1. Corporate Information

China Shipping Development Company Limited (the Group) was reformed from Shanghai Shipping (Group) Company in May 1994 and the former name of the Group was Shanghai Haixing Shipping Company Limited. The Group was listed on the Hong Kong Stock Exchange in Nov. 1994. In 1997, Shanghai Shipping (Group) Company transferred its ownership of Shanghai Haixing Shipping Company Limited to China Shipping (Group) Company, thus Shanghai Haixing Shipping Company Limited was renamed China Shipping Development Company Limited. The registered address is No.168, Yuanshen Road, Shanghai. At the end of June 1998, the Group issued RMB 496 million new shares to its shareholders. In May 2002, the Group issued RMB 350 million A shares to Chinese mainland investors and the paid-in capital was increased to RMB 3,326 million, including state-owned stock is RMB1,680 million, H share is RMB 1,296 million, A share is RMB 3,500 million.

The State Share Reform Proposal of China Shipping Development Company Limited was adopted by the relevant shareholder's meeting for the state share reform on 8 December 2005.Based on the consideration proposal for the state share reform, China Shipping (Group) Company ("CSC"), the sole shareholder of non-tradable shares of the Company, will offer 2.9 shares to each A shareholder for every 10 A tradable shares. CSC offers 101,500,000 shares in total to the holders of tradable A shares in the Company. The date of listing for consideration shares was 30 December 2005. After the consideration shares implemented, the shares number of CSC decreased to 1,578,500,000 from 1,680,000,000 and percentage of registered capital decreased to 47.46% from 50.51%.

The business scope involves oil and cargo shipment (along the sea, ocean, the Chang'jiang River), ship leasing and service of cargo agency.

2. Accounting policies、estimates and previous mistakes

1. Declaration of observation of Accounting Standard for Business Enterprises

Our financial statements are in accordance with the requirements of Accounting Standard for Business Enterprises, a true and fair reflection of the enterprise's financial statements, results of operations and cash flow.

2. Major Accounting Policy and Estimation

2.1 Accounting policies
The financial statements are prepared in accordance with Accounting Standard for Business Enterprises, which is issued by Ministry of Finance in Feb.2006, and No.7th Q&A on information disclosure of listed company' financial statement preparation and disclosure during transferring period of previous and present accounting standard, which is issued by China Security Regulatory Commission on Feb 15th, 2007, on the basis of sustained operation assumption, actual transaction and following major accounting policies and estimates.

2.2 Accounting period
The accounting period is calendar year, ie. from January to December.

2.3 Function currency
The function currency is RMB.

2.4 Accounting principles and basis of valuation

The financial statements are on accrued accounting basis. When listing essential accounting factors in financial statements, the basis of valuation includes but not limited to historical cost, replacement cost, net realizable value, present value, fair value. In case of adopting replacement cost, net realizable value, present value, fair value, we guarantee the assured value of accounting factors are obtainable and measured reliably.

2.5 Foreign currency transactions

Foreign currency transactions during the accounting period are translated into RMB at the sight exchange rates for the occurred date.

The monetary assets and non-monetary assets denominated in foreign exchange at the balance sheet date shall be settled in following methods.

(1) Monetary assets denominated in foreign exchange are to translated into RMB at the sight exchange rates for the balance sheet date. Foreign exchange gain or loss occurred due to the difference between sight exchange rates at the balance sheet date and transaction date or the previous balance sheet date is to calculated into gain or loss of current period.

(2) Non-Monetary assets calculated in historical cost are translated into RMB at the sight exchange rate of the transaction date, without changing RMB amount.

(3) Non-Monetary assets calculated in fair value are translated into RMB at the sight exchange rate of the date ascertaining fair value. The differences between translated RMB and initial RMB are calculated into gains or loss of current period as the fluctuation of fair value.

2.6 Cash Equivalents

All investments featured by short-term, strong liquidity, easily converting into cash of pre-determined amount and low fluctuation risk are considered to be cash equivalents, including the short-term debt investment whose maturity date is within 3 months.

2.7 Classification, Confirming and Calculation of Financial Assets

Financial assets are classified into following four sorts at initial recognition.

