CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中 海 發 展 股 份 有 限 公 司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1138)

2008 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Shipping Development Company Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2008 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2007. The Group's interim results have not been audited but have been reviewed by the Company's international auditors, UHY Vocation HK CPA Limited (certified public accountants in Hong Kong).

I. MAJOR FINANCIAL DATA

The interim results of the Group for the Reporting Period have been reviewed by UHY Vocation HK CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), as compared with those for the six months ended 30 June 2007, and are as follows:

(1) **Interim Condensed Consolidated Income Statement** *(Note 1)*

	Note	For the six months ended 30 June **2008** **(Unaudited)** *Rmb'000*	**2007** **(Unaudited)** *Rmb'000* (Restated)
Revenue	2	9,113,592	5,527,476
Operating costs		(5,381,480)	(3,073,730)
Gross Profit		3,732,112	2,453,746
Other income and gains	3	211,253	258,890
Marketing expenses		(17,902)	(16,598)
Administrative expenses		(105,746)	(93,659)
Other expenses		(3,265)	(18,486)
Share of profits of jointly-controlled entities		302,447	93,036
Finance costs	5	(42,861)	(96,937)
PROFIT BEFORE TAX	4	4,076,038	2,579,992
Tax	6	(891,149)	(374,440)
PROFIT FOR THE PERIOD		3,184,889	2,205,552
Attributable to:			
Equity holders of the parent		3,184,889	2,205,552
Minority interests		—	—
PROFIT FOR THE PERIOD		3,184,889	2,205,552
EARNINGS PER SHARE	7	94.52 cents	66.31 cents
DIVIDEND PER SHARE	8	—	—

(2) **Interim Condensed Consolidated Balance Sheet** *(Note 1)*

	30 June 2008 (Unaudited) *Rmb'000*	31 December 2007 (Audited) *Rmb'000*
NON-CURRENT ASSETS		
Property, plant and equipment	22,375,734	20,002,142
Interest in jointly-controlled entities	1,449,418	1,162,971
Available-for-sale equity investment	4,300	4,300
TOTAL NON-CURRENT ASSETS	23,829,452	21,169,413
CURRENT ASSETS		
Bunker oil inventories	353,787	285,606
Trade and bills receivables	1,042,666	559,437
Prepayments, deposits and other receivables	821,966	237,880
Equity investments at fair value through profit or loss	123,400	257,400
Derivative financial instruments	13,095	17,610
Cash and cash equivalents	1,306,712	1,079,768
TOTAL CURRENT ASSETS	3,661,626	2,437,701
CURRENT LIABILITIES		
Trade payables	792,509	462,146
Other payables and accruals	449,177	531,733
Tax payable	522,312	50,514
Current portion of interest-bearing bank and other borrowings	2,045,219	721,825
TOTAL CURRENT LIABILITIES	3,809,217	1,766,218
NET (CURRENT LIABILITIES)/CURRENT ASSETS	(147,591)	671,483
TOTAL ASSETS LESS CURRENT LIABILITIES	23,681,861	21,840,896

	30 June 2008 (Unaudited) *Rmb'000*	31 December 2007 (Audited) *Rmb'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	298,909	245,102
Convertible bonds	—	1,871,438
Interest-bearing bank and other borrowings	4,104,039	3,554,841
TOTAL NON-CURRENT LIABILITIES	4,402,948	5,671,381
NET ASSETS	19,278,913	16,169,515
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	3,404,552	3,326,000
Reserves	15,776,361	11,043,005
Proposed interim/final dividend	—	1,702,510
	19,180,913	16,071,515
Minority interests	98,000	98,000
TOTAL EQUITY	19,278,913	16,169,515

(3) **Interim Condensed Consolidated Cash Flow Statement** *(Note 1)*

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	Rmb'000	*Rmb'000*
		(Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,168,603	2,750,907
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,121,313)	(1,887,593)
NET CASH OUTFLOW FROM/(USED IN) FINANCING ACTIVITIES	217,140	(402,980)
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,430	460,334
Cash and cash equivalents at beginning of the Period	1,079,768	475,263
Effect of foreign exchange rate changes, net	(37,486)	(15,825)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,306,712	919,772
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,306,712	783,786
Time deposits with original maturity of less than three months when acquired	—	135,986
	1,306,712	919,772

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The HK Stock Exchange and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain leasehold property, plant and equipment, equity investments and financial instruments.

