

Notes to condensed consolidated financial statements (continued)

6.37 Nonrecurring gain or loss

Item	2007.1-6	2006.1-6
Gains on disposal of fixed assets/(losses)	166,167,353.31	52,693,005.34
Government subsidiary		1,171,000.00
Profit and loss of Long-term investment disposal	-8,551,317.20	
Profit and loss of Short-term investment		1,451,053.72
Under the control of the same corporate merger, a subsidiary of opening to the current combined net profit and loss	1,301,715.32	-
Other	-57,027.52	197,666.49
Total	<u>158,860,723.91</u>	<u>55,512,725.55</u>

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

	2006.12.31	Addition of investment	Profit/loss of current period	Dividends distribution	2007.6.30
Cost accounting of the long-term equity investment	4,000,000.00	300,000.00	-	-	4,300,000.00
Equity method of accounting for long-term equity investment	1,314,396,611.15	-	106,629,665.76	-7,000,000.00	1,414,026,276.91
Total	<u>1,318,396,611.15</u>	<u>300,000.00</u>	<u>106,629,665.76</u>	<u>-7,000,000.00</u>	<u>1,418,326,276.91</u>

7.1.1 Cost accounting of the long-term equity investment

Investee	Cost of investment	Investment (%)	2006.12.31	Addition of investment	Dividends distribution	2007.6.30
Shanghai Bao'jiang Shipping Co., Ltd.	4,000,000.00	10%	4,000,000.00	-	-	4,000,000.00
Qinhuangdao seaborne coal trade market Ltd.	300,000.00	15%	-	300,000.00	-	300,000.00
Total	<u>4,300,000.00</u>		<u>4,000,000.00</u>	<u>300,000.00</u>	<u>-</u>	<u>4,300,000.00</u>

7.1.2 Cost accounting of the long-term equity investment

Investee	Cost of investment	Investment (%)	2006.12.31	Addition of investment	Profit/loss of current period	Dividends distribution	2007.6.30
China Shipping Development (Hong Kong) Marine Co., Ltd.	4,140,000.00	99%	401,913,687.72	-	-	-	401,913,687.72
Shanghai Friendship Shipping Co., Ltd.	692,132,287.39	50%	692,132,287.39	-	71,654,385.48	-	763,786,672.87
Zhu'hai New Century Shipping Co., Ltd.	145,000,000.00	50%	179,557,864.59	-	30,335,386.28	-7,000,000.00	202,893,250.87
Shanghai Time Shipping Co., Ltd.	25,000,000.00	50%	40,792,771.45	-	4,639,894.00	-	45,432,665.45
Total	<u>866,272,287.39</u>		<u>1,314,396,611.15</u>	<u>-</u>	<u>106,629,665.76</u>	<u>-7,000,000.00</u>	<u>1,414,026,276.91</u>

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	2006.12.31	Additions	Disposals	2007.06.30
Buildings	2,156,021.80	-	-	2,156,021.80
Vessels	15,718,824,100.17	2,027,581,411.34	533,756,863.34	17,212,648,648.17
Vehicles	14,704,460.53	1,586,135.68	722,359.00	15,568,237.21
Other equipment	48,403,675.43	1,111,368.99	1,375,470.00	48,139,574.42
Total	<u>15,784,088,257.93</u>	<u>2,030,278,916.01</u>	<u>535,854,692.34</u>	<u>17,278,512,481.60</u>
(2)Depreciation:	2006.12.31	Additions	Disposals	2007.06.30
Buildings	503,922.00	-	-	503,922.00
Vessels	7,082,396,457.12	353,682,981.08	404,766,944.95	7,031,312,493.25
Vehicles	7,167,759.84	545,049.00	696,453.05	7,016,355.79
Other equipment	40,890,513.13	1,802,859.90	928,454.56	41,764,918.47
Total	<u>7,130,958,652.09</u>	<u>356,030,889.98</u>	<u>406,391,852.56</u>	<u>7,080,597,689.51</u>
(3)Provision:	936,268.00			936,268.00
(4)leasehold mprovements:	<u>8,652,193,337.84</u>			<u>10,196,978,524.09</u>

There were 4 vessels which the net value of these vessels was RMB902.79 million mortgaged to get the bank loan RMB 665.93 million as at to 2007.6.30.

