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)

Interim Report 2009

CONTENT

MANAGEMENT DISCUSSION AND ANALYSIS

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 2009 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2008. 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).

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), both domestically along the coastal region of the PRC, and internationally.

In the first half of 2009, the shipping market was affected by the international financial crisis, and saw the most severe downturn in recent years with sub-markets experiencing various levels of decline as compared with the same period in 2008.

Since late 2008, the Chinese government has adopted a package of positive fiscal policies, driving a substantial increase in steel consumption. According to the customs statistics of China, China imported a total 297 million tonnes of iron ore in the first half of 2009, representing an increase of 29.3% as compared with the same period in 2008. In addition, China imported 48.27 million tonnes of coal in the first half of 2009, representing an increase of 124% as compared with the same period in 2008, hitting a record high. Dominated and driven by the China factor, the international dry bulk cargo shipping market posted upwards and downwards performance in the first half of 2009. The Baltic Dry Bulk Freight Rate Index (the "**BDI**") progressively rose from 773 points at the beginning of the year to the highest of 4,291 points. The average BDI for the first half of 2009 was 2,128 points, representing a decrease of 75% as compared with the same period in 2008.

As for the domestic coastal bulk shipment market, thermal power generation in China dropped by 4.8% in the first half of 2009 as compared with the same period in 2008 due to decreased demand for power. Together with the impact from an increase in imported coal, the excess of supply over demand in terms of shipping capacity was extremely significant with a continued decline in coastal coal freight. The average of the China Coastal Bulk Freight Index (the "**CCBFI**") for the first half of 2009 was 1,113 points, representing a decrease of 56% as compared with the same period in 2008. Affected by coal power negotiations and low spot market freight, only 68.25 million tonnes of cargo volume were confirmed to the Group for coastal contracts of affreightment ("**COA contracts**") for 2009, representing 76.3% of the Group's contracted shipping volume in 2008, and benchmark freight for the COA contracts dropped by 39% as compared with 2008.

As for the international oil shipping market, affected by the global financial crisis, the demand for international oil transportation decreased, and freight of all routes remained low and showed a month by month declining trend. The Baltic Dirty Oil Tanker Freight Rate Index ("**BDTI**") averaged at 589 points for the first half of 2009, representing a decrease of 62% as compared with the same period in 2008. 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 42 points for the first half of 2009, representing a decrease of 72% as compared with the same period in 2008.

On the contrary, in the first half of 2009, the overall demand for domestic coastal oil shipment was relatively stable, but the market competition became increasingly intense. The Group enhanced strategic cooperation with major customers so as to keep its market share, and freight rate was relatively stable for the domestic coastal oil shipping business. Domestic coastal oil shipping business became the highlight of the Group's operation during the first half of 2009.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD

In the first half of 2009, the Group continued to heavily promote refined management in aspects such as production operation, vessel management and cost control. In addition, the Group took positive measures to tackle the impact brought about by the international financial crisis and the global economic recession on the shipping market and has overcome the adverse market conditions.

During the Reporting Period, the shipping volume achieved by the Group was 101.6 billion tonne-nautical miles and the total turnover derived from shipment (after business tax and surplus, the same below) was approximately RMB4,119 million, representing a decrease of approximately 10.6% and approximately 54.8% respectively as compared with the first half of 2008. Cost of operations was approximately RMB3,274 million, a decrease of approximately 39.2% as compared with the same period in 2008. Net profit was approximately RMB615 million, representing a decrease of approximately 80.7% as compared with the same period in 2008, and basic earnings per share was approximately RMB0.1802.

An analysis of the principal operations in terms of products transported is as follows:

Sub-business or sub-product	Turnover (RMB'000)	Operating costs (RMB'000)	Gross profit margin *(%)*	Increase/ decrease in turnover as compared with the same period in 2008 *(%)*	Increase/ decrease in operating costs as compared with the same period in 2008 *(%)*
Coal transportation	1,291,359	1,010,423	21.8	(66.5)	(40.7)
Oil transportation	2,345,564	1,734,940	26.0	(20.0)	(12.5)
Other dry bulk cargoes transportation	372,330	415,814	(11.7)	(70.1)	(27.5)
Chartering of vessels	110,218	112,926	(2.5)	(89.9)	(89.9)
Total	4,119,471	3,274,103	20.5	(54.8)	(39.2)

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

An analysis of the principal operations in terms of geographical regions is as follows:

Regions	Turnover (RMB'000)	Increase/ decrease in turnover as compared with the same period in 2008 (%)
Domestic transportation	2,494,007	(51.7)
International transportation	1,625,464	(58.9)
Total	4,119,471	(54.8)

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(1) Shipping business - Dry bulk shipments

In the first half of 2009, the Group adjusted its operating strategy and shipping capacity layout in a timely manner in response to changes in dry bulk shipment markets for domestic and foreign trade. For coastal coal shipping, the Group focused on COA contracts and properly deployed its shipping capacity so as to fully satisfy the needs of customers. Meanwhile, the Group captured the opportunity of increased BDI and increased imported coal to release greater shipping capacity for foreign trade and optimize the route portfolio, achieving better results.

In the first half of 2009, the Group achieved a shipping volume of approximately 45.68 billion tonne-nautical miles of dry bulk cargoes, and turnover of approximately RMB1,665 million was achieved, representing a decrease of approximately 28.2% and approximately 67.3% respectively as compared with the same period in 2008. An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2009 (billion tonne nautical miles)	In the first half of 2008 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic			
Coal transportation	**24.57**	39.28	**(37.4)**
Other dry bulk cargoes transportation	**3.21**	4.48	**(28.4)**
International			
Coal transportation	**3.41**	2.46	**38.7**
Other dry bulk cargoes transportation	**14.49**	17.41	**(16.8)**
Total	**45.68**	63.63	**(28.2)**

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(1) Shipping business - Dry bulk shipments (Continued)

Turnover by cargo specie

	In the first half of 2009 ***(RMB million)***	In the first half of 2008 *(RMB million)*	**Increase/ decrease** *(%)*
Domestic			
Coal transportation	**1,194**	3,725	**(68.0)**
Other dry bulk cargoes transportation	**129**	353	**(63.6)**
International			
Coal transportation	**98**	125	**(22.0)**
Other dry bulk cargoes transportation	**244**	891	**(72.7)**
Total	**1,665**	5,094	**(67.3)**

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

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(2) Shipping business - Oil shipments

In the first half of 2009, amidst sustained market downturn, the Group focused on the operation of key routes, key vessels and key demand sources and enhanced cooperation with major and long-term customers. Meanwhile, the Group fully leveraged on the advantage of its fleet for both domestic and foreign trade and released additional shipping capacity in the domestic trade market to optimize the vessel deployment and maximize the single-vessel effectiveness.

In the first half of 2009, the Group achieved a shipping volume of approximately 55.95 billion tonne-nautical miles of oil shipment, representing an increase of approximately 11.7% as compared with the same period in 2008, and turnover achieved was approximately RMB2,346 million, representing a decrease of approximately 20.0% as compared with the same period in 2008. The Group continued to consolidate its market share to above 60% for domestic coastal crude oil shipment in the first half of 2009. An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume and turnover in terms of cargo specie

	In the first half of 2009 (billion tonne nautical miles)	In the first half of 2008 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic			
Crude oil transportation	**7.16**	8.16	**(12.3)**
Refined oil transportation	**1.94**	0.95	**104.2**
International			
Crude oil transportation	**29.53**	23.83	**23.9**
Refined oil transportation	**17.32**	17.15	**1.0**
Total	**55.95**	50.09	**11.7**

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(2) Shipping business - Oil shipments (Continued)

Turnover by product specie

	In the first half of 2009 *(RMB million)*	In the first half of 2008 *(RMB million)*	**Increase/ decrease *(%)***
Domestic			
Crude oil transportation	**975**	982	**(0.7)**
Refined oil transportation	**197**	100	**97.0**
International			
Crude oil transportation	**455**	825	**(44.9)**
Refined oil transportation	**719**	1,024	**(29.8)**
Total	**2,346**	2,931	**(20.0)**

(3) Vessel chartering business

To control the risks arising from significant fluctuations in the international vessel chartering market, the Group has successively terminated most charter parties in bulk vessels since the second half of 2008. As at 30 June 2009, there was one bulk vessel under charter with capacity of 49,000 deadweight tonnes and the charter party will expire in February 2010. In the first half of 2009, the Group achieved a turnover of approximately RMB 110 million from vessel chartering, and incurred chartering cost of approximately RMB 113 million, representing a decrease of approximately 89.9% as compared with the same period in 2008.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(4) Cost analysis

In the first half of 2009, affected by a reduction in global oil demand, international crude oil prices experienced a relatively sharp decline as compared with the same period in 2008. However, with the Chinese economy and the world economy gradually gaining stability, international crude oil prices have rebounded after bottoming out. The average price of Singapore 180CST fuel for the first half of 2009 dropped by 43% as compared with the same period in 2008.