1.2 New and revised HKFRSs

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2007 annual financial statements. Except in certain cases that give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the abovementioned accounting standards has had no material impact on the accounting policies of the Group and the methods of computation of the Group's interim condensed consolidated financial statements.

1.3 HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008

2. SEGMENT INFORMATION

During the Period, the Group was involved in the following principal activities:

(a) investment holding; and / or

(b) oil and cargo shipment along the PRC coast and international shipment.

Business segments

There is no major seasonality for the Group's turnover. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the Period is as follows:

	For the six months ended 30 June			
	2008 (Unaudited)		2007 (Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	*Rmb'000*	*Rmb'000* (Restated)	*Rmb'000* (Restated)
By activity:				
Oil shipment	2,930,489	948,553	2,349,436	802,370
Coal shipment	3,850,343	2,145,204	2,454,571	1,244,716
Other dry bulk shipment	1,244,349	670,578	723,469	406,660
Vessel leasing	1,088,411	(32,223)	—	—
	9,113,592	3,732,112	5,527,476	2,453,746
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly-controlled entities		302,447		93,036
Profit before tax		4,076,038		2,579,992

Geographical segments

	For the six months ended 30 June			
	2008 (Unaudited)		2007 (Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	*Rmb'000*	*Rmb'000* (Restated)	*Rmb'000* (Restated)
By geographical area:				
Domestic	5,159,887	2,628,059	3,527,980	1,601,683
International	3,953,705	1,104,053	1,999,496	852,063
	9,113,592	3,732,112	5,527,476	2,453,746
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly-controlled entities		302,447		93,036
Profit before tax		4,076,038		2,579,992

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	Rmb'000	*Rmb'000* (Restated)
Gain on disposal of property, plant and equipment	321,929	185,337
Profits/ (loss) from other investments	932	(1,516)
Fair value gains on equity investments at fair value through profit or loss	(134,000)	60,400
Interest income	11,543	13,960
Rental income from leased vessels	—	38,141
Service income from vessel management	285	1,800
Exchange losses, net	(41,250)	(45,030)
Government subsidy	25,000	—
Bad debts	8,161	—
Others	18,653	5,798
Total	211,253	258,890

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(including) the following items:

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	Rmb'000	*Rmb'000*
		(Restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,334,939	1,688,075
Depreciation	506,596	446,844
Operating lease rentals:		
Land and buildings	10,013	11,864
Vessels	86,941	195,789
	96,954	207,653
Staff costs	466,010	378,583
Gain on disposal of property, plant and equipment	(321,929)	(185,337)

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	Rmb'000	*Rmb'000*
		(Restated)
Total interest	148,432	123,021
Less : Interest capitalised	105,571	26,084
Interest expenses	42,861	96,937

6. TAX

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "**New Corporate Income Tax Law**") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprise at 25%.

Accordingly, PRC tax has been provided at the rate of 25% (six months ended 30 June 2007: 15%) on the estimated assessable profits for the Period.

No Hong Kong profits tax has been provided as no assessable profit was earned in or derived from Hong Kong during the Period (six months ended 30 June 2007: No assessable profit was earned). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	Rmb'000	*Rmb'000*
		(Restated)
Group:		
Hong Kong	—	—
PRC		
Charge for the year	809,205	374,440
Under provision in prior year	27,949	—
Deferred tax	53,995	—
Tax charge for the Period	891,149	374,440

A reconciliation of the tax expenses applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expenses at the effective tax rates is as follows:

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	Rmb'000	*Rmb'000*
		(Restated)
Accounting profit before tax	4,076,038	2,579,992
Profit attributable to jointly-controlled entities and other investments	(303,379)	(91,520)
	3,772,659	2,488,472
Tax at the applicable tax rate of 25% (2007: 15%)	943,165	373,271
Tax effect of net income that is not taxable in determining taxable profit	(133,960)	1,169
Tax charge at the Group's effective rate	809,205	374,440
Tax under-provided in the previous Period	27,949	—
Deferred tax	53,995	—
	891,149	374,440

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the Period of Rmb3,184,889,000 (six months ended 30 June 2007: Rmb2,205,552,000) and the weighted average number of shares of 3,369,426,265.83 (six months ended 30 June 2006: Rmb3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month Periods ended 30 June 2007 and 2008 have not been presented as no diluting events existed during these periods.

