trading Co., Ltd. | Market price | 7 | 0.00% | 1,321 |

Notes to condensed consolidated financial statements

(continued)

9. Related Party Transactions and Outstanding Balances (Continued)

(b) Whitewashing and oily water treatment for vessels:

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|---|--|-----------------|------------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | State-fixed prices or market prices | 805 | 5.63% | 284 |
| Shanghai Shipping (Group) Company | State-fixed prices or market prices | 4,056 | 28.34% | 3,693 |
| China Shipping & Sinopec Suppliers Co., LTD. | State-fixed prices or market prices | 261 | 1.82% | 270 |

(c) Installation, repairs and maintenance of telecommunication and navigational services:

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--|--------------------|-----------------|------------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | State-fixed prices | 2,529 | 15.34% | 3,283 |
| Shanghai Shipping (Group) Company | State-fixed prices | 825 | 5.01% | 1,286 |
| China Shipping Tele-communication Co., Ltd. | State-fixed prices | 6,678 | 40.50% | 7,206 |
| China Shipping Industry Co., Ltd. | State-fixed prices | - | - | 50 |
| China Shipping International Shipping Management Co., Ltd | State-fixed prices | - | - | 21 |

(d) Dry-docking and repairs:

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--|--|-----------------|------------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd | State-fixed prices or market prices | 9,620 | 4.77% | 10,750 |
| Shanghai Shipping (Group) Company | State-fixed prices or market prices | 7,559 | 3.75% | 13,475 |
| China Shipping Tele-communication Co., Ltd. | State-fixed prices or market prices | 4,252 | 2.11% | 3,823 |
| China Shipping Industry Co., Ltd. | State-fixed prices or market prices | 92,919 | 46.11% | 131,487 |
| China Shipping & Sinopec Suppliers Co., LTD. | State-fixed prices or market prices | 16,661 | 8.27% | 16,679 |
| China Shipping International Trading Co., Ltd. | State-fixed prices or market prices | 403 | 0.20% | 588 |
| China Shipping Agency Co., Ltd. | State-fixed prices or market prices | - | - | 6 |
| China Shipping International Shipping Management Co., Ltd | State-fixed prices or market prices | 348 | 0.17% | - |

(e) Hiring of sea crew

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the | 2005.1-6 |
|--|---------------|-----------------|-------------------|----------|
| China Shipping International Shipping Management Co., Ltd | Market price | 101,595 | 88.82% | 96,694 |

Notes to condensed consolidated financial statements

(continued)

9. Related Party Transactions and Outstanding Balances (Continued)

(f) Accommodation, lodging and transportation for employees

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--------------------------------------|---------------|------------|---------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | Market price | 393 | 7.39% | 216 |
| Shanghai Shipping (Group) Company | Market price | 21 | 0.40% | 2,750 |

(g) Medical services (for existing employees)

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--------------------------------------|--------------------|------------|---------------------------------|----------|
| Shanghai Shipping (Group) Company | State-fixed prices | 548 | 10.72% | 509 |
| Guangzhou Maritime (Group) Co., Ltd. | State-fixed prices | 103 | 2.01% | 86 |

(h) Miscellaneous management services

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--|---------------|--------------|---------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | Market price | 9,987 | 15.50% | 13,051 |
| China Shipping (Group) Company | Market price | 1 | - | - |
| Shanghai Shipping (Group) Company | Market price | 4,743 | 7.36% | 2,439 |
| China Shipping & Sinopec Suppliers Co., LTD. | Market price | 173 | 0.27% | 179 |
| China Shipping Tele-communication Co., Ltd. | Market price | 992 | 1.54% | 1,185 |
| China Shipping (Hong Kong) Marine Co., Ltd. | Market price | 1,114 | 1.73% | 890 |
| China Shipping International Shipping Management Co., Ltd. | Market price | 7,358 | 11.42% | 393 |