In the first half of 2009, the Group continued to focus on "increasing revenue, reducing expenses and controlling costs", heavily promoted refined management and endeavoured to reduce fuel consumption by saving energy through technological management means. Besides, through advanced control and management in various aspects, the Group effectively controlled major transportation costs such as fuel cost, port charges and repair expenses.

In the first half of 2009, the total operating cost incurred was RMB3,274 million, a decrease of 39.2% as compared with the same period in 2008. The composition of the main operating cost are analysed as follows:

(a) **Fuel cost:** the Group's fuel cost incurred in the first half of 2009 was approximately RMB1,151 million, a decrease of approximately 42.0% compared with the same period in 2008, representing approximately 36.4% of the total transportation cost. The unit fuel consumption was 4.2 kg per thousand nautical miles, remaining similar to that compared with the same period in 2008.

(b) **Port charges:** port charges incurred in the first half of 2009 was approximately RMB344 million, a decrease of approximately 16.3% compared with the same period in 2008, representing approximately 10.9% of the total transportation cost.

(c) **Labor cost:** the Group's total labor cost incurred in the first half of 2009 was approximately RMB479 million, an increase of approximately 9.9% compared with the same period in 2008, representing approximately 15.2% of the total transportation cost.

(d) **Depreciation:** the Group's depreciation expenses incurred in the first half of 2009 amounted to approximately RMB500 million, a decrease of approximately 4.3% compared with the same period in 2008, representing approximately 15.8% of the total transportation cost.

2. DISCUSSION AND ANALYSIS OF OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

(4) Cost analysis (Continued)

(e) **Lubricants expenses:** the Group's lubricants expenses incurred in the first half of 2009 was approximately RMB95 million, a decrease of approximately 8.0% as compared with the same period in 2008, representing approximately 3.0% of the total transportation cost.

(f) **Insurance expenses:** the Group's insurance expenses incurred in the first half of 2009 was approximately RMB110 million, a decrease of approximately 6.2% compared with the same period in 2008, representing approximately 3.5% of the total transportation cost.

(g) **Repair expenses:** the Group's repair expenses incurred in the first half of 2009 amounted to approximately RMB236 million, a decrease of approximately 1.5% compared with the same period in 2008, representing approximately 7.5% of the total transportation cost.

(5) Interests in the jointly-controlled entities' results

In the first half of 2009, the Group has recognized its shares in the jointly-controlled entities' losses of RMB428,400, a decrease of 100.1% as compared with the same period of 2008. The main reason for such change was due to the significant decreases in the cargo volume and freight in domestic bulk shipping business, 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 2009, the three jointly-controlled entities achieved a shipping volume of 12.34 million tones, a decrease of 35.2% as compared with the same period in 2008. The turnover achieved by the three jointly-controlled entities in the first half of 2009 was RMB658 million, representing a decrease of 60.8% as compared with the same period in 2008. As at 30 June 2009, the three jointly-controlled entities owned 29 bulk vessels with total capacity of 1,272,000 deadweight tonnes.

3. FINANCIAL ANALYSIS

(1) Net cash inflow

During the Reporting Period, the net cash inflow from operating activities of the Group is approximately RMB1,108,643,000, representing a decrease of 64.98%, as compared to approximately RMB3,165,645,000 for the corresponding period in 2008.

(2) Commitments on capital expenditures

As at 30 June 2009, the commitments on capital expenditures for the Group amounted to approximately RMB19,025,570,000 (31 December 2008: approximately RMB21,110,745,000). The source of funding was mainly financed by the Company's working capital and bank loans.

(3) Capital structure

As at 30 June 2009, the equity attributable to equity holders of the parent, bank loans and other interest-bearing borrowings amounted to approximately RMB20,970,002,000 and approximately RMB7,235,542,000 respectively. The debt-to-equity ratio was 45.8% (31 December 2008: 39.2%).

(4) Borrowings

As at 30 June 2009, the Group's total borrowing was approximately RMB7,235,542,000. Borrowings repayable within one year amounted to approximately RMB3,966,038,000. Interests of the above loans were calculated at the annual rate from 1.45% to 6.80% or libor+0.38% to 1.00% or floating interest rates. Borrowing repayable over one year amounted to approximately RMB 3,269,504,000. Interests of the above loans calculated at the annual rate from 5.670% to 6.804% or libor+0.38% to 0.45% or floating interest rates.

The Group has no seasonal borrowing.

The Group's bank loans are secured by pledges or mortgages of the Group's 6 vessels under construction and another 6 vessels with total net carrying amount of RMB2,625,987,000 and RMB2,305,298,000 on 30 June 2009 respectively.

Except for unsecured bank loans of RMB341,595,000 and secured bank loans of RMB3,493,947,000 which are denominated in USD, all other borrowings are denominated in RMB.

As at 30 June 2009, the Group's debt ratio was 31.2%, calculated by dividing total liabilities over total assets of the Group (31 December 2008: 27.9%).

(5) Cash and cash equivalent

As at 30 June 2009, cash and cash equivalent held by the Group was approximately RMB866,908,000, of which approximately RMB554,208,000 was in RMB and approximately RMB312,700,000 was in other currencies (USD, HKD, EUR, JPY, GBP, etc).

3. FINANCIAL ANALYSIS (Continued)

(6) Risk on foreign currency

As at 30 June 2009, the Group's foreign exchange liabilities mainly comprised of bank loans payable in US dollars equivalent to approximately RMB3,835,542,000. In addition, the Company will pay dividend of H shares in Hong Kong dollars.

In order to avoid the risks caused by exchange rate fluctuations, the Group actively made adjustments to its debt structure, and the ratio in US dollar indebtedness increased from approximately 52.7% at the beginning of the year to approximately 53.0% as at 30 June 2009. During the Reporting Period, foreign exchange income and expenses were basically balanced.

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 US dollar income and expenses for its operations. Secondly, the Group will conscientiously analyze for consistency 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.

4. MATERIAL INVESTMENT

In the first half of 2009, four new tankers with total capacity of 431,000 deadweight tonnes and one new bulk vessel with capacity of 57,000 deadweight tonnes have been delivered for use. In the first half of 2009, the total turnover derived from shipment by the 5 vessels was approximately RMB108,591,000 and the gross profit was approximately RMB12,848,000. In the first half of 2009, the total capital expenditure of approximately RMB2,385,437,000 has been paid, of which approximately RMB1,953,301,000 has been paid for the construction of vessels.

5. MATERIAL ASSET DISPOSALS

In the first half of 2009, the Group disposed of 5 old vessels of 89,000 deadweight tonnes, including 2 tankers totalling 10,000 deadweight tonnes and 3 bulk vessels totalling 79,000 deadweight tonnes. The details of disposal of old vessels are as follows:

Assets sold	Price of Disposal (RMB'000)	Profit/ (Loss) arising from disposal of assets (RMB'000)	Connected transaction (Yes/No)	Pricing Policy
Yin Quan	12,000	8,227	No	Market price
Ming Quan	12,800	9,031	No	Market price
Da Qing 63	11,310	64	Yes	Market price
Dan Xia Shan	9,103	(1,146)	Yes	Market price
Fu Zhou	10,895	10,311	Yes	Market price
Total	56,108	26,487		

6. ASSET ACQUISITION

Counter parties	Asset acquired	Date of acquisition	Price of acquisition (RMB'000)	Connected transaction (Yes/No)	Pricing Policy
China Shipping (Group) Company	35% equity interest of China Shipping Group Liquefied Gas Investment Co., Ltd. **("China Shipping Gas")**	30 April 2009	35,096.67	Yes	Appraisal price
Guangzhou Maritime Transport (Group) Co., Ltd	25% equity interest of China Shipping Gas	30 April 2009	25,069.04	Yes	Appraisal price
Shanghai Shipping (Group) Company	25% equity interest of China Shipping Gas	30 April 2009	25,069.04	Yes	Appraisal price
Dalian Shipping (Group) Company	15% equity interest of China Shipping Gas	30 April 2009	15,041.42	Yes	Appraisal price

Loss arising from the asset acquired in the first half year as at 30 June 2009 amounted to approximately RMB2,555,000.

7. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2009

Since late 2008, with the introduction of a package of economic stimulation policies by the Chinese government in response to the international financial crisis, the regaining of economic stability and positive performance of the Chinese economy is increasingly apparent. In the first half of 2009, China's GDP grew by 7.1% year on year, and the growth of GDP in the second quarter rose to 7.9%. The Chinese economy is expected to recover before others. Nevertheless, there are a lot of uncertainties for the global economic recovery. The World Bank estimates the global economy will experience a negative growth of 2.9% in 2009. WTO predicts the total trade volume will shrink by 10% in 2009. In respect of the shipping market, 2009 is a peak year for the delivery of shipping capacity. According to the estimate made by Drewry Shipping Consultants Ltd. (an independent maritime advisor headquartered in London), although a certain portion of orders have been cancelled or delayed, the capacity scale of bulk and tanker fleet will still increase by 5.6% and 6.2% respectively in 2009. The imbalance between demand and supply is relatively significant. The conditions for the shipping market remains harsh.

To cope with the current market situation, the Group will continue to carry out the following in the second half of 2009:

(a) Continue to enhance strategic cooperation with major customers and maintain long-term stable strategic cooperation relationship so as to further consolidate and expand the Group's share in the domestic and overseas shipping markets and reduce operating risks brought about by fluctuation in shipping tariffs. In January 2009, the Board of the Company approved the formation of a joint venture shipping company between the Company and Beijing Shougang Investment Management Limited and China Shougang International Trade & Engineering Corp., so as to provide steel transportation service for the Shougang Group. In March 2009, the Board approved the formation of a joint venture company between the Company and PetroChina International Co., Ltd., to carry out LNG transportation business. In addition, the Group visited a number of domestic and overseas major customers, and strived to make a new breakthrough in promoting cooperation between shipping enterprises and customers at a higher level.

7. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2009 (Continued)

(b) Continue to speed up adjustments to vessel composition and further optimize fleet structure so as to improve the shipping efficiency. In the second half of 2009, the Group is scheduled to dispose of 6 old vessels of totalling 212,000 deadweight tonnes. In the first half of 2009, 5 new vesssels with a total capacity of 488,000 deadweight tonnes have been delivered for use. Besides, 14 new vessels with a total capacity of 2,229,000 deadweight tonnes, including 10 tankers with a total capacity of 1,827,000 deadweight tonnes, and 4 bulk vessels with a total capacity of 402,000 deadweight tonnes, are scheduled to be delivered for use in the second half of 2009. As at 30 June 2009, the Group had a total of 167 vessels with an aggregate of 8,002,600 deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes ('000)	Average age (years)
Tankers	59	4,043	9.7
Bulk vessels	108	3,959	20.4
Total	167	8,002	16.5

(c) 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 and reduce unit fuel consumption so as to devote full efforts to control fuel and other costs. In the first half of 2009, the administration cost of the Group decreased by 11.7% as compared with the same period in 2008.

The continued restructuring of the Group's fleet structure and various measures such as fuel control have led to a continuous decline in the Group's unit fuel consumption from 5.17 kg per thousand tonne nautical mile in 2004 to the current 4.2 kg per thousand tonne nautical mile. Reducing the unit fuel consumption not only reduces corporate costs but also improves the corporate operating efficiency. It is also a strategic choice for scientific development, which fully reflects the corporate social responsibility of the Group for environmental protection.

(d) Expand financing channel to ensure the capital required in the Group's development. The Group will further strengthen its cooperation relationship with banks, maintain smooth financing channels and establish emergency financing preparation plans. In February 2009, the Board of the Company passed the resolution for the proposed issue of the medium-term notes (the "**Medium-Term Notes**") with a principal amount of up to and including RMB5 billion. RMB3 billion Medium-Term Notes were issued on 3 August 2009, and the remaining RMB2 billion Medium-Term Notes are scheduled to be issued in the fourth quarter of 2009. The issue of the Medium-Term Notes will be helpful to optimize the capital structure of the Company and reduce funding costs.

7. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2009 (Continued)

(e) Strengthen risk precaution and internal control and establish risk dynamic management mechanism. The Group will be closely monitoring the risks generated from the new operational environment, strengthen the research and analysis of market and business risks, reinforce the management and control over significant events as well as critical steps. Since June 2009, the Group has formally implemented the establishment of a general risk management system so as to provide reliable support and protection for the stable and healthy development of the Group.

8. SIGNIFICANT EVENTS

(1) Changes in directors, supervisors and senior management

On 10 March 2009, the Company convened the Fourth Meeting of the Board of 2009 and resolved to appoint Mr. Qiu Guoxuan as the deputy general manager of the Company. Besides, due to redeployment, Mr. Wang Kunhe was no longer the deputy general manager of the Company.

On 2 April 2009, Mr. Luo Yuming and Ms. Chen Xiuling were recommended by the Company's union to be re-elected as staff representatives of the Supervisory Committee of the Company.

On 25 May 2009, the Company convened the Annual General Meeting of 2008 and elected the members of the Board and the Supervisory Committee for a new term (excluding the staff representatives of the Supervisory Committee).

As at the date of this report, the Board of the Company comprised of Mr. Li Shaode, Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia and Mr. Qiu Guoxuan as executive directors, Mr. Zhu Yongguang, Mr. Gu Gongyun, Mr. Zhang Jun and Mr. Lu Wenbin as independent non-executive directors.

As at the date of this report, the Supervisory Committee of the Company comprised of Mr. Kou Laiqi, Mr. Xu Hui, Mr. Yan Zhichong as supervisors, Mr. Yu Shicheng as an independent supervisor, and Mr. Luo Yuming and Ms. Chen Xiuling both as staff representatives of Company.

(2) Directors' and supervisors' interests in contracts

As at 30 June 2009 or during the year, none of the directors or supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

8. SIGNIFICANT EVENTS (Continued)

(3) Directors' and supervisors' interests and short positions in shares and underlying shares of the Company

As at 30 June 2009, none of the directors, supervisors, chief executive or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(4) Directors' and supervisors' rights to acquire shares or debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or supervisors to acquire such rights in any other body corporate.

(5) 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.

(6) Compliance with the Code on Corporate Governance Practices

The Company has complied throughout the six months ended 30 June 2009 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**").

(7) 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 the four independent non-executive Directors of the Company. The audit committee has reviewed the interim results of the Company for the Reporting Period.

(8) Remuneration Committee

The remuneration committee comprised of the four 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.

8. SIGNIFICANT EVENTS (Continued)

(9) Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") (Appendix 10 of 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 2009.

(10) Employees

Adjustment of employee remuneration is 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 Company. Under this mechanism, management of employees' remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results for the Company. Save for the remuneration policy disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not receive any bonus. The Company regularly provides to its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Such training may be in different forms, such as seminars, site visits and study tours.

As at 30 June 2009, the Company had 3,961 employees. During the Reporting Period, the total staff cost was RMB533,905,000 (In the fist half of 2008: RMB466,010,000)

(11) Contingent Liabilities

On 28 December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage. After the investigation done by the Maritime Safety Administration, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. As the Company had been insured with an insurance company, UK P&I CLUB, the provision of its liability is limited to RMB36 million. The Company had been insured with an insurance company, UK P&I CLUB, and had made provision for its estimated loss. Up to 30 June 2009, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

In December 2007, "Fuzhou" collided with "Chongcheong 118", which sunk afterwards. According to the judgement made by the Maritime Law Count at Shanghai on 9 March 2009, Shanghai Boshan Steel has lost its appeal and the Company is allowed to set up a Limitation Fund for Maritime Claims Liability amounted to RMB16,318,000. Since the Company had been insured, all compensation will be borne by the insurance company. Up to 30 June 2009, the Company is still in the process of settling all the issues concerned.