7.3 Revenue/cost

Item	2007.1-6		2006.1-6	
	Revenue	Cost	Revenue	Cost
Coal shipment	2,449,030,558.27	1,177,323,610.48	1,358,483,548.67	820,539,903.78
Oil shipment	2,390,847,703.16	1,596,535,213.88	2,620,129,547.19	1,808,671,248.08
Other shipment	368,841,617.22	174,842,525.12	375,945,864.29	151,284,028.36
Lease of vessels	20,252,992.00	6,787,686.51	21,906,762.00	12,576,905.21
Manage for vessels	2,947,880.00	-	7,610,076.00	14,880.00
Others	305,220.28	36,379.99	250,169.91	205,061.74
Total	<u>5,232,225,970.93</u>	<u>2,955,525,415.98</u>	<u>4,384,325,968.06</u>	<u>2,793,292,027.17</u>

The revenue from top five clients is 790.43 million, 15% of total revenue during this period.

Notes to condensed consolidated financial statements (continued)

7.4 Investment income

Item	2007.1-6	2006.1-6
Profits and loss of equity investment	106,629,665.77	82,271,987.01
Dividends income	-8,551,317.20	-
Profit of stock investment	1,720,866.42	-
Equity investment difference amortization	1,148,135.83	1,451,053.72
Total	100,947,350.82	83,723,040.73

8. The Difference between Chinese Accounting Standards and HK GAAP

(Unit: RMB '000)

	2007.1-6	2006.1-6
Net profit under Chinese Accounting Standards	2,226,797	1,290,693
The difference between Chinese Accounting Standards and HK GAAP		
Including: Difference of depreciation of vessels	-1,249	2,471
Difference of deferred income from related companies	-13,593	1,399
Difference of housing funds	-6,287	-6,287
Deferred tax adjustment	-1,738	-1,245
Financial asset at fair value through profit and loss	-	-
Others	-318	6,710
Net profit under HK GAAP	2,203,612	1,293,741
	2007.06.30	2006.12.31
Owners' equity under Chinese Accounting Standards	13,715,406	12,515,030
House founding amortizing	38,310	49,668
Financial asset at fair value through profit and loss	-	84,800
Derivative financial instruments	-	1,044
Deferred Tax	8,588	-59,992
Adjustments for revaluation surplus, exchange gain or loss, depreciation, income of vessels sales and others	21,389	6,374
Owners' equity under HK GAAP	13,783,693	12,596,924

The international audit report of the company as at June 30, 2007 was prepared by Ernst & Young CPAs.

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	Shanghai China	Cargo shipment along sea, ocean, domestic transportation for goods	Holding company	State owned	Li Shaode
China Shipping Development (Hongkong) Marine Co., Ltd.	Hongkong China	Bale transport at sea, shipping leasehold, lay-up, shipping deputize, shipping spare part, elding and foodstuff purvey	Subsidiary company	State owned	Wu Zhongxiao

Notes to condensed consolidated financial statements (continued)

9.2 The registered capital of the related parties (unit: RMB '000)

Name of related party	2006.12.31	Addition	Decrease	2007.06.30
China Shipping (Group) Company	6,620,227	-	-	6,620,227
China Shipping Development (Hongkong) Marine Co.,Ltd.	4,140	-	-	4,140

9.3 The owner's equity of the related parties (unit: RMB '000)

Name of related party	2006.12.31		Addition		Decrease		2007.06.30	
	Amount	%	Amount	%	Amount	%	Amount	%
China Shipping (Group) Company	1,578,500	47.46	-	-	-	-	1,578,500	47.46
China Shipping Development (Hongkong) Marine Co.,Ltd.	4,140	100.00	-	-	-	-	4,140	100.00