(i) Agency commissions

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|-----------------------------------|---------------|---------------|---------------------------------|----------|
| Shanghai Shipping (Group) Company | Market price | 87 | 0.19% | 86 |
| China Shipping Agency Co., Ltd. | Market price | 32,726 | 70.05% | 32,319 |
| JADE QUEEN NAVIGATION INC. | Market price | 92 | 0.20% | 66 |
| SUPER DRAGON LTD. | Market price | 340 | 0.73% | 339 |

(j) Service fee for the purchase or sale of vessels, components or other equipment

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|--|---------------|--------------|---------------------------------|----------|
| China Shipping International Trading Co., Ltd. | Market price | 1,640 | 100.00% | - |

(3) Vessel chartering charges paid

| Name of related party | Pricing basis | 2006.1-6 | Proportion of the same business | 2005.1-6 |
|---|---------------|---------------|---------------------------------|----------|
| Guangzhou Maritime (Group) Co., Ltd. | Market price | 11,403 | 8.76% | 4,100 |
| Shanghai Shipping (Group) Company | Market price | 13,921 | 10.69% | 14,237 |
| China Shipping (Hong Kong) Marine Co., Ltd. | Market price | 27,753 | 21.32% | 28,475 |
| Zhu'hai New Century Shipping Co., Ltd. | Market price | - | - | 1,810 |
| Da'lian Shipping (Group) Co., Ltd. | Market price | 20,600 | 15.82% | 27,389 |

Notes to condensed consolidated financial statements (continued)

9. Related Party Transactions and Outstanding Balances (Continued)

(4) Vessel disposal

| Name of related party | Pricing basis | 2006.1-6 | 2005.1-6 |
|-----------------------------------|---------------|---------------|----------|
| China Shipping Industry Co., Ltd. | Market price | 10,245 | 97,896 |
| Shanghai Shipping (Group) Company | Market price | 15,388 | - |

9.6 The outstanding balances of related party (RMB '000)

| Item | Amount | | proportion | |
|---|----------------|------------|---------------|------------|
| | 2006.06.30 | 2005.12.31 | 2006.06.30 | 2005.12.31 |
| Accounts receivables: | | | | |
| China Shipping Container Lines Co., Ltd. | 2,940 | - | 0.80% | - |
| Guangzhou Maritime (Group) Co., Ltd. | 4,599 | - | 1.26% | - |
| Da'lian Shipping (Group) Co., Ltd. | 1,041 | - | 0.28% | - |
| Other receivables: | | | | |
| Da'lian Shipping (Group) Co., Ltd. | 131 | - | 0.21% | - |
| Guangzhou Maritime (Group) Co., Ltd. | 562 | 82 | 0.90% | 0.19% |
| China Shipping Agency Co., Ltd. | 18 | - | 0.03% | - |
| China Shipping International Trading Co., Ltd. | - | - | - | - |
| China Shipping International Shipping Management Co., Ltd | - | 119 | - | 0.28% |
| Prepayments: | | | | |
| China Shipping Agency Co., Ltd. | 9,108 | 7,660 | 4.67% | 5.94% |
| China Shipping & Sinopec Suppliers Co., Ltd. | - | 1,249 | - | 0.97% |
| JADE QUEEN NAVIGATION INC. | 24,042 | 25,937 | 12.33% | 20.13% |
| SUPER DRAGON LTD. | 118,347 | 71,533 | 60.70% | 55.52% |
| Shanghai Shipping (Group) Company | - | 200 | - | 0.16% |
| China Shipping Tele-communication Co., Ltd. | - | 500 | - | 0.39% |
| China Shipping Industry Co., Ltd. | 630 | 330 | 0.32% | 0.26% |
| China Shipping International Shipping Management Co., Ltd | 21,827 | 5,402 | 11.20% | 4.19% |
| China Shipping (Hong Kong) Marine Co., Ltd. | 4,753 | 4,753 | 2.44% | 3.69% |
| China Shipping International Trading Co., Ltd. | 249 | - | 0.13% | - |

Notes to condensed consolidated financial statements (continued)