8. SIGNIFICANT EVENTS (Continued)

(11) Contingent Liabilities (Continued)

In May 2008, one of the Company's cargo vessels "Ningon 11" collided with the pier at Shanghai resulting damages to the pier and the door. According to the judgment made by the Maritime Law Court at Shanghai on 10 June 2009, Shanghai Waigaoqiao Power Generation Co., Ltd. ("Shanghai Waigaoqiao") has lost its claim. The Company is allowed to set up a provision of liability fund which is limited to RMB25,443,000. The People's Insurance Company (Group) of China Shanghai branch, representing Shanghai Waigaoqiao, has already made an appeal. The case is still under investigation up to 30 June 2009. The Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company for the estimated loss from the claims. Up to 30 June 2009, the Company is still in the process of claiming compensation from the insurance company.

In August 2008, OLDENDORFF CARRIERS GMBH & CO. (the "tenant") rented "Wulingshan". Without noticing the Company, the agent of the tenant has given out a clean bill of lading stating no goods on board "Wulingshan" were damaged according to the tenant's will. The receiver, Minmetals Germany Gmbh found the delivery goods were damaged and requested compensation from the Company. On 5 May 2009, Minmetals Germany Gmbh and the Company both agreed the case to be held in London. The Swedish Club has issued a deed of security to Minmetals Germany Gmbh for USD 3 million, for any condition in favor against China Shipping Development Co., Ltd.. While, the Company is contacting the tenant for compensation, up to 30 June 2009, the case is still in process.

(12) Post Financial Statement Date Event

(a) At the Company's first board meeting of 2009 held on 8 January 2009, the Company passed the resolution regarding the formation of a joint venture shipping company with registered capital of RMB100,000,000 between the Company, Beijing Shougang Investment Management Limited and China Shougang International Trade & Engineering Corp. (CSITEC), a wholly-owned subsidiary of Shougang Group. The Company will account for 51% equity holding of the joint venture shipping company and will contribute RMB51,000,000 in the form of two 10,000 to 15,000 tons vessels to the joint venture company with references to the valuation (cash will be delivered to the joint venture company for the difference between RMB51,000,000 and the valuation of the two vessels, if the aggregate value of the two vessels is lower than RMB51,000,000). Up to the date of this report, the joint venture company has not yet been formed.

(b) At the Company's second board meeting of 2009 held on 6 February 2009, the Company passed the resolution for the proposed issue of the Medium-Term Notes with a principal amount of not more than RMB5 billion (inclusive) to inter-bank bond market institutional investors in the PRC, but not to the public. The maturity period of the notes is limited to 10 years (inclusive). The first portion of the Medium-Term Notes, RMB3 billion, was issued on 3 August 2009 with a maturity period of 5 years. The date of issue of was 3 August 2009, and cash was received for the related allotment on 4 August 2009 and the related interest expenses were incurred from such date. The Medium-Term notes were not guaranteed. Up to the date of this report, the issue date for the remaining RMB2 billion Medium-Term Notes has not yet been decided.

8. SIGNIFICANT EVENTS (Continued)

(12) Post Financial Statement Date Event (Continued)

(c) At the Company's third board meeting of 2009 held on 13 February 2009, the Company passed the resolution for the Company to enter into an investment agreement with China Shipping (Group) Company ("**China Shipping**") and its wholly-owned subsidiary, Guangzhou Maritime Transport (Group) Co., Ltd. ("**Guangzhou Maritime Transport**"), its subsidiaries China Shipping Container Lines Company Limited ("**CSCL**") and China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. ("**CS Haisheng**") for the establishment of China Shipping Finance Company Limited ("**CS Finance Company**"). The registered capital of CS Finance Company is RMB300,000,000, out of which 25%, amounting to RMB75,000,000, shall be contributed by each of the Company, China Shipping and CSCL, and as to 20%, amounting to RMB60,000,000 and 5%, amounting to RMB15,000,000, contributed by Guangzhou Maritime Transport and CS Haisheng respectively. The formation of the CS Finance Company has been approved by the China Banking Regulatory Commission. Up to the date of this report, the joint venture has not yet been formed.

(d) At the Company's fourth board meeting of 2009 held on 10 March 2009, the Company passed the resolution regarding the formation of a joint venture company, with a registered capital USD5,000,000, between the Company and PetroChina International Co., Ltd., a subsidiary of PetroChina Company Limited. The joint venture company is tentatively named China Northern Liquefied Natural Gas Transportation Investment Co., Ltd. and the place of incorporation of the company is intended to be Hong Kong. Through joint contribution, the Company will contribute USD4,500,000, representing 90% of the registered capital; PetroChina International Co., Ltd. will contribute USD500,000, representing 10% of the registered capital. Up to the date of this report, the joint venture has not yet been formed.

(e) On 20 July 2006, the Company signed a long-term contract of affreightment (the "**Long-term COA**") with China Petroleum & Chemical Corporation ("**Sinopec**") regarding import of crude oil into China for consistency. The term of the Long-term COA is for a period of ten years from 1 July 2006 until 30 June 2016. During the term of the Long-term COA, Sinopec is responsible for providing crude oil cargo for shipment based on the Company's transportation capacity. The shipment volume will start from 3.5 million to 4.5 million metric tonnes in 2006/2007 to be increased to 10 million to 12 million metric tonnes in the year of 2010. On the basis that there is growth in the crude oil imported by Sinopec and growth of the Company's transportation capacity, Sinopec will increase its shipment volume by 1 million to 2 million metric tonnes for each VLCC acquired by the Company. The Long-term COA also contains a mechanism for establishing the contractual freight for each shipment so as to limit fluctuation in market freight.

On 7 August 2009, the Company signed a memorandum regarding amendments to the Long-term COA with China International United Petroleum & Chemical Co., Ltd. (Asia), to make amendments to some terms and conditions of the Long-term COA. Such amendments have been effective from 1 June 2009.

8. SIGNIFICANT EVENTS (Continued)

(13) Expected results for the nine months ending 30 September 2009

The Group expects that the Group's results for the nine months ending 30 September 2009 shall decline by over 50% as compared with the same period in 2008.

(14) 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 as set out in this report is published on the website of the Stock Exchange (www.hkex.com.hk).

The financial information set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2008 and 2009, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the six months ended 30 June 2009, which will contain an unqualified auditors' report, will be delivered to shareholders as well as made available on the Company's website at (www.cnshippingdev.com).

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

Shanghai, the PRC
19 August 2009

INDEPENDENT REVIEW REPORT

Condensed Consolidated Interim Financial Statements prepared under accounting principles generally accepted in Hong Kong

To the board of directors of
CHINA SHIPPING DEVELOPMENT COMPANY LIMITED (the "Company")
(Established in the People's Republic of China as a joint stock company with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 22 to 51, which comprise the condensed consolidated statement of financial position of China Shipping Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

UHY VOCATION HK CPA LIMITED
Certified Public Accountants
David Tze Kin Ng, Auditor
Practising Certificate Number : P553

Hong Kong, 19 August 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 June **2009** **(Unaudited)** **RMB'000**	 2008 (Unaudited) RMB'000 (Restated)
Continuing operations			
Revenue			
Turnover	3	**4,119,471**	9,113,592
Operating costs		**(3,274,103)**	(5,381,480)
Gross Profit		**845,368**	3,732,112
Other income and gains	4	**90,506**	211,253
Marketing expenses		**(16,855)**	(17,902)
Administrative expenses		**(93,368)**	(105,746)
Other expenses		**(4,007)**	(3,265)
Share of (losses) / profits of jointly-controlled entities		**(428)**	302,447
Finance costs	6	**(30,481)**	(42,861)
PROFIT BEFORE TAX	5	**790,735**	4,076,038
Tax	7	**(175,582)**	(891,149)
PROFIT FOR THE PERIOD		**615,153**	3,184,889
OTHER COMPREHENSIVE INCOME			
Exchange realignment		**(5,700)**	(247,943)
Net gain / (loss) on cash flow hedges		**29,680**	(4,253)
Other comprehensive income / (losses) for the period (net of tax)		**23,980**	(252,196)
Total comprehensive income for the period		**639,133**	2,932,693
Profit for the period attributable to:			
Equity holders of the parent		**613,639**	3,184,889
Non-controlling interests		**1,514**	—
		615,153	3,184,889
Total comprehensive income attributable to:			
Equity holders of the parent		**637,624**	2,932,693
Non-controlling interests		**1,509**	—
		639,133	2,932,693
EARNINGS PER SHARE			
From continuing operations	8	**18.02 cents**	94.52 cents
DIVIDEND PER SHARE	9	**—**	—