8. DIVIDEND PER SHARE

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2007: Nil).

II. CHANGES OF SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

(1) Changes of share capital structure

Under the approval of China Security Regulatory Commission, the Company issued convertible bonds ("**China Shipping Convertible Bonds**") in the principal amount of RMB2,000 million on 2 July 2007. The China Shipping Convertible Bonds commenced its dealing on the Shanghai Stock Exchange on 12 July 2007. The proceeds have all been used for the acquisition of 42 dry bulk carriers from China Shipping (Group) Company and its subsidiaries.

Conversions of China Shipping Convertible Bonds commenced on 2 January 2008. As at 26 March 2008, 1,988,173,000 China Shipping Convertible Bonds have been converted into A Shares of the Company, with aggregate conversion of 78,552,270 Shares, representing 2.36% of the total issued share capital of the Company prior to the commencement of the conversion of China Shipping Convertible Bonds. The outstanding 11,827,000 China Shipping Convertible Bonds have all been redeemed during the reporting period. Currently, the Company's share capital structure is as follows:

Class of Shares	Number of Shares	Proximate percentage to issued share capital
Restricted circulating A Shares	1,578,500,000	46.36%
Non-restricted circulating A Shares	530,052,270	15.57%
H Shares	1,296,000,000	38.07%
Total	**3,404,552,270**	**100.00%**

(2) Information of shareholders

As at 30 June 2008, the total number of shareholders of the Company was 74,124, of which 250 were holders of H shares.

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis of International and Domestic Shipping Markets during the Reporting Period

The Group is principally engaged in the cargo shipping business. Cargo shipping mainly consists of the shipment of oil and dry bulk cargoes (primarily coal) domestically along the coastal region of the PRC and internationally.

In the first half of 2008, despite a slowdown in the speed of the world economic growth, the PRC economy sustained a steady and rapid growth. The demand for energy resources in China kept a steady growth. Shipping industry continued to flourish, with sub-markets developing in different trends.

In the first half of 2008, with the rapid increase in the demands for bulk cargoes (such as iron ore and coal), demand in the international dry bulk cargo shipping market continued to be strong, and the freight rates showed significant fluctuation with an overall upward trend. The daily average of the Baltic Dry Bulk Freight Rate Index (the "**BDI**") was 8,617 points, representing an increase of 62.1% as compared with the same period in 2007. At the same time, due to the strong demand for thermal coal along the domestic coast of China, coastal shipment of coal was growing rapidly, and the daily average of China Coastal Bulk Freight Index (the "**CCBFI**") increased by 68.2% as compared with the same period in 2007. The all-year base freight rate in respect of bulk cargoes for the contract of affreightment with the major customers increased by 40% as compared with 2007.

In the first half year of 2008, with the growing demand for crude oil in the emerging market countries and increasing restrictions on the operations of single hull tankers, the overall international oil shipping market maintained solid growth and the situation is much better than the estimation in early 2008. In the first half year of 2008, the daily average of the Baltic Dirty Tanker Freight Index (the "BDTI") was 1,538 points, representing an increase of 32.4% as compared with the same period in 2007. The World Scale Index ("**WS**") for the shipping route from the Middle East to Japan, being one of the freight rate indicators for very large crude oil carriers ("**VLCC**") averaged at 149.8 points, representing an increase of 111% as compared with the same period in 2007. Oil shipment market in domestic trade remained stable.