9.6 The outstanding balances of related party (RMB '000)

| Item | Amount | | proportion | |
|---|---------------|------------|---------------|------------|
| | 2006.06.30 | 2005.12.31 | 2006.06.30 | 2005.12.31 |
| Accounts Payable: | | | | |
| China Shipping Industry Co., Ltd. | - | 2,209 | - | 1.01% |
| China Shipping & Sinopec Suppliers Co., Ltd. | 45,723 | 5,400 | 13.26% | 2.47% |
| China Shipping Agency Co., Ltd. | 341 | 356 | 0.10% | 0.16% |
| Shanghai Shipping (Group) Company | - | 553 | - | 0.25% |
| China Shipping International Shipping Management Co., Ltd | 150 | 319 | 0.04% | 0.15% |
| Other Payable: | | | | |
| China Shipping (Group) Company | 206 | - | 0.12% | - |
| China Shipping International Trading Co., Ltd. | 320 | - | 0.18% | - |
| Guangzhou Maritime (Group) Co., Ltd. | 1,872 | - | 1.07% | - |
| Da'lian Shipping (Group) Co., Ltd. | 2,326 | - | 1.33% | - |
| China Shipping International Shipping Management Co., Ltd | 12,530 | 9,019 | 7.18% | 3.37% |
| China Shipping (Hong Kong) Marine Co., Ltd. | - | 7,893 | - | 2.95% |
| SUPER DRAGON LTD. | 1,814 | - | 1.04% | - |

10. Guaranty

There is no guaranty should be disclosed for in the financial statements.

11. Commitment

11.1 The Company signed the contract with Guangzhou Shipyard International Co., Ltd in Mar. 2006 and planned to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel valued USD 37.00 million and USD 38.50 million, and the estimated total cost will be USD 75.50 million which will be paid by 5 installments. As of Jun 30, 2006 the company had paid USD 15.10 million. The remaining would be paid by installments of starting, building on shipway, entering the water and completion. The construction was planned to complete at the end of 2008.

11.2 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd in May, 2004 and planned to start the construction of oil vessel (298000T). Pursuant to the contract, the vessel valued USD 98.80 million which would be paid by 5 installments. As of Jun 30, 2006 the company had paid USD 39.52 million. The remaining would be paid by installments of building on shipway, entering the water and completion. The construction was planned to complete at the end of 2007.

11.3 The China Shipping Development (Hong Kong) Marine Co., Ltd., the subsidiary company, signed the contract with Guangzhou Shipyard International Co., Ltd. in Mar. 2006, and planned to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel valued USD 36.50 million, and the estimated total costs would be USD 73.00 million, which will be paid by 5 installments. As of Jun 30, 2006 the company had paid USD 14.60 million. The remaining would be paid by installments of starting, building on shipway, entering the water and completion. The construction was planned to complete before the end of 2009.

Notes to condensed consolidated financial statements

(continued)

- 11.4 The China Shipping Development (Hong Kong) Marine Co., Ltd., the subsidiary company, signed the contract with Dalian Shipyard Heavy Industry Co., Ltd. in Mar. 2006, and planned to start the constructions of 4 oil vessels (298000T). Pursuant to the contract, 2 vessels valued USD 104.49 million each and the other 2 vessels valued 99.89 million each, and the estimated total costs would be USD 408.76 million, which will be paid by 5 installments. As of Jun 30, 2006 the company had paid USD 81.75 million for these vessels. The remaining would be paid by installments of starting, building on shipway, entering the water and completion. The construction was planned to complete before the end of 2009.
- 11.5 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. in Dec 2004, and planned to start the constructions of 4 oil vessels (52500T). Pursuant to the contract, each vessel valued USD 35.80 million, and the estimated total costs would be USD 143.20 million, which will be paid by 5 installments. As of Jun 30, 2006, the company had paid USD 17.90 million for these vessels. The remaining would be paid by installments of starting, building on shipway, entering the water and completion. The construction was planned to complete in 2008.
- 11.6 Shanghai Timing shipping Co., Ltd, the subsidiary signed the contract with Jiangnan Shipyard Co., Ltd in Apr. 2005 and planned the constructions of 2 vessels (76000T). Pursuant to the contract, each vessel valued USD 33.50 million and the estimated total cost would be USD 67.00 million which would be paid by 7 installments. As of Jun 30 2006, the company had paid USD 26.80 million. The remaining would be paid by installments of building on shipway, entering the water and completion. The construction was planned to complete at the end of 2007.
- 11.7 Shanghai Timing shipping Co., Ltd, the subsidiary signed the contract with Chengxi Shipyard Co., Ltd in Mar. 2006 and planned the constructions of 4 vessels (53000T). Pursuant to the contract, each vessel valued USD 29.50 million and the estimated total cost would be USD 118.00 million which would be paid by 6 installments. As of Jun 30 2006, the company had paid USD 11.80 million. The remaining would be paid by installments of starting, building on shipway, entering the water and completion. The construction was planned to complete by the May of 2010.