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**27,036,710**	25,100,467
Investments in jointly-controlled entities		**1,478,253**	1,628,682
Available-for-sale investments		**4,300**	4,300
Derivative financial instruments	12	**64,645**	54,273
Total non-current assets		**28,583,908**	26,787,722
CURRENT ASSETS			
Bunker oil inventories		**249,950**	272,245
Trade and bills receivables	11	**742,721**	784,542
Prepayments, deposits and other receivables		**318,909**	241,115
Cash and cash equivalents		**866,908**	1,942,970
Total current assets		**2,178,488**	3,240,872
CURRENT LIABILITIES			
Trade and bills payables	13	**935,396**	528,827
Other payables and accruals		**438,487**	321,327
Tax payable		**75,242**	63,039
Current portion of interest-bearing bank and other borrowings	14	**3,966,038**	920,948
Total current liabilities		**5,415,163**	1,834,141
NET (CURRENT LIABILITIES)/CURRENT ASSETS		**(3,236,675)**	1,406,731
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,347,233**	28,194,453

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Note	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	**3,404,552**	3,404,552
Reserves		**17,565,450**	17,028,102
Proposed interim/final dividend		**—**	1,021,366
		20,970,002	21,454,020
Non-controlling interests		**195,959**	194,450
Total equity		**21,165,961**	21,648,470
NON-CURRENT LIABILITIES			
Other loans		**441,872**	442,067
Other payables and accruals		**101,000**	177,347
Derivative financial instruments	12	**32,693**	53,697
Interest-bearing bank and other borrowings	14	**3,269,504**	5,528,811
Deferred tax liabilities		**336,203**	344,061
Total non-current liabilities		**4,181,272**	6,545,983
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**25,347,233**	28,194,453

Li Shaode
Director

Mao Shijia
Director

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus /distribution deficit RMB'000	Convertible bonds equity reserve RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Dividend RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total equity RMB'000
At 1 January 2008	3,326,000	2,037,884	—	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	1,702,510	16,071,515	98,000	16,169,515
Prior year adjustment															
Adjustment on accounting for common control entity (Note 17)	—	—	100,000	—	—	—	—	—	—	—	—	—	100,000	—	100,000
As restated	3,326,000	2,037,884	100,000	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	1,702,510	16,171,515	98,000	16,269,515
Profit for the period	—	—	—	—	—	—	—	—	—	—	3,184,889	—	3,184,889	—	3,184,889
Net loss on cash flow hedges	—	—	—	—	—	—	—	(4,253)	—	—	—	—	(4,253)	—	(4,253)
Exchange realignment	—	—	—	—	—	—	—	—	—	(247,943)	—	—	(247,943)	—	(247,943)
Total comprehensive income for the period	—	—	—	—	—	—	—	(4,253)	—	(247,943)	3,184,889	—	2,932,693	—	2,932,693
Issue of new shares:															
- Convertible bonds equity	78,552	1,909,606	—	(109,177)	—	—	—	—	—	—	—	—	1,878,981	—	1,878,981
Dividend paid	—	—	—	—	—	—	—	—	—	—	—	(1,702,276)	(1,702,276)	—	(1,702,276)
At 30 June 2008 (unaudited)	3,404,552	3,947,490	100,000	—	168,829	2,005,398	93,158	9,485	1,019	(458,233)	10,008,981	234	19,280,913	98,000	19,378,913
At 1 January 2009	3,404,552	3,947,490	—	—	168,829	2,466,455	93,158	(8,326)	1,019	(455,436)	10,714,913	1,021,366	21,354,020	194,450	21,548,470
Prior year adjustment															
Adjustment on accounting for common control entity (Note 17)	—	—	**100,000**	—	—	—	—	—	—	—	—	—	**100,000**	—	**100,000**
As restated	**3,404,552**	**3,947,490**	**100.000**	—	**168,829**	**2,466,455**	**93,158**	**(8,326)**	**1,019**	**(455,436)**	**10,714,913**	**1,021,366**	**21,454,020**	**194,450**	**21,648,470**
Profit for the period	—	—	—	—	—	—	—	—	—	—	**613,639**	—	**613,639**	**1,514**	**615,153**
Net gain on cash flow hedges	—	—	—	—	—	—	—	**29,680**	—	—	—	—	**29,680**	—	**29,680**
Exchange realignment	—	—	—	—	—	—	—	—	—	**(5,695)**	—	—	**(5,695)**	**(5)**	**(5,700)**
Total comprehensive income for the period	—	—	—	—	—	—	—	**29,680**	—	**(5,695)**	**613,639**	—	**637,624**	**1,509**	**639,133**
Deemed distribution	—	**(276)**	**(100,000)**	—	—	—	—	—	—	—	—	—	**(100,276)**	—	**(100,276)**
Dividend paid	—	—	—	—	—	—	—	—	—	—	—	**(1,021,366)**	**(1,021,366)**	—	**(1,021,366)**
At 30 June 2009 (unaudited)	**3,404,552**	**3,947,214**	—	—	**168,829**	**2,466,455**	**93,158**	**21,354**	**1,019**	**(461,131)**	**11,328,552**	—	**20,970,002**	**195,959**	**21,165,961**

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,108,643**	3,165,645
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(1,849,904)**	(3,121,313)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(337,851)**	217,140
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,079,112)**	261,472
Cash and cash equivalents at beginning of the Period	**1,942,970**	1,166,873
Effect of foreign exchange rate changes, net	**3,050**	(37,486)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**866,908**	1,390,859
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**866,908**	1,390,859

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

1. CORPORATE INFORMATION

China Shipping Development Company Limited (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is located at 168 Yuan Shen Road, Shanghai, the PRC. During the period, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

(a) investment holding; and / or

(b) oil and cargo shipment along the PRC coast and international shipment; and / or

(c) vessel chartering.

In the opinion of the directors, the Company's ultimate holding company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated 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" and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

2.2 Significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values, as appropriate.

A number of new or revised HKFRSs are effective for the financial year beginning on 1 January 2009. Except as described below (Note 2.3), the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements for the six months ended 30 June 2009 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's 2008 Annual Report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN ACCOUNTING POLICIES

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the condensed consolidated interim financial statements. Except in certain cases, giving 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:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8 (Amendment)	Operating Segments
HK(IFRIC) - Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation

Impact of HKFRSs issued but not yet effective

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 39 (Amendment)	Eligible hedged items[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations[3]
HK(IFRIC) - Int 9 & HKAS 39 (Amendment)	Reassessment of Embedded Derivative and Financial Instrument: Recognition and measurement[1]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[2]

In May 2009, the HKICPA issued Improvements to HKFRSs which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

1 Effective for annual periods ending on or after June 30, 2009

2 Effective for annual periods beginning on or after July 1, 2009

3 Effective for annual periods beginning on or after January 1, 2010

3. REVENUE AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

(a) oil shipment;

(b) coal shipment;

(c) other dry bulk shipment; and

(d) rental income from vessel chartering

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 set out as follows:

	For the six months ended 30 June			
	2009 (Unaudited)		2008 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000 (Restated)	Contribution RMB'000 (Restated)
By principal activity :				
Oil shipment	**2,345,564**	**610,624**	2,930,489	948,553
Dry bulk shipment				
- Coal shipment	**1,291,359**	**280,936**	3,850,343	2,145,204
- Other dry bulk shipment	**372,330**	**(43,484)**	1,244,349	670,578
Rental income from vessel chartering	**110,218**	**(2,708)**	1,088,411	(32,223)
	4,119,471	**845,368**	9,113,592	3,732,112
Other income and gains		**90,506**		211,253
Marketing expenses		**(16,855)**		(17,902)
Administrative expenses		**(93,368)**		(105,746)
Other expenses		**(4,007)**		(3,265)
Share of (losses) / profits of jointly-controlled entities		**(428)**		302,447
Finance costs		**(30,481)**		(42,861)
Profit before tax		**790,735**		4,076,038

The Group determines its operating segments based on the reports reviewed by the Chief operating decision-makers that are used to make strategic decisions.