(1) Financial Assets based on fair value and fluctuation calculated into gain or loss of current period. Mainly refer to stocks, bonds, funds holding for sell in short term or derivative tools that are not for hedging, including financial assets for transaction or recognized in fair value and its fluctuation calculated in gains or losses of current period. Such financial assets use fair value at obtained date as initial value and transaction fees are calculated into gains or losses of current period. The cash dividends or bonds interests declared but not yet paid, which are included in the buying price, are recognized as accounts receivable separately. Interests and cash dividends obtained in holding period are recognized as investing earnings. Financial assets hereof are recognized in fair value at balance sheet date and its fluctuations are calculated into gains and losses of current period. The difference between fair value and book value are recognized as investment earnings at deposit date and at the same time adjust the fluctuation of gains or losses of fair value.

(2) Investments holding till maturity. Mainly refer to government bonds with fixed interest rate and corporation bonds with floating interest rates. Such financial assets use fair value at obtained date and transaction fees as initial value. The cash dividends or bonds interests declared but not yet paid, which are included in the buying price, are recognized as accounts receivable separately. Interests income within holding period are calculated according to amortized costs and actual interest and recognized as investment earnings. The difference between amount withdraw and book value are recognized as investment earnings at deposit date.

(3) Accounts receivable. Mainly refer to the accounts receivable caused by selling goods and providing service. Accounts receivable are initially recognized according to the price specified in contracts or agreements.

(4) Available-for-sale financial assets. Mainly refer to financial assets, investments holding to maturity, loans accounts receivable that are not classified to be recognized in fair value and whose fluctuation are not calculated into gains and losses of current period. Such financial assets use fair value at obtained date and transaction fees as initial value. The cash dividends or bonds interests declared but not yet paid, which are included in the buying price, are recognized as accounts receivable separately. Interests income within holding period are calculated as investment earnings. Financial assets for sell are recognized by fair value at balance sheet date and fluctuation of fair value is calculated as capital reserve. The difference between amount withdraw and book value are recognized as investment earnings at deposit date. At the same time, the accumulated fair value fluctuation of the deposed assets, which is calculated as owner's equity, is to transferred to investment earnings. Our methods to specify the fair value of financial tools include

   (1) Financial assets or liabilities with active markets are recognized in accordance with the quotation in active markets.

   (2) Financial tools without active markets are recognized by evaluation.

2.8 Impairment of financial assets

The company is following evidence that the financial assets of the loss occurred, retaining Impairment.

(1) Issue or the debtor serious financial difficulties;

(2) The debtor violated the terms of the contract, such as the payment of interest or principal event of default or late;

(3) Creditors for economic or legal aspects of the consideration of financial difficulty of the debtor to make concessions;

(4) The debtor may collapse or other financial restructuring;

(5) Issue has arisen because of significant financial difficulties, the financial assets can not continue in active trading market;

(6) Unable to identify a group of financial assets of an asset if the cash flow has been reduced, but according to the information released its overall assessment found that the group of financial assets has been confirmed since the initial estimated future cash flows have been reduced but indeed measurable;

(7) The debtor's business where technology, market, economic or legal environment, major adverse changes so that the interests of investors tools may not be able to recover the cost of the investment;

(8) Investment tools interests of a fair value or temporary serious decline;

(9) Other financial assets occurred showed diminution of objective evidence.

The company balance sheet date were different categories of financial assets taken different approaches to impairment testing, and retained the format :

(1) Transaction financial assets in the balance sheet date to reflect the fair value, fair value changes included in the current profit and loss;

(2) Receivables : The company balance sheet date of receivables (including receivables and other receivables) Impairment tests, retaining bad. For single significant amount of accounts receivable, should write a separate test, objective evidence that the incidence of impairment, it should be based on its future cash flow is less than its book value of the difference between the value recognized impairment losses, retaining bad. For individual non-significant amount of receivables and separate tests by the loss of not a single significant amount of accounts receivable, according to a similar credit risk characteristics divided into a number of combinations and then receivables portfolio at the balance sheet date certain proportion of the balance calculated impairment losses, retaining bad.