2. **Discussion and Analysis of Operations of the Group during the Reporting Period**

In the first half year of 2008, the Group kept its focus on the domestic coastal coal shipping and oil shipping business as its core business, and made efforts to enhance various cost control measures. Benefiting from the uprising in the freight rate of domestic coastal bulk in the PRC, the profits of the Company recorded a historic high in the first half in 2008. During the Reporting Period, the shipping volume achieved by the Group was 113.7 billion tonne-nautical miles and the total revenue derived from shipment was approximately RMB9,114 million, representing an increase of 2.7% and 64.9% as compared with the first half in 2007 respectively. Cost of operations was approximately RMB5,381 million, an increase of 75.1% as compared with the same period in 2007. Net profit was approximately RMB3,185 million, representing an increase of 44% as compared with the same period in 2007, and earnings per share was approximately RMB0.9452.

An analysis of the principal operations in terms of products transported (Unit: RMB'000) is as follows:

	Revenue	**Operating costs**	**Gross profit margin** *(%)*	**Increase/ (decrease) in revenue as compared with the same period of last year** *(%)*	**Increase/ (decrease) in operating costs as compared with the same period of last year** *(%)*
Coal transportation	3,850,343	1,705,139	55.7	56.9	40.9
Oil transportation	2,930,489	1,981,936	32.4	24.7	28.1
Other bulk transportation	1,244,349	573,771	53.9	72.0	81.1
Chartering of vessels	1,088,411	1,120,634	-3.0	—	—
Total	**9,113,592**	**5,381,480**	**41.0**	**64.9**	**75.1**

An analysis of the principal operations in terms of geographical regions (RMB'000) is as follows:

Regions	**Revenue**	**Increase/(decrease) in revenue as compared with the same period last year** *(%)*
Domestic transportation	5,159,887	46.3
International transportation	3,953,705	97.7
Total	**9,113,592**	**64.9**

(1) ***Dry bulk cargo shipping***

In the first half of 2008, benefiting from the increase of 40% of the all-year base freight rate in respect of bulk cargoes for the contract of affreightment along the coastal region, the Group's revenue derived from the dry bulk cargo shipping increased significantly. In the first half of 2008, the Group achieved a shipping volume of approximately 63.63 billion tonne-nautical miles of dry bulk cargoes, and revenue of approximately RMB5,094 million was derived, increasing by 3.3% and 60.3% as compared with the same period in 2007 respectively, and recorded a profit of RMB2,816 million. An analysis of the transportation volume and revenue in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2008 *(billion tonne nautical miles)*	**In the first half of 2007** *(billion tonne nautical miles)*	**Increase/ (decrease)** *(%)*
Domestic			
Coal transportation	39.28	36.00	9.1
Other bulk cargoes transportation	4.48	3.68	21.7
International			
Coal transportation	2.46	4.13	-40.4
Other bulk transportation	17.41	17.73	-1.8
Total	**63.63**	**61.54**	**3.4**

Revenue by cargo specie

	In the first half of 2008 *(Rmb million)*	In the first half of 2007 *(Rmb million)*	Increase/ (decrease) *(%)*
Domestic			
Coal transportation	3,725	2,254	65.3
Other bulk cargoes transportation	353	211	67.3
International			
Coal transportation	125	200	-37.5
Other bulk transportation	891	512	74.0
Total	**5,094**	**3,177**	**60.3**

Note: Other bulk cargoes include metal ore, non-metallic ore, steel, cement, timber, grain, insecticide, fertilizer and so on except for coal.

(2) ***Oil shipment***

In the first half of 2008, domestic oil shipping market remained steady, and the international oil shipping market had been better than expected. The Group seized favorable market opportunities, carefully organised the shipment and production, and made efforts in conducting safety management and cost control. In the first half year, the Group achieved a shipping volume of approximately 50.09 billion tonne-nautical miles of oil shipment, representing an increase of 1.9% as compared with the same period in 2007, and revenue achieved was approximately RMB2,930 million, representing an increase of 24.7% as compared with the same period in 2007. An analysis of the transportation volume and revenue in terms of cargo specie is as follows:

Transportation volume and revenue in terms of cargo specie

	In the first half of 2008 *(billion tonne nautical miles)*	**In the first half of 2007** *(billion tonne nautical miles)*	**Increase/ (decrease)** *(%)*
Domestic			
Crude oil transportation	8.16	7.40	10.3
Refined oil transportation	0.95	1.11	-14.4
International			
Crude oil transportation	23.83	22.56	5.6
Refined oil transportation	17.15	18.09	-5.2
Total	**50.09**	**49.16**	**1.9**

Revenue by product specie

	In the first half of 2008 *(Rmb million)*	**In the first half of 2007** *(Rmb million)*	**Increase/ (decrease)** *(%)*
Domestic			
Crude oil transportation	982	947	3.7
Refined oil transportation	100	116	-13.8
International			
Crude oil transportation	825	422	95.5
Refined oil transportation	1,024	865	18.4
Total	**2,931**	**2,350**	**24.7**

(3) ***Vessel chartering***

In the first half of 2008, the Group further strengthened its vessel chartering, and has chartered 15 bulk vessels with total capacity of 1.12 million dead weight for a term exceeding one year. In the first half year of 2008, the Group has achieved a revenue of RMB 1,088 million from vessel chartering.

3. **Cost Analysis**

In the first half of 2008, while adopting effective measures to increase revenue from principal operations, the Group continued to enhance overall control on various major costs, and has effectively controlled the major costs in fuel expenses, port expenses, repair expenses through advanced control and management in various aspects.

In the first half of 2008, under the impact of factors such as devaluation of US dollar, demands and supplies and local politics, prices of international crude oil increased rapidly and broke its historic record high repeatedly. As a result, the shipping industry faced increasing cost pressure. In order to control the crude oil cost effectively, the Group is closely following the international market trend of crude oil, making bulk purchases when appropriate to lock in prices, and speeding up the organizational restructure of its fleet with a view to reducing fuel consumption and reasonably improving the utilization ratio of low grade crude oil.

The total operating cost incurred in the first half of 2008 was RMB5,381 million, an increase of 75.1% as compared with the same period in 2007, of which the transportation cost incurred was RMB4,261 million, an increase of 38.6% as compared with the same period of 2007, lower than the growth of 45.2% in the revenue generated form shipping activities. The transportation cost compositions are specifically analysed as follows:

(1) **Fuel cost**: the Group's fuel expenses incurred in the first half of 2008 was approximately RMB1,985 million, an increase of 41.1% compared with the same period in 2007, representing 46.6% of the total transportation cost. In the first half of 2008, the Group further enhanced its fuel saving, and with a growth of 2.7% in its shipping volume as compared with the same period in 2007, there was only a growth of 0.2% in the fuel consumption, representing a reduction of 3.6% in fuel consumption per thousand nautical miles as compared with the same period last year.

(2) **Port charges:** port charges incurred in the first half of 2008 was approximately RMB411 million, an increase of 22.7% compared with the same period in 2007, representing 9.6% of the total transportation cost.

(3) **Labor cost**: the Group's total labor cost incurred in the first half of 2008 was approximately RMB436 million, an increase of 36.4% compared with the same period in 2007, representing 10.2% of the total transportation cost. Such change was due to: the salary level of crew members of the Group has increased by approximately 24% since the second half of 2007; and the change in the accounting treatment of welfare funds of employees due to the implementation of the new enterprise accounting standards.

(4) **Depreciation**: the Group's depreciation expenses incurred in the first of 2008 amounted to approximately RMB523 million, an increase of 19.4% compared with the same period in 2007, representing 12.3% of the total transportation cost. Such change was due to: the readjustments to the differences in the depreciation of vessels; and the change of number of vessels.

(5) **Lubricants expenses**: the Group's lubricants expenses incurred in the first half year was RMB 103 million, an increase of 11.0% as compared with the same period in 2007, representing 2.4% of the total transportation cost.

(6) **Insurance expenses**: the Group's insurance expenses incurred in the first half year was RMB 117 million, an increase of 30.5% compared with the same period in 2007, representing 2.7% of the total transportation cost.