The net book values of oil vessels and cargo vessels at 30 June 2009 amounted to RMB10,025,364,000 and RMB5,041,200,000 respectively. Since the Group's assets and liabilities (other than the vessels) are not directly employed according to its business segments, nor could they be allocated to these segments on a reasonable basis, business segment information relating to segment assets and liabilities is not presented.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the six months ended 30 June			
	2009 (Unaudited)		2008 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000 (Restated)	Contribution RMB'000 (Restated)
By geographical area :				
Domestic	**2,494,007**	**774,213**	5,159,887	2,628,059
International	**1,625,464**	**71,155**	3,953,705	1,104,053
	4,119,471	**845,368**	9,113,592	3,732,112
Other income and gains		**90,506**		211,253
Marketing expenses		**(16,855)**		(17,902)
Administrative expenses		**(93,368)**		(105,746)
Other expenses		**(4,007)**		(3,265)
Share of (losses) / profits of jointly-controlled entities		**(428)**		302,447
Finance costs		**(30,481)**		(42,861)
Profit before tax		**790,735**		4,076,038
Turnover				
Total segment turnover		**4,119,471**		9,118,921
Less: inter-company transactions		**—**		(5,329)
Total consolidated turnover		**4,119,471**		9,113,592

The principal assets employed by the Group are located in the PRC, and accordingly, no segment analysis of assets and expenditure has been prepared for the period.

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Other income		
Government subsidy	**32,451**	25,000
Interest income	**24,000**	11,543
Others	**1,492**	18,653
	57,943	55,196
Other gains		
Gain on disposal of property, plant and equipment, net	**26,487**	321,929
Exchange gain / (losses), net	**3,529**	(41,250)
Fair value losses on equity investments at fair value through profit or loss	**—**	(134,000)
Profit from other investments	**1,319**	932
Service income from vessel management	**—**	285
Reversal of provision for bad and doubtful debts	**—**	8,161
Others	**1,228**	—
	32,563	156,057
Other income and gains	**90,506**	211,253

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Cost of shipping services rendered :		
Bunker oil inventories consumed and port fees	**1,436,392**	2,334,939
Others (Including vessel depreciation and crew expenses)	**1,837,711**	3,046,541
Depreciation	**501,126**	506,596
Operating lease rentals :		
Land and buildings	**12,951**	10,013
Vessels - International	**157,476**	1,326,316
Vessels - Domestic	**58,596**	86,941
	229,023	1,423,270
Staff costs (Including wages, salaries, pension and crew expenses)	**533,905**	466,010
Gain on disposal of property, plant and equipment, net	**(26,487)**	(321,929)
Reversal of provision for bad and doubtful debts	**—**	(8,161)
Fair value losses on equity investments at fair value through profit or loss	**—**	134,000
Dry-docking and repairs	**235,877**	239,000

6. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Total finance costs		
Interest on bank loans, overdraft or loan from capital market wholly repayable or by installment within five years	**89,252**	92,274
Interest on bank loans, overdraft or loan from capital market not required wholly repayable or by installment within five years	**29,630**	54,919
Other loan or borrowings	**10,333**	1,239
	129,215	148,432
Less : Interest capitalised	**(98,734)**	(105,571)
Finance costs	**30,481**	42,861

7. TAX

(i) Hong Kong Profits Tax

On 26 June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong profits tax was not provided for in the financial statements as the Group did not have any assessable profits arising in Hong Kong during the period ended 30 June 2009.

(ii) PRC Corporate Income Tax

Pursuant to the directive 2008 (113) jointly issued by the Shanghai State Tax Bureau and the Shanghai Bureau of Finance on 5 August 2008, the Company is entitled to a preferential income tax rate of 18%-24% effective from 1 January 2008. The existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. Accordingly, PRC corporate income tax of the Company has been provided at the rate of 20% (2008:18%) on the estimated assessable profits for the period.

Non-resident enterprises without an establishment or a place of business in the PRC or which have an establishment or a place of business in the PRC but which relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group.

7. TAX (Continued)

(ii) PRC Corporate Income Tax (Continued)

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Group:		
Hong Kong	**—**	—
PRC		
Charge for the period	**154,968**	809,205
Under provision in prior years	**30,183**	27,949
Deferred tax	**(9,569)**	53,995
Total tax charge for the period	**175,582**	891,149

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follow:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Accounting profit before tax	**790,735**	4,076,038
Less : Profit attributable to jointly-controlled entities and other investments	**(890)**	(303,379)
	789,845	3,772,659
Tax at the applicable tax rate of 25% (2008: 25%)	**197,461**	943,165
Tax effect of net income that is not taxable in determining taxable profit	**(42,493)**	(133,960)
Tax charge at the Group's effective rate	**154,968**	809,205
Tax under-provided in the previous period	**30,183**	27,949
Deferred tax	**(9,569)**	53,995
	175,582	891,149

8. EARNINGS PER SHARE

From continuing operations

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Profit attributable to equity holders of the Company	**613,639**	3,184,889
Weighted average number of ordinary shares in issue (thousands)	**3,404,552**	3,369,426
Basic earnings per share (RMB cents per share)	**18.02**	94.52

(b) Diluted

Diluted earnings per share is same as the basic earnings per share, as the Company does not have any potential dilutive ordinary shares during these periods.

9. DIVIDEND PER SHARE

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2008: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the construction of four oil tankers at cost of RMB1,673,138,000 and one bulk vessel at cost of RMB283,999,000 (six months ended 30 June 2008: one oil tanker at cost of RMB298,371,000) were completed and have been put into operation. Meanwhile, no second-hand vessel was purchased during these periods.

During the period, three dry bulk vessels with net carrying amount of RMB20,039,000 were disposed to related parties. In addition, two oil tankers with a net carrying amount of RMB6,151,000 were disposed to third parties.

11. TRADE AND BILLS RECEIVABLES

The carrying amounts of trade and bills receivables approximate their fair values.

Ageing analysis of trade and bills receivables is as follow:

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Balance RMB'000	**Percentage %**	Balance RMB'000 (Restated)	Percentage % (Restated)
1 - 3 months	**701,295**	**94%**	716,890	92%
4 - 6 months	**28,266**	**4%**	63,548	8%
7 - 9 months	**11,783**	**2%**	1,557	0%
10 - 12 months	**1,377**	**0%**	2,547	0%
	742,721	**100%**	784,542	100%
Provision for doubtful debts	**—**		—	
Trade and bills receivables, net	**742,721**		784,542	

The Group normally allows an average credit period of 30 days to its major customers, the customers for dry-bulk shipment need to pay 15 days rental charges in advance. The Group does not require its customers to provide goods as security purpose.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000 (Restated)	Liabilities RMB'000 (Restated)
Carried at fair value				
Cash flow hedges:				
- Cross currency swap agreements (a)	**64,645**	**—**	54,273	—
- Interest rate swap agreements (b)	**—**	**(32,693)**	—	(53,697)

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Cross currency swap agreements

As at 30 June 2009, the Group held two cross currency swap agreements designated as cash flow hedges in respect of expected future Japanese Yen ("**JPY**") bank loans for which the Group has firm commitments.

The terms of the cross currency swap agreements have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and an accumulated net gain of RMB53,979,000 was included in the hedging reserve as follow:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Total fair value gains included in the hedging reserve	**64,645**	54,273
Deferred tax on fair value gains	**(10,666)**	(8,955)
Accumulated net gains on cash flow hedges included in hedging reserve	**53,979**	45,318
Net gains on cash flow hedges included in hedging reserve for the current period or year	**8,661**	31,580

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate swap agreements

As at 30 June 2009, the total notional principal amount of the two outstanding interest rate swaps agreements held by the Group was RMB684,827,000.