The company and the association between the amount receivable generally not retaining bad, but if there were conclusive evidence that the related party debt units have been withdrawn, bankruptcy, debt, a serious shortage of cash flow, and is not prepared to receivables for debt restructuring or other means to recover the use of individual Recognition Act, are expected to be recovered debts, retaining the corresponding bad, which is expected to total uncollectible receivables related to the payment may also retaining all bad.

The end of the receivables (including accounts receivable and other receivables), aging analysis and the debt unit's actual financial position and cash flow of receivables identified as recoverable amount, a reasonable estimate of bad and the date of borrowing. In addition to the confidence that they can fully recover receivables not retaining bad, there is evidence that the recovery has been difficult to increase receivables until the full retaining bad, and the details of rate of provision are as follows:

Aging	Rates
< 1 Year	3%
1- Years	10%
2-3 Years	25%
> 3 Years	50%

The provision of other receivables is calculated on 1% of the ending balances.

(3) Held to maturity investments : the balance sheet date, the holding company for investment due to some objective evidence that the incidence of impairment, in accordance with its book value with the estimated future cash flows are calculated value of the difference between recognized impairment losses. Holders due to the loss of investment Impairment Measurement those receivables Impairment loss measurement provisions.

(4) Available for sale financial assets : the balance sheet date, the company can be sold to diminution in the value of financial assets of analysis and judgment, analysis and judgment that the fair value of financial assets if continued to drop. Under normal circumstances, if the financial assets to be sold, the fair value occurred significantly decreased, or the overall consideration of all relevant factors, the expected downward trend as non-temporary, which can be found for sale financial assets impairment has occurred, it should be recognized impairment losses. Available for sale financial assets of the loss occurred in impairment losses recognized, included in the original direct ownership interest in the fair value of the aggregate losses transfer together, include impairment losses.

2.9 Financial assets transferred recognizing and measuring and accounting approach

(1) Of the company in the ownership of financial assets has almost all the risks and rewards to turn right side at the end of this financial assets confirmation.

In the overall transfer financial assets to meet the conditions for termination of recognition of the difference between the following two current gains and losses included :

① By transfer of financial assets at book value;

② Received by the transfer of the price charged directly with the original owners of the rights of fair value changes in the amount and the total.

The company's financial assets transferred to meet the conditions of termination of recognition, which would transfer financial assets of the overall book value, the termination identified some and not part of the termination confirmed, in line with their relative fair value assessments, the following will be the difference between the two amounts included in current profit and loss :

① Termination identified some of the book value;

② Termination identified some of the right price and the original owners are charged directly to the interests of the cumulative change in fair value for the corresponding part of the termination of confirmed and amounts.

(2) the transfer of financial assets to terminate recognition criteria is not met, and continue to recognize the financial assets, it has received confirmation of the right price for a financial liabilities.

As regards the continued involvement means the transfer of financial assets, enterprises should continue involvement with the transfer of financial assets by the extent to confirm a financial assets, while recognizing a financial liabilities.

2.10 The financial liabilities of the classification, identification and measurement

The company's financial liabilities in the initial confirmation divided into the following two categories :

(1) The fair value measurement which included changes in its current profit and loss of financial liabilities, including liabilities of financial transactions and designated as a fair value measurement which included changes in its current profit and loss of financial liabilities; Such financial liabilities initial confirmation to the fair value measurement, transaction costs directly related to the current period included gains and losses , the balance sheet date fair value changes to the date of borrowing.

(2) Other financial liabilities.

2.11 Inventories

(1) Inventory classification : the company stock is trading enterprises in the process held, or in the trading process will be the consumption of materials, fuels, and other materials, including inventory and shipping deposit fuel, materials, enrichment materials, packaging materials, spare parts, etc. Low Consumable Goods.

(2) Acquire and the method of valuation : the company's inventory at cost for the initial measurement, issued by the weighted average pricing method.