12. Post balance sheet events

There is no other post balance sheet events should be disclosed up to the report dates.

13. Contingent liability

- 13.1 In December 2003, the Company signed two vessel rent agreements, as owner, with Korea HURON Company, as renter. According to the agreement, HURON rent “Dinhe” and “Daqin74” based on the number of voyages or flights. HERON rent the tankers for transfer 2 tankers of oil to Qunshan harbor in Korea. These oils were for 4 bills of lading. Korea Exchange Bank(“KEB”), Kookmin Bank(“Kookmin”), Woori Bank(“Woori”), National Federation of Fishery Cooperatives(“NFFC”) discharged letters of credit for the above transactions (Including oil 67.8 thousand tons, valued USD 12.7 million which is the amount of letters of credit).

When “Dinhe” and “Daqin74” arrived Qunshan Harbor, the Company released the above mentioned container(s)/cargo based on the request authorized by HURON. HURON paid the rental expenses. But did not surrender the original bills of lading, which is promised to retrocede in time. In January 2004, HURON applied to the court in Korea for asset restructuring. In May 2004, HURON was brought to account for bankruptcy, which processing caused three banks, NFFC, Woori and Kookmin, to sue the company for the total amount of the above mentioned cargo based on the original bills of lading. The sum they sued for was 11,974,643,009(WON) and the related interest. According to the application from the Company, Bank of China provided Guarantee to the above 3 banks.

Notes to condensed consolidated financial statements

(continued)

In September 2004, the Company applied to the court of Korea for the injunction to forbid treatment of the 64.1 thousands oil and obtained the injunction successfully.

On 2nd December 2004 the Company reached an agreement with the above four banks to withdraw the forbidden injunction.

The Company has made provision as at 31 December 2005 for the estimated loss from this claim taking into consideration of the proceeds of WON5, 150,000,000 (equivalent to Rmb40,000,000) from the disposal of the relevant oil of 64,100 tons in March 2005 which could be used to offset part of the loss.

Up to 22nd June 2006, this case between the company and the three banks (NFFC, Woori and Kookmin) was still in processing.

- 13.2 On March 8th, 2005, "Hualin", the vessel what is affiliated with the company, collided with "MSC CHRISTINA", certified in Germany, in the middle Huanghai and sank after ruptured. In April 2005, the insurer for the hull and accident of "MSC CHRISTINA" provided the company guaranty, USD 19 million. On Jun 14th 2005, the attorney for the owner of "MSC CHRISTINA" sued the Company to claim for compensation of USD 10 million.

Depend on the attorney's opinion, the Company has made relevant 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.

Up to 22nd June 2006, the case still had no further processing.

14. Non-monetary transaction

No material non-monetary transaction that required to be disclosed in the financial statement up to the report dates.

15. Debt restructuring

No material debt restructuring that required to be disclosed in the financial statement up to the report dates.