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) Marine 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
China Shipping (Korea) Holding Co., Ltd.	be controlled by the same holding company
China Shipping (Australia Agency) Sydney	be controlled by the same holding company
China Shipping (Europe) Holding Co., Ltd.	be controlled by the same holding company
China Shipping Japan Co., Ltd.	be controlled by the same holding company
China Shipping (North America) Holding Co., Ltd.	be controlled by the same holding company
China Shipping (Regional) Holding Co., Ltd.	be controlled by the same holding company
China Shipping (West Asia) Holding Co., Ltd.	be controlled by the same holding company
Shanghai Friendship Shipping Co., Ltd.	subsidiary company
Shanghai Time Shipping Co., Ltd.	subsidiary company
Zhu_hai New Century Shipping Co., Ltd.	subsidiary company

Notes to condensed consolidated financial statements

(continued)

9.5 Related party transactions

(1) Lease of vessels

Name of related party	Pricing basis	2007.1-6	2006.1-6
China Shipping Container Lines Co., Ltd.	Market prices	32,034	33,748
Shanghai Friendship Shipping Co., Ltd.	Market prices	2,500	2,500
Shanghai Time Shipping Co., Ltd.	Market prices	9,043	15,774
Zhu'hai New Century Shipping Co., Ltd.	Market prices	-	1,997

(2) Vessel disposal

Name of related party	Pricing basis	2007.1-6	2006.1-6
China Shipping Industry Co., Ltd.	Market prices	-	10,245
Shanghai Shipping (Group) Company	Market prices	-	15,388
Shanghai Time Shipping Co., Ltd.	Market prices	99,944	-

(3) Revenue of shipment

Name of related party	Pricing basis	2007.1-6	2006.1-6
China Shipping Hai'sheng Co., Ltd.	Market prices	3,356	-

(4) Vessel agent service

Name of related party	Pricing basis	2007.1-6	2006.1-6
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	1,350	4,599
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	-	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.

Notes to condensed consolidated financial statements

(continued)

- (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	Proportion of the		
		2007.1-6	same business	2006.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	47,163	3.22%	1,356
Shanghai Shipping (Group) Company	Market price	2,420	0.17%	2,395
China shipping & sinopec Suppliers Co., Ltd.	Market price	953,618	65.19%	799,199
China Shipping Industry Co., Ltd.	Market price	67	0.00%	170
Da'lian Shipping (Group) Co., Ltd.	Market price	1,693	0.12%	-
China Shipping International Trading Co., Ltd.	Market price	-	0.00%	7

- (b) Whitewashing and oily water treatment for vessels:

Name of related party	Pricing basis	Proportion of the		
		2007.1-6	same business	2006.1-6
China shipping & sinopec Suppliers Co., Ltd.	State-fixed prices or market prices	189	2.02%	261
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	2,745	29.39%	805
Shanghai Shipping (Group) Company	State-fixed prices or market prices	2,824	30.23%	4,056

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

Name of related party	Pricing basis	Proportion of the		
		2007.1-6	same business	2006.1-6
China Shipping Tele-communication Co., Ltd.	State-fixed prices	6,737	20.80%	6,536
Shanghai Shipping (Group) Company	State-fixed prices	3,221	9.95%	2,501
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	2,613	8.07%	2,529
China Shipping Hai' sheng Co., Ltd.	State-fixed prices	53	0.16%	-

- (d) Dry-docking and repairs:

Name of related party	Pricing basis	Proportion of the		
		2007.1-6	same business	2006.1-6
China shipping & Sinopec Suppliers Co., Ltd.	State-fixed prices or market prices	17,522	10.95%	16,661
China Shipping Industry Co., Ltd.	State-fixed prices or market prices	64,050	40.04%	92,883
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	5,906	3.69%	9,620
Shanghai Shipping (Group) Company	State-fixed prices or market prices	8,703	5.44%	7,559
China Shipping International Trading Co., Ltd.	State-fixed prices or market prices	2,240	1.40%	403
China Shipping Tele-communication Co., Ltd.	State-fixed prices or market prices	5,518	3.45%	4,252

Notes to condensed consolidated financial statements (continued)

(e) Hiring of sea crew

Name of related party	Pricing basis	2007.1-6	Proportion of the same business	2006.1-6
China Shipping International Shipping Management Co., Ltd	Market price	141,202	92.91%	97,236

