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)

2010 INTERIM REPORT

(Hong Kong Stock Exchange Stock Code: 1138)
(Shanghai Stock Exchange Stock Code: 600026)

CONTENT

MANAGEMENT DISCUSSION AND ANALYSIS

1. ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD

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

In the first half of 2010, benefiting from the gradual recovery of global economy and economic stimulus policies in various countries, global trading and shipping market showed signs of recovery.

As for global dry bulk shipping market, China remained the key driving force in the world. According to General Administration of Custom of the PRC and the National Energy Bureau of the PRC, in the first half of 2010, China's import of main bulk cargo (being ores, coal and beans) increased by 4.1%, 70.6% and 16.8% compared with the same period last year, respectively. The demand for dry bulk shipment in other countries in the world also increased to various extents. In the first half year, the performance of the international dry bulk shipping market in general improved significantly compared with the same period last year. The Baltic Dry Bulk Freight Rate Index ("BDI") averaged daily at 3,165 points, up 48.7% compared with the same period last year.

As for domestic coastal bulk shipment, due to the decreased hydroelectric power generation resulted by the drought in Southwest China earlier this year, the thermal power generation in Eastern China increased, resulting increased coastal demand for coal shipment. The coastal coal shipping market maintained positive momentum in the first half of 2010. The coastal consolidated bulk freight index ("CCBFI") averaged daily at 1,512 points, up 35.8% compared with the same period last year.

As for international oil shipment, as global economy started to rebound, global oil demand gradually picked up, especially in developing countries. According to International Energy Agency, global oil demand increased by 2.4% in the first half of 2010 from the same period last year. China's crude oil demand recorded a strong growth. According to General Administration of Custom of the PRC, China's crude oil import amounted to 120 million tons in the first half of 2010, representing an increase of 30.2% over the same period last year. As a result of strong growth in China's demand for imported crude oil and the increase in transportation distance, the freight rate for very large crude oil carriers ("VLCC") was higher than expected earlier this year, those for other types of tankers remained sluggish though. The Baltic Dirty Tanker Index ("BDTI") averaged daily at 990 points, up 68.2% compared with the same period last year. The World Scale Index ("WS") for the shipping route from the Middle East to Japan, being one of the freight rate indicators for VLCC averaged at 88 points for the first half of 2010, representing an increase of 57.7% as compared with the same period in 2009.

The domestic coastal oil shipping market remained stable in the first half of 2010. The Group continued to maintain its leading position in the domestic oil shipping market by strengthening its operation and expanding in various market segments.

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

In the first half of 2010, capitalizing on the favorable opportunities brought by market recovery, the Group actively responded to market changes by timely adjusting its operation strategies, putting more effort into market expansion, enhancing its association and cooperation with its major customers, optimizing its fleet portfolio and strengthening its internal control. As a result, it managed to maintain positive momentum in its safety management, production and results of operation.

During the six months ended 30 June 2010 (the "Reporting Period"), the shipping volume achieved by the Group was 127.33 billion tonne-nautical miles and the total turnover derived from shipment (after business tax and surplus, the same below) was approximately RMB5,528 million, representing an increase of approximately 25.3% and approximately 34.2% respectively as compared with the first half of 2009. Cost of operations was approximately RMB4,252 million, an increase of approximately 29.9% as compared with the same period in 2009. Profit attributable to equity holders of parents was approximately RMB979 million, representing an increase of approximately 59.5% as compared with the same period in 2009, and basic earnings per share was approximately RMB0.2875.

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 2009 (%)	Increase/ decrease in operating costs as compared with the same period in 2009 (%)
Oil transportation	3,062,760	2,476,228	19.2	30.6	42.7
Coal transportation	1,694,162	1,275,932	24.7	31.2	26.3
Other dry bulk cargoes transportation	770,827	500,021	35.1	59.7	-5.4
Total	5,527,749	4,252,181	23.1	34.2	29.9

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 2009 (%)
Domestic transportation	3,453,585	38.5
International transportation	2,074,164	27.6
Total	5,527,749	34.2

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 2010 and in response to the changes in domestic and international dry bulk shipping markets, the Group was able to achieve balanced growth in its three major segments, being coastal, offshore and association, by proactively adjusting its operating strategies and shipping capacity layout.

With respect to coastal shipment, the Group fully leveraged on its advantages in management and service accumulated over years to actively expand its customer base, attracting potential customers while retaining its existing customers. The Group's contracted coastal bulk shipment through contracts of affreightment ("COA Contracts") which amounted to approximately 65 million tons in 2010, with average benchmark freight rate up 10.5% from the same period in 2009.