Notes to condensed consolidated financial statements

(continued)

Supplementary information

(1) ROE and EPS

| | Rate of returns per share | | Earning per share | |
|--|---------------------------|---------|-------------------|---------|
| | Fully diluted | Average | Fully diluted | Average |
| Gross profit | 14.53% | 14.08% | 0.4809 | 0.4809 |
| Operating profit | 13.24% | 12.83% | 0.4384 | 0.4384 |
| Net profit | 11.80% | 11.43% | 0.3904 | 0.3904 |
| Net profit after deducting abnormal items | 11.36% | 11.01% | 0.3762 | 0.3762 |

(2) Provision and impairment of assets

| Item | Beginning balance | | Addition | | Write-off | | Closing balance | |
|--|-------------------|-----------------|---------------|-----------------|---------------|-----------------|-----------------|-----------------|
| | Consolidation | Holding company | Consolidation | Holding company | Consolidation | Holding company | Consolidation | Holding company |
| 1. Bad debts provision | 24,714,456.18 | 24,061,854.97 | 4,377,819.05 | 3,529,857.14 | - | - | 29,092,275.23 | 27,591,712.11 |
| Including: Accounts receivables | 24,287,101.71 | 23,760,766.21 | 4,083,382.41 | 3,162,335.14 | - | - | 28,370,484.12 | 26,923,101.35 |
| Other receivables | 427,354.47 | 301,088.76 | 294,436.64 | 367,522.00 | - | - | 721,791.11 | 668,610.76 |
| 2. Impairment of short-term investment | - | - | - | - | - | - | - | - |
| Including: Stock investment | - | - | - | - | - | - | - | - |
| Debt investment | - | - | - | - | - | - | - | - |
| 3. Provision of inventory | - | - | - | - | - | - | - | - |
| Including: Finished goods | - | - | - | - | - | - | - | - |
| Raw materials | - | - | - | - | - | - | - | - |
| 4. Impairment of long-term investment | - | - | - | - | - | - | - | - |
| Including: Long-term stock investment | - | - | - | - | - | - | - | - |
| Long-term debt investment | - | - | - | - | - | - | - | - |
| 5. Impairment of fixed assets | 936,268.00 | 936,268.00 | - | - | - | - | 936,268.00 | 936,268.00 |
| Including: Buildings | - | - | - | - | - | - | - | - |
| Machinery | - | - | - | - | - | - | - | - |
| 6. Impairment of intangible assets | - | - | - | - | - | - | - | - |
| Including: Patent | - | - | - | - | - | - | - | - |
| Land-use right | - | - | - | - | - | - | - | - |
| 7. Impairment of CIP | - | - | - | - | - | - | - | - |
| 8. | - | - | - | - | - | - | - | - |

Notes to condensed consolidated financial statements

(continued)

- (3) Analysis for the subjects changed over 30% of the consolidated financial statements ,or accounted more than 5% of total assets as at 2006.6.30 or 10% of total profit for 2006.1-6:

| | 2006.06.30 | 2005.12.31 | Variation | | proportion of total assets |
|------------------------------|--------------------------|-------------------|------------------|----------|-------------------------------|
| | | | Amount | Rate | |
| Cash and banks (1) | 445,073,850.71 | 1,177,926,740.95 | -732,852,890.24 | -62.22% | 3.04% |
| Accounts receivable(2) | 337,088,096.35 | 202,472,064.96 | 134,616,031.39 | 66.49% | 2.30% |
| Other receivable (3) | 71,457,319.56 | 42,308,093.42 | 29,149,226.14 | 68.90% | 0.49% |
| Prepayments (4) | 194,968,270.23 | 128,853,057.34 | 66,115,212.89 | 51.31% | 1.33% |
| Fixed assets (5) | 19,883,437,416.48 | 18,312,250,875.24 | 1,571,186,541.24 | 8.58% | 135.95% |
| Depreciation (6) | 8,206,915,033.63 | 7,814,284,893.53 | 392,630,140.10 | 5.02% | 56.11% |
| Construction in progress (7) | 1,532,120,734.26 | 865,762,167.19 | 666,358,567.07 | 76.97% | 10.48% |
| Short-term loans (8) | 1,036,919,566.21 | - | 1,036,919,566.21 | 100.00% | 7.09% |
| Accounts payable (9) | 344,923,751.73 | 218,260,349.54 | 126,663,402.19 | 58.03% | 2.36% |
| Accrued Expense (10) | 45,365,958.51 | 3,417,079.73 | 41,948,878.78 | 1227.62% | 0.31% |
| Long-term loans (11) | 1,321,026,295.25 | 1,346,745,000.00 | -25,718,704.75 | -1.91% | 9.03% |
| Long term payable (12) | 78,462,004.09 | 118,946,301.52 | -40,484,297.43 | -34.04% | 0.54% |