During the period, the fixed interest rates were 4.40% per quarter and the floating rates of the bank loan were LIBOR + 0.42% or 0.45%. The gains and losses for the interest rate swap agreements during the period and year were as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Total fair value gain / (losses) included in the hedging reserve		
- From 1 January to 30 June	**21,004**	—
- From 1 July to 31 December	**—**	(53,697)
Hedge loan interest included in finance cost		
- From 1 January to 30 June	**(7,587)**	—
- From 1 July to 31 December	**—**	(4,482)
Net gain / (Total losses) on cash flow hedges of interest rate swap agreements for the current period or year	**13,417**	(58,179)

13. TRADE AND BILLS PAYABLES

The carrying amounts of trade and bills payables approximate their fair values.

Ageing analysis of trade and bills payables is as follow:

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Balance RMB'000	**Percentage %**	Balance RMB'000 (Restated)	Percentage % (Restated)
1 - 3 months	**636,351**	**68%**	410,973	79%
4 - 6 months	**242,629**	**26%**	12,914	2%
7 - 9 months	**47,001**	**5%**	7,566	1%
10 - 12 months	**9,415**	**1%**	91,525	17%
1 - 2 years	**—**	**0%**	5,849	1%
	935,396	**100%**	528,827	100%

The trade payables are non-interest-bearing and are normally settled in 1 - 3 months.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	**Maturity**	**30 June 2009 (Unaudited) RMB'000**	31 December 2008 (Audited) RMB'000 (Restated)
Current				
Secured	Libor + 0.38% to 0.45%	2009-2010	**224,443**	142,526
Unsecured	1.45% to 4.61%, Libor+0.7% to 1%	2009-2010	**3,741,595**	778,422
			3,966,038	920,948
Non-current				
Secured	Libor + 0.38% to 0.45%	2010 - 2021	**3,269,504**	2,781,121
Unsecured	Floating rate or 5.670% to 6.804%	2013	**—**	2,747,690
			3,269,504	5,528,811

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Analysed into:		
Bank loans:		
Within one year	**3,966,038**	920,948
In the second year	**397,486**	1,288,566
In the third to fifth year, inclusive	**1,146,101**	2,967,057
Over five years	**1,725,917**	1,273,188
	7,235,542	6,449,759

The Group's bank loans are secured by the Group's 6 vessels under construction and another 6 vessels with total net carrying amount of RMB2,625,987,000 and RMB2,305,298,000 on 30 June 2009 respectively.

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

Except for unsecured bank loans of RMB341,595,000 and secured bank loans of RMB3,493,947,000 which are denominated in USD, all other borrowings are denominated in RMB.

15. ISSUED CAPITAL

	30 June 2009 (Unaudited) Number of shares	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) Number of shares	31 December 2008 (Audited) RMB'000
Registered, issued and fully paid:				
State-owned legal person shares/ A shares of RMB1.00 each	**—**	**—**	—	—
Listed H shares of RMB1.00 each	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A shares of RMB1.00 each	**2,108,552,270**	**2,108,552**	2,108,552,270	2,108,552
	3,404,552,270	**3,404,552**	3,404,552,270	3,404,552

16. OPERATING LEASE ARRANGEMENT

(a) As lessor

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years.

As at 30 June 2009, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follow:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Within one year	**201,189**	344,173
In the second to fifth year, inclusive	**8,486**	16,585
After five years	**748**	1,497
	210,423	362,255

16. OPERATING LEASE ARRANGEMENT (Continued)

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels. The leases are negotiated for terms ranging from 6 months to 5 years.

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Within one year	**136,902**	353,764
In the second to fifth year, inclusive	**53,102**	175,480
After five years	**—**	—
	190,004	529,244

17. BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL

Acquisition of subsidiary in 2009

On 30 April 2009, the Company acquired 100% equity interest of China Shipping Liquefied Natural Gas Investment Company Limited ("China Shipping Gas"), from China Shipping, and its wholly-owned subsidiaries, Shanghai Shipping, Guangzhou Maritime Transport and Dalian Shipping. As at the valuation date of 31 December 2008, the valuation of the China Shipping Gas is RMB100,276,000. China Shipping Gas starts its operation in 2009.

Since the Company and China Shipping Gas are both under the ultimate control of China Shipping both before and after the business combination, and the control is not transitory, the acquisition is dealt with as business combination under common control. The condensed consolidated interim financial statements have been prepared based on the principles of merger accounting as if the business combination under common control had occurred from the date when China Shipping Gas first came under the control of China Shipping.

The details of the net assets acquired from the China Shipping Gas are as follows:

	30 April, 2009 RMB'000
Property, plant and equipment	551
Prepayments, deposits and other receivables	15,215
Cash and cash equivalents	83,110
Other payables and accruals	(396)
	98,480
Excess of purchase consideration over share of net assets acquired	1,796
	100,276
Satisfied by:	
Cash consideration paid	100,276

17. BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL (Continued)

Acquisition of subsidiary in 2009 (Continued)

The operating results previously reported by the Group for the period ended 30 June 2008 have been restated to include the operating results of the acquired company and business as set out below:

	The Group RMB'000 (As previously Reported)	Acquired Company and business under common control RMB'000	Total RMB'000	Consolidation Adjustment RMB'000	The Group RMB'000 (Restated)
Operating profit:					
Turnover	9,113,592	—	9,113,592	—	9,113,592
Profit before tax	4,076,038	—	4,076,038	—	4,076,038
Profit for the period	3,184,889	—	3,184,889	—	3,184,889

The financial position previously reported by the Group at 31 December 2008 has been restated to include the assets and liabilities of the acquired company and business as set out below:

	The Group RMB'000 (As previously Reported)	Acquired Company and business under common control RMB'000	Total RMB'000	Consolidation Adjustment RMB'000	The Group RMB'000 (Restated)
Financial position:					
Non-current assets	26,787,125	597	26,787,722	—	26,787,722
Current assets	3,141,088	99,784	3,240,872	—	3,240,872
Current liabilities	1,833,760	381	1,834,141	—	1,834,141
Non-current liabilities	6,545,983	—	6,545,983	—	6,545,983
Equity	21,548,470	100,000	21,648,470	—	21,648,470

18. CONTINGENT LIABILITIES

On 28 December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage. After the investigation done by the Maritime Safety Administration, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. As the Company had been insured with an insurance company, UK P&I CLUB, the provision of its liability is limited to RMB36 million. The Company had been insured with an insurance company, UK P&I CLUB, and had made provision for its estimated loss. Up to 30 June 2009, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

In December 2007, "Fuzhou" collided with "Chongcheong 118", which sunk afterwards. According to the judgement made by the Maritime Law Count at Shanghai on 9 March 2009, Shanghai Boshan Steel has lost its appeal and the Company is allowed to set up a Limitation Fund for Maritime Claims Liability amounted to RMB16,318,000. Since the Company had been insured, all compensation will be borne by the insurance company. Up to 30 June 2009, the Company is still in the process of settling all the issues concerned.

In May 2008, one of the Company's cargo vessels "Ningon 11" collided with the pier at Shanghai resulting damages to the pier and the door. According to the judgment made by the Maritime Law Court at Shanghai on 10 June 2009, Shanghai Waigaoqiao Power Generation Co., Ltd. ("Shanghai Waigaoqiao") has lost its claim. The Company is allowed to set up a provision of liability fund which is limited to RMB25,443,000. The People's Insurance Company (Group) of China Shanghai branch, representing Shanghai Waigaoqiao, has already made an appeal. The case is still under investigation up to 30 June 2009. The Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company for the estimated loss from the claims. Up to 30 June 2009, the Company is still in the process of claiming compensation from the insurance company.