With respect to offshore shipment, the Group fully leveraged on its advantages of operating domestic and international trading at the same time and its long-term cooperation with major domestic customers, in order to expand shipment of imported bulk cargoes such as iron ores and coal. The two 230,000-ton VLOC vessels contracted for building by the Group in 2008 had been delivered for use in February and June 2010, respectively, marking a milestone in the development of the Group's dry bulk fleet.

With respect to association and cooperation, the Group continued to implement its strategies of cooperation with major customers and further expanded its association and cooperation coverage, which has consolidated the Group's control over coastal power and coal shipping market. In the first half of 2010, the market share of the Group (including its associated companies) in domestic coal shipping market reached 23.1%, representing an increase of 2.7% over the same period last year.

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

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

In the first half of 2010, the Group achieved a shipping volume of approximately 48.99 billion tonne-nautical miles of dry bulk cargoes, and a turnover of approximately RMB2,465 million was achieved, representing an increase of approximately 7.2% and approximately 39.0% respectively as compared with the same period in 2009. 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 2010 (billion tonne nautical miles)	In the first half of 2009 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic			
Coal transportation	**23.54**	24.57	**-4.2**
Other dry bulk cargoes transportation	**4.45**	3.21	**38.7**
International			
Coal transportation	**2.16**	3.41	**-36.7**
Other dry bulk cargoes transportation	**18.84**	14.49	**30.0**
Total	**48.99**	45.68	**7.2**

Turnover by cargo specie

	In the first half of 2010 (RMB million)	In the first half of 2009 (RMB million)	**Increase/ decrease (%)**
Domestic			
Coal transportation	**1,596**	1,194	**33.7**
Other dry bulk cargoes transportation	**234**	129	**81.4**
International			
Coal transportation	**98**	98	**0**
Other dry bulk cargoes transportation	**537**	354	**51.7**
Total	**2,465**	1,774	**39.0**

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 2010, there has been considerable fluctuation and variability in performance in various market segments of international oil shipments. Facing these challenges, the Group focused on the operation of its key routes, key vessels and key demand sources, especially its VLCC vessels, with an aim of achieving greater economic benefit. With respect to the domestic market, the Group captured the opportunities brought by increased shipping volume in the domestic market through focusing on attracting offshore oil shipment, taking advantage of its position with fleets of both domestic and foreign trade, increasing its shipping capacity in the domestic market and maximizing its return per vessel. The Group continued to consolidate its market share to above 60% for domestic coastal crude oil shipment in the first half of 2010.

In the first half of 2010, the Group achieved a shipping volume of approximately 78.35 billion tonne-nautical miles of oil shipment, representing an increase of approximately 40% as compared with the same period in 2009, and turnover achieved was approximately RMB3,063 million, representing an increase of approximately 30.6% as compared with the same period in 2009. 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 2010 (billion tonne nautical miles)	In the first half of 2009 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic			
Crude oil transportation	**9.46**	7.16	**32.1**
Refined oil transportation	**3.26**	1.94	**68.0**
International			
Crude oil transportation	**51.76**	29.53	**75.3**
Refined oil transportation	**13.87**	17.33	**-20.0**
Total	**78.35**	55.96	**40.0**

Turnover by cargo specie

	In the first half of 2010 (RMB million)	In the first half of 2009 (RMB million)	**Increase/ decrease (%)**
Domestic			
Crude oil transportation	**1,298**	975	**33.1**
Refined oil transportation	**325**	197	**65.0**
International			
Crude oil transportation	**897**	455	**97.1**
Refined oil transportation	**543**	719	**-24.5**
Total	**3,063**	2,346	**30.6**

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

(3) Cost analysis

In the first half of 2010, the Group continued to focus on "increasing revenue, reducing expenses and controlling costs", implemented detailed management and steadily carried out comprehensive budget management. 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 2010, the total operating costs incurred was RMB4,252 million, an increase of 29.9% as compared with the same period in 2009, 4.3 percentage points lower as compared with the growth of operating revenue. The composition of the main operating costs are analysed as follows:

(a) **Fuel cost**: the Group's fuel consumption volume was approximately 460,000 tons, and fuel cost incurred in the first half of 2010 was approximately RMB1,834 million, an increase of approximately 7.8% and 59.4% compared with the same period in 2009, representing approximately 43.1% of the total transportation cost. Due to the disposal of old vessels and delivery of new vessels, the unit fuel consumption was 3.61 kg per thousand nautical miles, down 14.0% compared with the same period in 2009.