(f) Accommodation, lodging and transportation for employees

Name of related party	Pricing basis	2007.1-6	Proportion of the same business	2006.1-6
Shanghai Shipping (Group) Company	Market price	10	0.20%	21
Guangzhou Maritime (Group) Co., Ltd.	Market price	287	5.63%	393

(g) Medical services (for existing employees)

Name of related party	Pricing basis	2007.1-6	Proportion of the same business	2006.1-6
Shanghai Shipping (Group) Company	State-fixed prices	521	31.05%	548
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	121	7.22%	103

(h) Miscellaneous management services

Name of related party	Pricing basis	2007.1-6	Proportion of the same business	2006.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	12,524	24.37%	9,987
Shanghai Shipping (Group) Company	Market price	4,542	8.84%	4,735
Da'lian Shipping (Group) Co., Ltd.	Market price	3	0.01%	-
China shipping & sinopec Suppliers Co., Ltd.	Market price	37	0.07%	173
China Shipping Tele-communication Co., Ltd.	Market price	970	1.89%	957
China Shipping Industry Co., Ltd.	Market price	98	0.19%	-
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	1,939	3.77%	1,114
China Shipping International Shipping Management Co., Ltd	Market price	2,030	3.95%	3,877

Notes to condensed consolidated financial statements

(continued)

(i) Agency commissions

Name of related party	Pricing basis	Proportion of the		
		2007.1-6	same business	2006.1-6
China Shipping Agency Co., Ltd.	Market price	26,773	47.04%	30,924
JADEQUEENNAVIGATIONINC.	Market price	-	0.00%	92
SUPERDRAGONLTD.	Market price	300	0.53%	340
Shanghai Shipping (Group) Company	Market price	-	0.00%	87
Guangzhou Maritime (Group) Co., Ltd.	Market price	1,960	3.44%	-
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	792	1.39%	477
China Shipping (Australia Agency) Sydney	Market price	528	0.93%	-
China Shipping (Regional) Holding Co., Ltd.	Market price	5,146	9.04%	-
China Shipping (North America) Holding Co., Ltd.	Market price	143	0.25%	-
China Shipping Japan Co., Ltd.	Market price	713	1.25%	-
China Shipping (Europe) Holding Co., Ltd.	Market price	269	0.47%	-
China Shipping (Korea) Holding Co., Ltd.	Market price	1,766	3.10%	-
China Shipping (West Asia) Holding Co., Ltd.	Market price	1,192	2.09%	-

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

Name of related party	Pricing basis	Proportion of the		
		2007.1-6	same business	2006.1-6
China Shipping International Trading Co., Ltd.	Market price	4,491	100.00%	1,640

(5) Vessel chartering charges paid

Name of related party	Pricing basis	2007.1-6	2006.1-6
Shanghai Shipping (Group) Company	Market price	13,302	13,921
Guangzhou Maritime (Group) Co., Ltd.	Market price	8,655	8,989
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	26,720	27,753

(6) Vessel disposal

Name of related party	Pricing basis	2007.1-6	2006.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	1,372,676	-
Da'lian Shipping (Group) Co., Ltd.	Market price	385,151	-

The company and China Shipping (Hong Kong) Marine Co., Ltd., the subsidiary purchased 33 cargo vessels from China Shipping (Group) Company the subsidiary.

Notes to condensed consolidated financial statements (continued)