(3) Low Consumable Goods and packaging the amortization method : Low Consumable Goods and packaging in the recipients at a amortization;

(4) the balance sheet date, the company on the basis of cost and net realizable value expensive or measurement, inventory costs higher than its net realizable value, retaining stock drop preparations included current profit and loss. The net realizable value method : Keeping the fuel of the net realizable value to practical use is expected to be realized when the amount determined.

(5) the stock inventory system : the company used perpetual inventory system.

2.12 Investment property

The company's investment property is defined as earning rent or capital appreciation or both and possession of the property. Including :

(1) The land use right;

(2) The holder of value-added and prepared after the transfer of land use rights;

(3) rental buildings.

The company's investment property cost model used measurement.

The company's investment property to reduce costs and the cumulative net loss of residual value after the straight-line method, according to the estimated useful life of depreciation calculation, the date of borrowing.

The company balance sheet date by the investment property to recover the costs and the amount of expensive or valuation, less than the amount of recoverable costs, according to the difference between retaining devaluation.

2.13 Fixed assets

The company's fixed assets is defined as the production of goods and services, lease or management of life held more than one fiscal year tangible assets. Major buildings, including housing, transport ships and other business-related equipment, appliances and tools. The company's fixed assets at the same time meet the following conditions, only to be confirmed.

(1) Of the fixed assets and the economic benefits may flow to the enterprise;

(2) The cost of the fixed assets can be reliably measured.

Fixed assets of the repair costs, fixed assets to meet the recognition criteria included cost of fixed assets; Failure to meet the conditions of fixed assets identified in the case are charged directly to the current cost.

Apart from the book continues to depreciation of fixed assets and the use of separate accounting of the land valuation, the company's fixed assets on a straight-line depreciation method retaining, without taking into account the devaluation of the situation, the fixed assets category, the estimated economic life of the net and projected residual value (based on the projected transport ship disposal Scrap determine the price, other equipment residuals rate of 4%), respectively, to determine depreciation lives are as follows :

Asset Item	Depreciation life
Buildings	30 years
Vessels	17-22 years
Vehicles	5-10 years
Other equipments	5 years

Second-hand ship at year end by determining the depreciation period.

The company in each fiscal year ended, the life of fixed assets, the projected net residual value and depreciation method for a review. Life with the original estimate of the difference between, life adjustment of fixed assets; The projected net residuals with the original estimate of the difference between, adjusting the projected net residuals.

The company's rental income in essence, the transfer of fixed assets and the assets of the full risk of remuneration to confirm it when the lease for fixed assets financing lease.

The corporate finance lease, the cost of fixed assets, by leasing the start of the lease with the fair value of the minimum lease payments current value, whichever is lower determined.

The corporate finance lease with the use of fixed assets owned assets accrued depreciation consistent depreciation policy. To determine a reasonable lease expiry of the lease will be made of ownership of the leased asset acceptable life of retaining depreciation; Unable to determine a reasonable lease expiry of the lease to obtain ownership of the lease period and leasing assets at year end, whichever is the shorter period Provision for depreciation.

2.14 Construction in progress

The company's major construction projects refers to the building of ships, the construction of housing and equipment to be installed.

The company works in the installation or construction is scheduled to be completed using state of the construction works to fixed assets. As construction has reached the intended use of the state, but has not yet completed accounts for the fixed assets should be recognized in accordance with the estimated value of the fixed assets and retaining depreciation; Pending completion of the accounts handled by the procedures, according to the actual cost adjustments are estimated value of the original, but do not require adjustments to the original has been retaining the depreciation .

2.15 Intangible assets

The company's intangible asset of the company is owned or controlled by the physical form of no identifiable non-monetary assets, including : patents, generic technology, trademark, copyright, land use rights (including the original fixed assets in construction engineering from the land), concessions, etc. .

According to the company's intangible assets or the acquisition cost can be attributed to the development phase of intangible assets can be reliably measured on the expenditure for the initial measurement of intangible assets. For a limited useful life of intangible assets of the company in the judgment made at its life and the next life during the system within a reasonable amortization, amortization benefit by the amount included in the project-related costs, accounting costs. The smaller the amount of development, research expenditures, can be an amortization method.