(7) **Repair expenses**: the Group's repair expenses incurred in the first half of 2008 amounted to approximately RMB239 million, an increase of 21.7% compared with the same period in 2007, representing 5.6% of the total transportation cost.

4. **Financial analysis**

1 ***Net cash inflow***

During the Reporting Period, the net cash inflow from operating activities of the Group increased from approximately RMB2,750,907,000 for the corresponding period in the previous year to approximately RMB3,168,603,000, representing an increase of 15.18%.

2 ***Commitments on capital expenditures***

As at 30 June 2008, the commitments on capital expenditures for the Group amounted to approximately RMB22,773,282,000 (31 December 2007: approximately RMB23,599,675,000). The source of funding was mainly financed by the Company's working capital and bank loans.

3 ***Capital structure***

As at 30 June 2008, the equity attributable to equity holders of the Company, bank loans and other interest-bearing borrowings amounted to approximately RMB19,180,913,000 and approximately RMB6,149,258,000 respectively. The debt-to-equity ratio was 42.60% (31 December 2007: 46.00%).

4 ***Borrowings***

As at 30 June 2008, the Group's total borrowing was approximately RMB6,149,258,000. Borrowings repayable within one year amounted to approximately RMB2,045,219,000. Interests of the above loans were calculated at the annual rate from 5.913% to 6.804% or libor+0.25% to 1.00% or floating interest rates. The Group's debt ratio was 29.87%, calculated by dividing total liabilities over total assets of the Group.

5 ***Risk on foreign currency***

As at 30 June 2008, the Group's foreign exchange liabilities mainly comprised of bank loans payable in US Dollars equivalent to approximately RMB3,701,567,000.

In addition, the Company would pay dividend of H shares in Hong Kong dollars.

In order to avoid the risk of Renminbi appreciation, the Group actively made adjustments to its debt structure, and the ratio in US dollar indebtedness increased from 51.3% at the beginning of the year to about 60.2% as at 30 June 2008. During the Reporting Period, foreign exchange income and expenses were basically equal.

Given the increasing significance of the Group's international shipping business, changes in exchange rates will have certain impacts on the Group's profitability. Therefore, the Group will further strengthen its efforts in monitoring and studying exchange rate fluctuations, and will actively implement effective measures to strive to avoid exchange rate fluctuation risks. Firstly, the Group will strive to break even USD for its operations. Secondly, the Group will appropriately increase its USD loans. Thirdly, the Group will conscientiously analyse and compare available financial instruments for averting exchange rate risks, so as to hedge and lock in financial costs, and to effectively protect against risks caused by exchange rate fluctuations.

6 ***Interests in the jointly-controlled entities' results***

In the first half of 2008, the group has recognized its interests in the jointly-controlled entities' profits of RMB302,447,000, compared with RMB93,036,000 in the same period of 2007, representing a significant increase of 225.09% as compared with the same period of 2007. Such change was due to the significant increases in the fleet scale and the operating results achieved by the three jointly-controlled entities of the Group, namely Shanghai Times Shipping Co., Ltd., Zhuhai New Century Marine Co., Ltd. and Shanghai Friendship Marine Co., Ltd.. In the first half of 2008, the three jointly-controlled entities achieved a revenue of RMB 1,676 million, with a net profit of RMB 605 million. 2008, the three jointly-controlled entities owned 28 bulk vessels with total capacity of 1.22 million deadweight. In addition, 14 bulk vessels were under construction, with total capacity of 0.85 million deadweight.