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

Item	Amount		proportion	
	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Accounts receivables:				
China Shipping Container Lines Co., Ltd.	2,810	-	0.56%	0.00%
Guangzhou Maritime (Group) Co., Ltd.	-	327	0.00%	0.08%
Da'lian Shipping (Group) Co., Ltd.	-	28	0.00%	0.01%
China Shipping (Hong Kong) Marine Co., Ltd.	-	452	0.00%	0.12%
	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Other receivables:				
China Shipping Hai'sheng Co., Ltd.	-	231,446	0.00%	69.50%
	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Advances to suppliers:				
China Shipping Industry Co., Ltd.	360	360	0.22%	0.04%
China Shipping Agency Co., Ltd.	14,540	7,907	8.92%	0.96%
China shipping & sinopec Suppliers Co., LTD.	172	1,177	0.11%	0.14%
Guangzhou Maritime (Group) Co., Ltd.	-	411,803	0.00%	49.90%
Da'lian Shipping (Group) Company	-	115,545	0.00%	14.00%
China Shipping (Hong Kong) Marine Co., Ltd.	42,627	4,753	26.14%	0.58%
JADE QUEEN NAVIGATION INC.	-	31,654	0.00%	3.84%
SUPER DRAGON LTD.	11,779	153,008	7.22%	18.54%
China Shipping International Shipping Management Co., Ltd.	16,440	83,194	10.08%	10.08%
China Shipping (Korea) Holding Co., Ltd.	9,095	-	5.58%	-
China Shipping (Australia Agency) Sydney	6,417	-	3.94%	-
China Shipping (Europe) Holding Co., Ltd.	146	-	0.09%	-
China Shipping Japan Co., Ltd.	2,525	-	1.55%	-
China Shipping (North America) Holding Co., Ltd.	3,296	-	2.02%	-
China Shipping (Regional) Holding Co., Ltd.	9,210	-	5.65%	-
China Shipping (West Asia) Holding Co., Ltd.	13,317	-	8.17%	-

Notes to condensed consolidated financial statements (continued)

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

Item	Amount		proportion	
	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Accounts Payables:				
Shanghai Time Shipping Co., Ltd.	639	-	0.17%	0.00%
China Shipping Agency Co., Ltd.	-	247	0.00%	0.11%
China shipping & sinopec Suppliers Co., LTD.	35,899	125	9.31%	0.06%
Guangzhou Maritime (Group) Co., Ltd.	39,333	-	10.20%	0.00%
Other Payables:				
China Shipping Industry Co., Ltd.	-	5,531	0.00%	0.91%
Guangzhou Maritime (Group) Co., Ltd.	927,671	335,457	93.84%	55.15%
Da'lian Shipping (Group) Co., Ltd.	-	36,273	0.00%	5.96%
China Shipping (Hong Kong) Marine Co., Ltd.	-	142,770	0.00%	23.47%
China Shipping International Shipping Management Co., Ltd.	4,928	169	0.50%	0.03%
	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Advanced from customers:				
Shanghai Time Shipping Co., Ltd.	-	2,326	0.00%	3.33%

10. Guaranty

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

11. Commitment

11.1 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 98.8 million which would be paid by 5 installments. As of Jun 30, 2007, the company had paid USD 59.28 million. The remaining will be paid by installments of entering the water and completion. The constructions plan to complete at the end of 2007.

11.2 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. in Dec 2004, and planed to start the constructions of 3 oil vessels (52500T). Pursuant to the contract, each vessel valued USD 35.80 million, and the estimated total costs would be USD 107.40 million, which will be paid by 5 installments. As of Jun 30, 2007, the company had paid USD 32.22 million for these vessels. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in 2008.

Notes to condensed consolidated financial statements

(continued)