Subjects in income statements

| | 2006.1-6 | 2005.1-6 | Variation | Rate | proportion of profit |
|----------------------------|-------------------------|------------------|----------------|---------|-------------------------|
| | | | | | |
| Cost (14) | 3,001,932,046.74 | 2,275,831,169.74 | 726,100,877.00 | 31.90% | 198.29% |
| Subsidy (15) | 1,171,000.00 | 2,090,300.00 | -919,300.00 | -43.98% | 0.08% |
| Non-operating income (16) | 53,457,347.26 | 80,507,180.23 | -27,049,832.97 | -33.60% | 3.53% |
| Non-operating expense (17) | 260,609.43 | 3,088,437.37 | -2,827,827.94 | -91.56% | 0.02% |
| Income tax (18) | 213,734,827.71 | 261,920,657.34 | -48,185,829.63 | -18.40% | 14.12% |

Notes to condensed consolidated financial statements

(continued)

- (1) Since the Company paid dividend RMB 997,800,000.00 and vessels expenses of RMB 2,391million, the closing balance of this subject decreased 62.22% compared with last year.
- (2) The closing balance of account receivable leaped from RMB202,472,064.96 to RMB337,088,096.35 compared with last year, which was caused by the increasing of sale and the company policy according to which it was often asked to strengthen the collectable control for the client at the end of the year.
- (3) The balance of other receivable sharply increased 68.90% compared with last year because the amount of accident compensation was more that last year.
- (4) The balance of prepayment increased 51.31% compared with last year because the company often strengthened the collectable control for the agent at the end of the year.
- (5) Four oil tankers were put into use which caused the original cost of fixed assets increased RMB 1,571.19 million.
- (6) Since the addition of the original cost of the fixed assets, the depreciation expense during this period rose 392.63 million compared with the related amount of last year.
- (7) The addition of the construction in process, RMB 666.36 million, was due to the 4 oil tanker construction and 6 cargo construction which were started during this period.
- (8) The balance of short-term loan increased 1,036.92 million compared with the related amount in 2005. The addition of short-term loan was mainly caused by the lack of fluid working funds.
- (9) The account payable increased RMB 126.66 million due to the rising of the unit price of oil and port fee.
- (10) The company accrued fix expenses and fuel & material expense with fixed amount monthly based on the annul plan and adjusted these expenses to the actual amount at the end of the year. The company planned to fix the vessels in the second half year, which caused the increasing of 41.95 million of accrued expenses compared with the related amount in 2005.

Notes to condensed consolidated financial statements (continued)

- (11) The Company returned the long term loan partly which caused the balance decreased 25.72 million compared with last year.
- (12) According to the payment schedule of non-currency payable, part of the non-currency payable would be paid in 2007. Such amount was recorded as long-term liabilities due within 1 year in stead of non-currency payable. So the closing balance of this account decreased 40.48 million compared with the related amount in 2005.
- (13) Due to the rising of freight price of oil as well as the increasing shipping capacity , the revenue improved by 9.39% compared with the relevant amount of the same period in 2005.
- (14) The cost of the Company increased 31.90% compared with the corresponding period in 2005 due to the rising of oil price and the port charge.
- (15) Since the subsidy was often received at the end of the year, the amount of subsidy decreased 0.92 million compared with the related amount during 2005.
- (16) Non-operating income decreased RMB 27.05 million due to the less disposed of vessels than that of 2005.
- (17) Since there was penalty of contract in 2005, non-operating expense decreased RMB 2.83 million at the end of 2006 compared with the same period of last year.
- (18) The decrease of profit during the current period by 19.09% caused the income tax to decrease 18.40% appropriately.