5. **Material asset disposals**

In the first half of 2008, the Group continued to speed up adjustments to vessel structure, and disposed of 14 old vessels of 176,000 DWT, including 5 tankers of 61,000 DWT, 4 bulk vessels of 81,000 DWT and 5 container vessels of 34,000 DWT. The details of disposal of old vessels are as follows:

(Unit: Rmb'000)

Assets sold	**Price of Disposal** *(RMB'000)*	**Profit arising from disposal of assets** *(RMB'000)*	**Connected transaction (Yes/No)**	**Pricing Policy**
Jian Chi	23,889	17,948	Yes	Marketprice
Changhui	29,319	27,029	No	Marketprice
Chang Yang	24,098	22,617	No	Marketprice
Xu Zhou	33,523	31,650	No	Marketprice
Jian She7/8	17,000	15,323	No	Marketprice
Jian She 31/32	125,768	81,814	No	Marketprice
Chang Ning	32,320	31,350	No	Marketprice
Xing Xing/ Xiang Wang/ Xiang Xiu/ Xiang Da/ Xiang Wang	250,561	91,098	Yes	Marketprice

6. **Outlook and Focus in the Second Half of 2008**

In the second half of 2008, due to the global financial turmoil and rising prices of large bulk commodity such as energy, raw materials and food triggered by the problem of sub-prime mortgage in the US, global inflation pressure is expected to continue its increase, and the speed of economic growth is expected to undergo a further drop. At the same time, under the further impact of the macro control of the PRC government, it is expected that there will be a slight retraction in the domestic economy. However, the steady growth in the PRC economy will still be a driving force to the shipping demands for large bulk cargoes such as iron ore, coal and oil, which will allow the Group to capitalize on its advantages in both domestic and overseas trades, and providing favorable conditions for maintaining its healthy development.

In respect of international oil shipping, it is anticipated that in the second half year, the international market will basically maintain its favorable trend of the first half year. However, under the impact of unfavorable factors such as high standing oil prices which curbs the growth in the global demand for oil, substantial increase in the investments for new vessels, the market will in the overall still risks drastic fluctuations and downward pressures.

In respect of international dry bulk cargo shipping, assuming global marine shipping demands remaining stable, it is anticipated that fluctuations in the level of activities in the international dry bulk cargo shipping market will remain high.

To cope with the current market situation, the Group will continue to carry out the following in the second half of 2008:

(1) Continue to enhance strategic cooperation with major customers, maintaining long-term stable strategic cooperation relationship, so as to further consolidate and expand the Company's share in the domestic and overseas shipping markets, and reduce operating risks brought about by fluctuation in shipping tariffs. In the first half of 2008, the Board approved the establishment of joint ventures by the Company with Shanghai Puyuan Shipping Company Limited, Baosteel Resources Co., Ltd. to expand the Group's iron ore shipping market. In respect of oil shipping, the Group will continue to enhance its strategic cooperation with major customers such as PetroChina, Sinopec, CNOOC, and to further sort out the pricing mechanism for coastal oil shipping. In addition, the Group will continue to enhance strategic cooperation with major customers, and negotiate with coal, power and steel enterprises for joint ventures, so as to promote the sustained and steady development of the Group's business.

(2) Continue to enhance adjustments to vessel structure, and further optimize fleet structure, so as to enhance shipping efficiency of vessels. In the first half of 2008, the Group had disposed of 14 old vessels of 176,000 DWT, and plans to dispose of 4 old vessels of 86,300 DWT in the second half year. In order to compensate for shortage in coal shipping capacity, the Group had completed renovation to 1 oil tanker and 4 container vessels, and increased dry bulk cargo shipping capacity of 182,900 DWT in the first half year. In the first half year, one 46,000 DWT oil tanker had been delivered for use, and five new vessels with a total tonnage of 490,000 DWT are scheduled for delivery in the second half year. As at 30 June 2008, the Group had a total of 172 vessels with 7,702,600 DWT. The composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight**	**Average age**
Tankers	56	3,579,600	9.6
Bulk vessels	116	4,122,900	20.4
Total	**172**	**7,702,500**	**16.9**

At the same time, the Group has further enhanced its efforts in the supervision of building new vessels, so as to ensure timely delivery of new vessels. In the first half of 2008, the Group has entered into contracts for the construction of 8 bulk cargo vessels with a tonnage of 76,000 DWT for each. Currently, the Group has a total of 66 vessels with 9.254 million DWT under construction, which are all scheduled for delivery by the end of 2012. Total capital expenditure between 2008 and 2012 is expected to be approximately RMB26.5 billion.