- 11.3 The Company signed the contract with Guangzhou shipyard international company limited in March 2006, and planed to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel valued USD 37 million and USD 38.50 million, and the estimated total costs would be USD 75.50 million, which will be paid by 5 installment. As of Jun 30, 2007 the company had paid USD 38.20 million. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in 2007 and 2008 respectively.
- 11.4 The Company signed the contract with Guangzhou Shipyard Dragon hole Co., Ltd. in Oct 2006, and planed to start the constructions of 4 oil vessels (308000T). Pursuant to the contract, each vessel valued USD 114.26 million, and the estimated total costs would be USD 457.04 million, which will be paid by 5 installments. As of Jun 30, 2007, the company had paid USD 91.408 million for these vessels. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in June, 2010.
- 11.5 The Company signed the contract with Dalian Shipyard Heavy Industry Co., Ltd in Mar, 2007 and planned to start the construction of 6 oil vessels (76000T). Pursuant to the contract, each vessel valued USD 51.26 million, and the estimated total costs would be USD 307.56 million, which will be paid by 5 installments. As of Jun 30, 2007, the company had paid USD 61.512 million for these vessels. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in Sep, 2010.
- 11.6 China Shipping (Hong Kong) Marine Co., Ltd., the subsidiary signed the contract with Guangzhou Shipyard International Co. Ltd. in March 2006, and planed 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, 2007, the company had paid USD 14.60 million for these vessels. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in 2009.
- 11.7 China Shipping (Hong Kong) Marine Co., Ltd., the subsidiary signed the contract with Dalian Shipbuilding Industry Co., Ltd. in March, 2006, and planned to start the constructions of 4 oil vessels (298000T). Pursuant to the contract, two vessels each valued USD 104.49 million, other two vessels each valued USD 99.89 million and the estimated total cost would be USD 408.76 million which will be paid by 5 installment. As of Jun 30, 2007, the company had paid USD 81.752 million for these vessels. The remaining will be paid by installments of starting, building on shipway, entering the water and completion. The constructions plan to complete in 2009.
- 11.8 China Shipping (Hong Kong) Marine Co., Ltd., the subsidiary signed the contract with Guangzhou Shipyard Dragon hole Co., Ltd. in Feb, 2007, and planned to start the constructions of 4 oil vessels (230000T). Pursuant to the contract, each vessel valued USD 80.80 million, and the estimated total costs would be USD 323.20 million, which will be paid by 5 installments. As of Jun 30, 2007, the company had paid USD 64.64 million for these vessels. The remaining will be paid by installments of starting, docking, going out of the dock and completion. The constructions plan to complete in 2010.

Notes to condensed consolidated financial statements

(continued)

12. Post balance sheet events

- 12.1 On 31 October, 2006, the Company signed an agreement of purchasing 42 cargo vessels which owned by China Shipping Group Company and its subsidiaries. As of Jun 30, 2007, the handover procedure of 42 cargo vessels has been completed. As of Jul 12, 2007, the company had paid all the money 2.47 billion for the vessels.
- 12.2 The company issued 20 million pieces of convertible bonds, each with a par value of RMB 100 yuan, the total amount is two billion yuan on July 2, 2007 approved of letter No (2007) 150 by China Securities Regulatory Commission. The company's convertible corporate bonds amount to 2 billion began to exchange on public market on July 12, 2007 approved of letter No (2007) 148 by Shanghai Stock Exchange.

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

13. Contingent liability

- 13.1 On 28 December, 2005, the vessel "Daqin 91" was found 4.5 meter crack in hull, part of oil leaked. According to the research of Ministry of Communications Maritime Department, it deemed to a polluted accident of Bohai Wan. After the accident happened, there was accident team to handle it. According to the compromise contract between the Company and the Shandong Maritime Department, as "Daqin 91" was insured by the UK B&I Club which the limited liability is RMB 36 million, the Company has accrued loss which maybe occur.

Up to 14 Aug, 2007, the case still had no further processing.

14. Non-monetary transaction

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

Notes to condensed consolidated financial statements (continued)

15. Supplementary information

(1) ROE and EPS

	Rate of returns per share		Earning per share	
	Fully diluted	Average	Fully diluted	Average
Net profit for common shareholders	16.24%	16.97%	0.6695	0.6695
After discounting the effect of nonrecurring gains or losses attributable to the following common shareholders of the company's net profit	15.08%	15.76%	0.6217	0.6217

The calculation of ROE and EPS are according to "public offering of securities companies to disclose information compiled rule on the 9th- ROE and EPS calculation and disclosure (2007 Amendment)," by the China Securities Regulatory Commission.

(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	23,899,679.45	21,221,610.38	3,519,120.80	3,106,024.90	2,020,696.13	-	25,398,104.12	24,327,635.28
Including: Accounts receivables	20,587,604.63	20,520,567.32	3,519,120.80	2,977,264.76	-	-	24,106,725.43	23,497,832.08
Other receivables	3,312,074.82	701,043.06	-	128,760.14	2,020,696.13	-	1,291,378.69	829,803.20
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. Provision for imtrust loan	-	-	-	-	-	-	-	-

Notes to condensed consolidated financial statements

(continued)

- (3) 2006.1-6, the adjustment process in the compared profit report

Item	Before adjustment	After adjustment
Changes in the scope of consolidation	664,111.63	-
Investment income	36,122,788.59	36,065,306.09
Income tax	208,865,564.48	216,067,340.43
Minority shareholders of profit and loss	-1,596,476.77	-
Net profit	<u>1,298,616,631.83</u>	<u>1,292,289,738.52</u>

- (4) The reconciliations for the differences between the net profit the new accounting standards and the former in 2006.1-6.