The company's internal research and development projects and research stage development phase of the criteria for the classification of expenditures :

(1) The company will further develop activities for the information and relevant aspects of the preparatory activities as a research stage, the research phase of intangible assets in the event of expenditures at the date of borrowing;

(2) the company has completed the study phase of the work carried out later in the development activities as a development stage, the stage of development expenditures to be capitalized.

2.16 Impairment of Assets

When the existence of the following signs that the asset impairment may occur.

(1) the market value of current assets fell sharply, the decline was significantly higher than that because of the passage of time or normal use is expected to decline.

(2) business to the economic, technical or legal environment and the assets in the market in which current or recently undergone major changes, so as to adversely affect business.

(3) market interest rates or other market rate of return on investment has been increased in the current period, thereby affecting corporate assets used to calculate expected future cash flows of the present value discount rate, leading to the amount of assets recovered substantially reduced.

(4) there is evidence that assets had become obsolete or have physical damage.

(5) assets have been or will be idle, or termination of the use of advance disposal.

(6) internal report of the evidence that the economic performance of the assets has been below or well below expectations, such as : assets created by the net cash flow or operating profits realized (or losses), far below the expected amount.

(7) Other assets shows may have occurred signs of impairment.

The company balance sheet date for assets of judgment, when there is signs of impairment at the time of its gain or loss on disposal. Impairment in the amount of assets at book value is less than the amount of recoverable.

2.17 Assets determined on the basis of the group
Group assets of enterprises can be sure that the minimum portfolio, the cash flow should be essentially independent from other assets or groups of assets. Assets Group should create cash flow from the assets.

2.18 Long-term equity investment
(1) The initial measurement
The company specializes in the following two circumstances for long-term equity investment for the initial measures.

① Merged to form a long-term equity investment, in accordance with the following provisions of its initial investment costs :

A) under the control of the same corporate merger, the merging parties to pay cash, the transfer of non-cash assets or debt as a means of the merger on the price of the merger was made in accordance with the side combined book value of the owner's equity share of the equity investment as a long-term investment in the initial cost. Long-term equity investment initial investment costs and the cash payment, transfer of the non-cash assets and the assumption of debt by book value to the difference between the adjusted capital surplus; Less than used to offset capital surplus, adjusted retained earnings.

B) The merging parties to interest securities issued as merger on the price of the merger was made in accordance with the side combined book value of the owner's equity share of the equity investment as a long-term investment in the initial cost. In accordance with the issued shares of the total face value of equity, long-term equity investments and the cost of initial investment by issuing shares of the total face value of the difference between the adjusted capital surplus; Less than used to offset capital surplus, adjusted retained earnings.

C) Non-under the control of the same corporate merger, buyers in the purchase date in accordance with the "Enterprise Accounting Standards No. 20 -- a merger" to determine the cost of the merger as a long-term equity investment in the initial cost of the investment.

② Addition to a merger to form a long-term equity investment, the other way of a long-term equity investment, in accordance with the following provisions of its initial investment costs :

A) Cash payments made to the long-term equity investment, according to the actual payment of the purchase price as the initial cost of the investment. Initial investment costs with long-term equity investment directly related to the costs, taxes and other necessary expenses, but the actual payment of the purchase price included in the declaration but has yet to receive the cash dividend, as a separate accounts receivable.

B) With the issuance of securities interests of long-term equity investments and interests in accordance with the issuance of securities at fair value as the initial cost of the investment.

C) The long-term investors into equity investments and investment contracts in accordance with the agreement or agreements as the value of the initial investment cost, but by agreement or contract value with the exception of unfair.

D) through non-monetary assets of the exchange of long-term equity investments and the cost of their initial investment in accordance with the "Enterprise Accounting Standards No. 7-non-monetary exchange of assets" to determine.

E) Through the debt restructuring of long-term equity investments and the cost of their initial investment in accordance with the "Enterprise Accounting Standards No. 12 -- debt restructuring," identified.

(2) Follow-up measures

According to the company whether to be invested units or common control with a significant impact on the respective long-term equity investment or cost method using equity method accounting. Investment units were assigned declared a cash dividend or profit, recognized as current investment income. The company confirmed the investment income is restricted to investment unit investment accept the cumulative net profit of sub-quotas, the profit or cash dividends in excess of this amount as part of the initial investment cost of the recovery.