Given the Group's existing scope and structure of dry bulk cargo fleet, currently the Group (including its associated companies) has a market share of approximately 27.5% in the domestic coastal coal shipping market in the PRC. This market share is expected to drop further in the coming years. The Group will further enhance its strategic cooperation relationship with the major customers, and renew and enhance its shipping capacity through various ways, and make efforts to enhance its market share in coastal coal shipping.

(3) Continue to implement various measures for reducing expenses, and focus on controlling fuel costs. The Group will continue to strengthen market analysis, adopt effective measures such as strengthening management and control of fuel purchase and supply, lock in certain fuel prices, reduce unit consumption of fuel and further improve the surcharge terms for domestic coastal power coal and crude oil transportation. The Group will devote full efforts to controlling fuel and other costs, so as to strive to minimize the increase in costs.

(4) Continue to strengthen vessel chartering, and enhance the efficiency of vessel chartering. In the first half of 2008, the Group continued to increase its efforts in vessel chartering in the foreign trade market, and chartered 1 tanker of 47,000 DWT, 15 dry bulk cargo vessels of 1,120,000 DWT, with chartered shipping capacity representing approximately 15% of the self-owned shipping capacity. Under the current environment where the shipping market is operating at high costs with significant fluctuations, the operation and risk control of chartered vessels have greater difficulty. In the second half year, the Group will further strengthen tracking and studies on the international vessel chartering markets, and adopt measures to enhance the efficiency in vessel chartering and make efforts to avoid market risks.

IV. SIGNIFICANT EVENTS

(1) Changes in directors and supervisors

On 25 May 2007, the Group convened the Tenth Meeting of the Board of Directors of 2007, and agreed to recommend Mr. Zhu Yongguang as an independent non-executive director of the Company. The matter has been approved in the Company's 2008 first extraordinary general meeting held on 18 January 2008.

On 22 October 2007, the Company convened the Sixth Meeting of the Supervisory Committee of 2007, and agreed to recommend Mr. Yu Shicheng as an independent supervisor of the Company. The matter has been approved in the Company's 2008 first extraordinary general meeting held on 18 January 2008.

Mr. Ma Xun, the Company's independent non-executive director, has resigned on 15 July 2008. His resignation was approved in the 2008 Thirteenth Meeting of the Board of Directors held on 18 July 2008.

(2) Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

(3) **Compliance with the code of Corporate Governance Practice**

The Company has complied throughout the six months ended 30 June 2008 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(4) **Audit Committee**

In compliance with Rule 3.21 of the Listing Rules, the Company has established an audit committee to review the financial reporting procedures and internal control and to provide guidance thereto. The audit committee of the Company comprises 4 independent non-executive directors of the Company. The audit committee has reviewed the interim results of the Company for the Reporting Period.

(5) **Remuneration Committee**

The remuneration committee is headed by Mr. Hu Honggao, an independent non-executive director of the Company. The other three members of the remuneration committee are all independent non-executive directors of the Company. The remuneration committee of the Company has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

(6) **Compliance with the model code for securities transactions by Directors and Staff (the "Model Code") as set out in appendix 10 to the Listing Rules**

Following specific enquiries made with the directors, supervisors and chief executive of the Company, the Company has confirmed that each of them has complied with the Model Code during the six months ended 30 June 2008.

(7) **Employees**

Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results of the Company. Save from the remuneration policy disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. These training may be in different form, such as seminars, site visits and study tours.

(8) **Supplementary information to be published on the website of the Stock Exchange**

All details on the financial and related information of the Company containing all information as required by paragraph 46(1) to 46(9) of Appendix 16 to the Listing Rules is published on the website of the Stock Exchange (www.hkex.com.hk).

By order of the Board
China Shipping Development Company Limited
Li Shaode
Chairman

Shanghai, the PRC
12 August 2008

* *As at the date of this announcement, the Board of Directors of the Company is comprised of Mr. Li Shaode, Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia and Mr. Wang Kunhe as executive directors, Mr. Xie Rong, Mr. Hu Honggao, Mr. Zhu Yongguang and Mr. Zhou Zhanqun as independent non-executive directors.*