Item	Amount
2006.1-6 net profit (former PRC GAAP)	1,298,616,631.83
Decrease:Retroactive adjustment	6,326,893.31
Including:	
Changes in the scope of consolidation	664,111.63
Investment income	57,482.50
Income tax	7,201,775.95
Minority shareholders of profit and loss	-1,596,476.77
2006.1-6 net profit (new PRC GAAP)	1,292,289,738.52
Including: Profit for parent company	<u>1,298,616,631.83</u>

Notes to condensed consolidated financial statements

(continued)

- (5) Analysis for the subjects changed over 30% of the consolidated financial statements, or accounted more than 5% of total assets as at 2007.6.30 or 10% of total profit for 2007.1-6:

Subjects in balance sheet:

	2007.06.30	2006.12.31	Variation		proportion of total assets
			Amount	Rate	
Cash and banks (1)	919,772,338.08	475,263,106.76	444,509,231.32	93.53%	4.72%
Notes receivable (2)	12,981,354.44	21,448,931.79	-8,467,577.35	-39.48%	0.07%
Accounts receivable (3)	477,473,187.03	366,125,119.43	111,348,067.60	30.41%	2.45%
Advances to suppliers (4)	163,048,975.30	825,310,175.91	-662,261,200.61	-80.24%	0.84%
Other receivables (5)	90,261,220.74	329,688,412.49	-239,427,191.75	-72.62%	0.46%
Long-term equity investment (6)	1,016,412,589.20	916,482,923.43	99,929,665.77	10.90%	5.22%
Fixed assets (7)	12,729,400,750.53	11,325,086,775.81	1,404,313,974.72	12.40%	65.33%
Construction in progress (8)	3,569,968,092.50	2,250,385,706.80	1,319,582,385.70	58.64%	18.32%
Short-term loans (9)		500,000,000.00	-500,000,000.00	-100.00%	0.00%
Accounts payable (10)	385,512,254.90	216,191,542.65	169,320,712.25	78.32%	1.98%
Advanced from customers (11)	99,220,735.23	69,746,628.46	29,474,106.77	42.26%	0.51%
Interest payable (12)	10,646,125.98	7,336,102.52	3,310,023.46	45.12%	0.05%
Other payables (13)	988,530,176.12	519,585,547.31	468,944,628.81	90.25%	5.07%
Long-term liabilities due within 1 year (14)	321,880,140.00	975,483,817.63	-653,603,677.63	-67.00%	1.65%
Long-term loans (15)	3,044,826,172.41	1,705,788,598.99	1,339,037,573.42	78.50%	15.63%
Accrued liabilities (16)	30,000,000.00	44,420,000.00	-14,420,000.00	-32.46%	0.15%
Deferred taxation liabilities (17)	149,252,812.41	78,541,295.42	70,711,516.99	90.03%	0.77%

Subjects in income statements:

	2007.1-6	2006.1-6	Variation		proportion of profit
			Rate		
Revenue (18)	5,812,697,004.83	4,479,116,932.60	1,333,580,072.23	29.77%	223.56%
Cost (19)	3,205,814,758.29	2,815,692,584.91	390,122,173.38	13.86%	123.30%
Financial Expenses (20)	138,657,858.17	49,876,183.08	88,781,675.09	178.00%	5.33%
Impairment loss of assets (21)	1,539,076.69	4,377,819.05	-2,838,742.36	-64.84%	0.06%
Fair value revenue (22)	60,400,000.00		60,400,000.00	100.00%	2.32%
Investment income (23)	100,947,350.82	36,065,306.09	64,882,044.73	179.90%	3.88%
Non-operating income (24)	198,305,162.74	53,150,241.26	145,154,921.48	273.10%	7.63%
Non-operating expenses (25)	2,881,250.04	259,569.43	2,621,680.61	1010.01%	0.11%
Income tax (26)	373,258,734.09	216,067,340.43	157,191,393.66	72.75%	14.36%