Using the equity method of accounting for long-term equity investment of the company to achieve long-term equity investment in the future, according entitled to, or share in the investment unit achieved a net profit or loss share, recognized investment gains and losses and adjustments to the long-term equity investment book value. According to the company's investment unit was assigned to the declaration of cash dividends or profit calculation should share part of a corresponding reduction in the long-term equity investment book value.

2.19 Borrowing costs for the accounting method

(1) Borrowing costs capitalized recognized principles and the capital of the company during the directly attributable to the capital with the condition of the assets of the purchase or production of construction of borrowing costs at the same time meet the following conditions be capitalized costs related assets included :

① Capital expenditure has occurred;

② Borrowing costs has occurred;

③ For assets intended to be used by the state to purchase the necessary construction or production activities have already begun.

Other borrowers interest, discount or premium amortization and exchange difference, the current period included gains and losses occurred.

If the purchase of fixed assets construction activities have occurred irregular interruption and disruption for more than three months, suspended borrowing costs capitalized.

When construction of the purchase of fixed assets can be used to target state, stop its borrowing costs of capital; After the borrowing costs in the event of confirmation of the current cost.

(2) borrowing costs capitalized amount of the calculation method
To buy or to build the production line with the conditions of the capital assets and borrow specialized borrower, the borrower should be devoted to the current actual interest charges, less will not use the loan funds deposited in bank interest income, or for temporary investment of investment income the amount specifically for borrowers Lee interest costs capitalized amount.

To buy or to build the production line with the conditions of the capital assets and the occupier of the general loan, the borrower generally be capitalized by the amount of interest accumulated capital expenditure over the specialized part of the assets of the borrower expenditure multiplied by the weighted average occupied by the borrower generally capitalization rate calculation.

2.20 Share-based payment
The company's shares paid either in cash settlement of the shares and pay equity settlement payment of the shares.

(1) To the cash settlement paid shares
A cash settlement payment of the shares, according to the company's commitment to the shares or other interest calculated on the basis of the tools to determine the fair value of liabilities measurement.

Immediately after feasible given the right to cash settlement of the shares to pay the award to the date assumed liabilities included in the fair value of the associated costs or expenses, the corresponding increase in liabilities.

There waiting period to the cash settlement payment of the shares in each period for the balance sheet date to the feasibility of the right to the best estimates, on the basis of the company's commitment to the fair value of debt payments will be made to the current service costs or expenses included and the corresponding liabilities.

(2) The equity shares of tools settlement payment
Clearing rights to the payment of the shares, which confer rights and interests of workers tool the fair value measurement.

Immediately after feasible given the rights to the settlement of the shares to pay the rights granted to date tools included in the fair value of the associated costs or fees, a corresponding increase in capital surplus.

The existence of the waiting period for clearing rights of the shares to pay, waiting for the period of each balance sheet date, in the interests of viable tool for the right amount to the best estimates are based on the interests of the tools given fair value of current services included in the cost or cost and capital surplus.

2.21 Employee compensation
Workers pay mainly include wages, bonuses, allowances and subsidies; Workers benefit costs; Medical insurance premiums, pension insurance, unemployment insurance, work-related injury insurance and maternity insurance premiums; The housing accumulation fund; Workers union funds and other education funding with the trade unions service-related expenses.

Workers in the provision of services identified during the pay of workers, according to workers provide services related revenue targets included in the cost.

2.22 Revenue recognition
The company confirmed by the following business income and subject to an income account, the date of borrowing.

(1) Shipping services revenue
The Company provides transportation services by the completion percentage of income recognition. Based on the percentage of completion End operating days for the voyage is expected to total operating days of recognition and measurement.

(2) Rental income
Operating lease rentals, the companies each term of the lease period, in accordance with the straight-line method is charged to the profit and loss. Financing lease rental income assets in the accounting period according to the actual rate calculated confirmed.