In August 2008, OLDENDORFF CARRIERS GMBH & CO. (the "tenant") rented "Wulingshan". Without noticing the Company, the agent of the tenant has given out a clean bill of lading stating no goods on board "Wulingshan" were damaged according to the tenant's will. The receiver, Minmetals Germany Gmbh found the delivery goods were damaged and requested compensation from the Company. On 5 May 2009, Minmetals Germany Gmbh and the Company both agreed the case to be held in London. The Swedish Club has issued a deed of security to Minmetals Germany Gmbh for USD 3 million, for any condition in favor against China Shipping Development Co., Ltd.. While, the Company is contacting the tenant for compensation, up to 30 June 2009, the case is still in process.

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at 30 June 2009 of which RMB740,933,000 will be due within one year.

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000 (Restated)
Authorized and contracted for:		
Construction and purchases of vessels (Note)	**19,025,570**	21,110,745

Note: According to the construction purchase agreements entered into by the Group in 2006 to 2008, these capital commitments will fall due as from 2009 to 2012 respectively.

20. THE ULTIMATE HOLDING COMPANY

In the opinion of the directors, the ultimate holding company of the Company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, business transactions between the Group and its holding company, fellow subsidiaries, jointly-controlled entities as well as related parties for the periods are set out as below:

A services agreement signed in October 2006 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting and class meeting for holders of H shares and A shares held on 28 December 2006. Pursuant to the services agreement and a supplementary agreement entered into in 2006, China Shipping, its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operating of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The service agreement has been updated by a new agreement between China Shipping (and its subsidiaries and jointly-controlled entities) and is effective for 3 years from 1 January 2007 to 31 December 2009. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state price, market price or cost.

21. RELATED PARTY TRANSACTIONS (Continued)

(a) Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the period ended 30 June 2009 are set out below:

		For the six months ended 30 June	
	Pricing basis	**2009 (Unaudited) RMB'000**	2008 (Unaudited) RMB'000 (Restated)
Dry-docking, repairs and vessels restructuring expenses	State-fixed prices/ or market prices	**219,421**	247,787
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	Market prices	**771,159**	1,429,098
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	**18,184**	19,045
Crew expenses	Market prices	**25,121**	33,144
Accommodation, lodging and transportation for employees	Market prices	**3,158**	724
Medical services (for existing employees)	State-fixed prices	**5**	6
Miscellaneous management services	Market prices	**10,160**	11,997
Agency commissions	Market prices	**47,019**	62,998
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**1,683**	8,251

In connection with the above transactions and for other operating purposes, the Group made prepayments/ advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

21. RELATED PARTY TRANSACTIONS (Continued)

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

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	Note		(Restated)
Vessel chartering charges paid		**39,623**	34,926
Vessel chartering income received		**—**	13,383
Sale of vessels	(i)	**31,308**	274,450
Purchase of subsidiary	(ii)	**100,276**	—
Loan borrowed	(iii)	**3,000,000**	—
Loan interest payment	(iii)	**42,643**	—
Purchases of vessels, construction in progress and other non-current assets		**445,290**	730,386

Note:

The Group has entered into the following agreements:

(i) On 28 February 2009 and 31 May 2009, the Group has entered into three sales and purchase agreements with China Shipping Industry Co., Ltd. The Company agrees to sell and China Shipping Industry Co., Ltd. agrees to buy three dry bulk vessels. The total consideration amounted to RMB31,308,000 and it is determined by reference to the assets valuation report.

(ii) The amount is used for the purchase of all the equity interest of China Shipping Liquefied Natural Gas Investment Co., Ltd. ("China Shipping Gas") from China Shipping, Shanghai Shipping (Group) Company ("Shanghai Shipping"), Guangzhou Maritime Transport (Group) Co., Ltd. ("Guangzhou Maritime Transport") and Dalian Shipping (Group) Company ("Dalian Shipping"). Please refer to Note 17 for details.

(iii) On 12 March 2009, the Company has received a loan of RMB3 billion from China Shipping. The loan is used for early repayment of other borrowings with higher interest rate and is to be settled on 11 September 2009. The annual interest rate is 4.61% and the related interest expenses RMB42,643,000 for the period have been included in the finance cost.

22. POST FINANCIAL POSITION DATE EVENT

(a) At the second board meeting held on 6 February 2009, the Company passed the resolution of the proposed issue of the medium-term notes (the "Medium-Term notes") with a principal amount of not more than RMB5 billion (inclusive) to inter-bank bond market institutional investors in the PRC, but not to the public. The maturity of the notes is limited to 10 years (inclusive). Part of the Medium-Term notes, RMB3 billion were issued on 3 August 2009 with a maturity of 5 years. Cash was received for the related allotment on 4 August 2009 and the related interest expenses were incurred from the date. The medium-term notes were not guaranteed. Up to the date of this report, the issuing date of the remaining RMB2 billion Medium-Term notes has not yet decided.

(b) At the first board meeting held on 8 January 2009, the Company passed the resolution regarding the formation of a joint venture shipping company with registered capital RMB100,000,000 by the Company and Beijing Shougang Investment Management Limited and China Shougang International Trade & Engineering Corp. (CSITEC), a wholly-owned subsidiary of Shougang Group. The Company will account for 51% equity holding of the joint venture shipping company and will contributing RMB51,000,000 in the form of two 10,000 to 15,000 tons vessels to the joint venture company with references to the valuation (Cash will be delivered to the company for the difference between RMB51,000,000 and the valuation of the two vessels, if the valuation of the 2 vessels is lower than RMB51,000,000). Up to the date of this report, the joint venture has not yet been formed.

(c) At the third board meeting held on 13 February 2009, the Company passed the resolution which propose to enter into the investment with China Shipping (Group) Company ("China Shipping") and its wholly-owned subsidiaries or subsidiaries, Guangzhou Maritime Transport (Group) Co., Ltd. ("Guangzhou Maritime Transport"), China Shipping Container Lines Company Limited ("CSCL") and China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. ("CS Haisheng") for the establishment of CS Finance Company Limited ("CS Finance Company"). The registered capital of CS Finance Company is RMB300,000,000, out of which 25%, amounted to RMB75,000,000 shall be contributed by the Company and China Shipping and CSCL together with the 20%, amounted to RMB60,000,000 and 5%, amounted to RMB15,000,000 contributed by Guangzhou Maritime Transport and CS Haisheng respectively. The formation of the CS Finance Company has been approved by China Banking Regulatory Commission. Up to the date of this report, the joint venture has not yet been formed.

(d) At the forth board meeting held on 10 March 2009, the Company passed the resolution regarding the formation of a joint venture company, with a registered capital USD5,000,000, by the Company and PetroChina International Co., Ltd., a subsidiary of PetroChina Company Limited. The joint venture company is tentatively named China Northern Liquefied Natural Gas Transportation Investment Co., Ltd. and the place of incorporation of the company is Hong Kong. Through joint contribution, the Company will contribute USD4,500,000, representing 90% of the registered capital; PetroChina International Co., Ltd. will contribute USD500,000, representing 10% of the registered capital. Up to the date of this report, the joint venture has not yet been formed.

22. POST FINANCIAL POSITION DATE EVENT (Continued)

(e) On 20 July 2006, the Company signed a long-term contract of affreightment (the "Long-term COA") with China Petroleum & Chemical Corporation ("Sinopec") regarding import of crude oil into China for consistency. The term of the Long-term COA is for a period of ten years from 1 July 2006 until 30 June 2016. During the term of the Long-term COA, Sinopec is responsible for providing crude oil cargo for shipment based on the Company's transportation capacity. The shipment volume will start from 3.5 million to 4.5 million metric tonnes in 2006/2007 to be increased to 10 million to 12 million metric tonnes in the year of 2010. On the basis that there is growth in the crude oil imported by Sinopec and growth of the Company's transportation capacity, Sinopec will increase its shipment volume by 1 million to 2 million metric tonnes for each VLCC acquired by the Company. The Long-term COA also contains a mechanism for establishing the contractual freight for each shipment so as to limit fluctuation in market freight.

On 7 August 2009, the Company signed a memorandum regarding amendments to the Long-term COA with China International United Petroleum & Chemical Co., Ltd. (Asia), to make amendments to some terms and conditions of the Long-term COA. Such amendments have been effective from 1 June 2009.

23. COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified to conform to current period's presentation. Please refer to note 2 for the changes of accounting policies.

24. APPROVAL OF INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 19 August 2009.