Notes to condensed consolidated financial statements

(continued)

- (1) Since the company paid 30% purchasing amount of 42 bulk cargo vessels which owned by China Shipping Group Company and pay many vessels which put into construction last year, the beginning balance of this subject is lower, furthermore, the closing balance of this subject increased 93.53% compared with last year due to the company borrowed lots of long-term loans.
- (2) The balance of notes receivable decreased RMB8.47 million due to the notes was received in this period.
- (3) The closing balance of accounts receivable increased 30.41% compared with last year due to the carrying capacity increase and the shipping revenue is recognized on the finished schedule of the voyages.
- (4) The closing balance of advances to suppliers decreased 80.24% due to the beginning balance contained the 30% purchasing amount of 42 bulk cargo vessels.
- (5) The balance of other receivables decreased 72.62% compared with last year due to the receivable from China Shipping Hai'sheng Co., Ltd. amounted RMB231.45 million of the trading of vessels, the amount received on 20 March, 2007.
- (6) The balance of Long-term equity investment increased RMB 99.93 million compared with last year because the profit of subsidiary company increased.
- (7) The Company signed an agreement of purchasing 42 cargo vessels which owned by China Shipping Group Company last year, and 33 cargo vessels transferred in this period, which mainly caused the value of fixed assets increased RMB 1,404.31 million.
- (8) Construction in process increased RMB1,319.58 million because the Company increase 10 oil tanks in construction this year.
- (9) The short-term loan decreased due to the payment of working capital loan.
- (10) The account payable increased 78.32% compared with last year due to the purchase of fuel.
- (11) Since the sales of this period has increased sharply bring the addition of revenue received in advance, and the balance of advance from customer increased RMB 29.46 million more than last year due to
- (12) The interest payable increased 45.12% compared with last year due to the addition of the long-term loan.
- (13) The balance of other payable increased 468.94 million due to the payment to China Shipping (Group) Company for 42 cargos.

Notes to condensed consolidated financial statements

(continued)

- (14) The decreasing of long-term liabilities due within 1 year was RMB 653.60 million due to the returning.
- (15) Since the bridging loan of building vessels has been changed as the long-term loan, the balance of long-term loan increased 1,339.03 million compared with last year.
- (16) The accrued liability decrease 14.20 million compared with last year, because the company has received the indemnity of Vessel Hualing.
- (17) The change of residual value of vessel caused the liability of deferred taxes increased 70.71million.
- (18) Due to the transport capability increased because of the 42 cargo vessels purchased, and the rising price, the revenue improved by 29.77% compared with the relevant amount of the same period in 2006.
- (19) The cost of the company increased 13.86% compared with the relevant cost of the corresponding period in 2006. Because the foreign trade voyages and the port charge rate of domestic increased.
- (20) Financial expenses increased RMB 88.78 million compared with the relevant amount of the same period in 2006. Because the revaluation of RMB, it led to the increase of exchange loss, and the interest increased by the loan increased.
- (21) Impairment loss of assets decreased RMB 2.84 million due to the bad debts decreased by the other receivable decreased.
- (22) The fair value revenue is caused by the rising price of the transactions financial assets.
- (23) Investment incomes increased RMB 64.88 million compared with the relevant amount of the same period in 2006. Due to the profit of subsidiary company increased.
- (24) Non-operating income increased 273.10% due to the disposal of the vessels increase compared with the relevant amount of the same period in 2006.
- (25) Non-operating expenses increased RMB 2.62 million due to the disposal of the vessels increase compared with the relevant amount of the same period in 2006.
- (26) Income tax increased 72.75% compared with the relevant amount of the same period in 2006, because of the profit increased lead to the increase of income tax.

16. Approval

The financial statements have been approved and issued by Board of Directors on 14 Aug, 2007.