(3) Freight forwarders and shipping agents revenue

Freight forwarders : ocean freight forwarding in the vessel's departure (export) or inbound (imports) the realization of income recognition.

Shipping agents : in the departure of the ship recognition of income is achieved.

(4) Interest income

According to others in the use of the company's funds in the currency and the actual rates set

(5) The dividend income

Dividend income from dividend payments to establish the rights recognized.

(6) Sale of investment income

The sale of the investment income from the investment of ownership transfer to the buyers confirmed.

To meet the following conditions, can normally be considered to achieve the transfer of ownership of investment :

① Sales contract or agreement has been adopted by other shareholders.

② Stake sale matters require state approval of the competent departments, has been approved.

③ Sale of the parties have done the necessary property rights transfer.

④ Purchase has paid most of the purchase price (generally should exceed 50%), and has the ability and plans to pay the remaining amount.

⑤ Buy side has actually been made to purchase shares correspond with the financial and operating policies and the corresponding interests and take the associated risks.

2.23 Income tax

Corporate income tax accounting to adopt the balance sheet debt.

The companies recognize deferred income tax assets is likely to be made to offset the temporary difference to offset the taxable income the amount that can be confirmed by the time the differences in the timing of deferred income tax assets. But excluding the same time have the following characteristics of the transactions due to the assets or liabilities arising from the initial recognition of deferred income tax assets :

(1) The transaction is not a merger;

(2) When the transaction took place will not affect the impact of the accounting profit nor taxable income (or offset losses).

2.24 Foreign currency conversion method of accounting statements

For offshore subsidiaries in foreign currency accounting statements, the company accordance with the following provisions such statements goals amount to parent Standard Money account and converted to the parent company Standard Money for the accounting statements consolidated accounting statements:

(1) The balance sheet of assets and liabilities, use of the balance sheet date converted the spot exchange rate, the owner's equity projects in addition to the "undistributed profits" items, other items used when the spot exchange rate conversion;

(2) Income Statement of income and expenses, in accordance with the system adopted a reasonable approach identified with the transactions occurring spot rate approximate rate of exchange.

2.25 Consolidated financial statements

The financial statements of the subsidiaries controlled directly or indirectly should be consolidated except the subsidiaries which have declared bankrupt or in the process of close. A parent company will adjust the investment of the subsidiaries on an equity method. The accounting period, policy and treatment of subsidiaries are compiled to the parent company; These key transactions and movements of cash within the parent company and its subsidiaries will offset in the consolidated financial statements.

2.26 The change of consolidated scope, see notes 4.

2.27 Estimate of the accounting change

Under the "Enterprise Accounting Standards No. 4-fixed assets," the company re-estimated the residual value of the ship. The estimated residual value is changed from the rate of 4% of the cost to the disposal value of scrap steel of the ship. This change in accounting estimate from January 1st, 2007 onwards implementation. Due to the change in accounting estimate, the increase in current profit is RMB 106.58 million.

3. Tax (Expenses)

3.1 The rate of business tax is 3% or 5%.

3.2 The rate of income tax is 15%.
Pursuant to a directive 1998 (250) jointly issued by Shanghai Tax Bureau and Shanghai Bureau of Finance on 8 October 1998, the Company, registered in Shanghai Pudong New Area, is entitled to a preferential income tax rate of 15% effective. China Shipping Development (Hong Kong) Marine Co., Ltd., the subsidiary company registered in Hong Kong, is entitled to a preferential income tax of 17.5% effective. Shanghai Time Shipping Co., Ltd., the subsidiary company registered in Pu Dong New District, is entitled to a preferential income tax rate of 15%. ZhuHai New Century Co., Ltd., the subsidiary company registered in Zhuhai Economy Zone, is entitled to a preferential income tax rate of 15% effective. Shanghai Friendship Shipping Co., Ltd., the subsidiary company registered in Shanghai free-trade zone, is entitled to a preferential income tax rate of 15% effective.

3.3 Tax of city construction: 7%.

3.4 Education affixation:3%.

3.5 Maintenance for river way:1%.

3.6 Stamp tax: Vehicle & Vessel Tax and other taxes are paid by PRC laws.