(b) **Port charges and commission**: port charges incurred in the first half of 2010 was approximately RMB433 million, an increase of approximately 26.1% compared with the same period in 2009, representing approximately 10.2% of the total transportation cost.

(c) **Labor cost**: the Group's total labor cost incurred in the first half of 2010 was approximately RMB585 million, an increase of approximately 21.9% compared with the same period in 2009, representing approximately 13.7% of the total transportation cost.

(d) **Depreciation**: the Group's depreciation expenses incurred in the first half of 2010 amounted to approximately RMB632 million, an increase of approximately 26.4% compared with the same period in 2009, representing approximately 14.9% of the total transportation cost.

(e) **Lubricants expenses**: the Group's lubricants expenses incurred in the first half of 2010 was approximately RMB107 million, an increase of approximately 12.9% as compared with the same period in 2009, representing approximately 2.5% of the total transportation cost.

(f) **Insurance expenses**: the Group's insurance expenses incurred in the first half of 2010 was approximately RMB106 million, a decrease of approximately 3.4% compared with the same period in 2009, representing approximately 2.5% of the total transportation cost.

(g) **Repair expenses**: the Group's repair expenses incurred in the first half of 2010 amounted to approximately RMB245 million, an increase of approximately 3.8% compared with the same period in 2009, representing approximately 5.8% of the total transportation cost.

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

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

In the first half of 2010, the Group recognized its share in the four jointly-controlled entities' profit of approximately RMB110 million. In the Reporting Period, the four jointly-controlled entities achieved a shipping volume of 286 million tonne nautical miles, and achieved a turnover of approximately RMB2,317 million.

As at 30 June 2010, the four jointly-controlled entities owned 38 bulk vessels with total capacity of 1,758,000 deadweight tonnes, and 2 tankers with a total capacity of 81,000 deadweight tonnes.

The operating results achieved by the four jointly-controlled entities in the first half of 2010 are as follows:

Company name	**Interest held by the Company**	**Shipping volume** (billion tonne nautical miles)	**Operating revenue** (RMB'000)	**Net profit** (RMB'000)
Shanghai Times Shipping Co., Limited	50%	13.34	738,436	49,309
Shanghai Friendship Marine Co., Limited	50%	0.8	70,033	2,948
Huahai Petrol Transportation & Trading Co., Limited *(Note 1)*	50%	0.86	73,310	1,050
Shenhua Zhonghai Marine Co., Limited *(Note 2)*	50%	13.61	1,435,158	158,642

Notes:

(1) On 17 May 2010, the Company entered into the Share Transfer Agreement with the Vendor with Shanghai Shipping (Group) Company, a connected person of the Company, pursuant to which the Company agreed to purchase the 50% equity interest of Huahai Petrol Transportation & Trading Co., Limited, for a consideration of RMB144,459,154.80 in cash.

(2) At the 2010 first Board meeting held on 29 January 2010, the Company passed the resolution regarding the Capital Contribution Agreement to be signed by the Company and China Shenhua Energy Company Limited in relation to the increase in registered capital in Zhuhai New Century Shipping Company Limited. In accordance with the agreement, both parties agree to increase capital contribution to Zhuhai New Century Shipping Company for the first installment in 2010, and it is supposed that the total amount of the capital increase to be contributed by both parties from 2010 to 2012 will be approximately RMB4.6 billion. Up to the date of the financial statements were approved and authorised for issue, the Company has contributed RMB149,000,000 to Zhuhai New Century Shipping Company Limited for the first installment, and the date of finalization was 25 June 2010. Following the contributions by both parties, the company name changed from Zhuhai Century Shipping Company Limited to Shenhua Zhonghai Marine Company Limited, and the equity interest held by the Company changed from 50% to 49%.

3. FINANCIAL ANALYSIS

(1) Net cash inflow

During the Reporting Period, the net cash inflow from operating activities of the Group is approximately RMB1,456,842,000, representing an increase of 31.4%, as compared to approximately RMB1,108,643,000 for the corresponding period in 2009. The Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments.

(2) Commitments on capital expenditures

The Group had the following capital commitments at 30 June 2010 of which RMB2,006,890,000 will be due within one year.

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Authorized and contracted for:		
Construction and purchases of vessels (Note)	**15,082,765**	17,464,664
Equity Investments	**2,102,809**	2,103,051
	17,185,574	19,567,715

Note: According to the construction purchase agreements entered into by the Group from 2006 to June 2010, these capital commitments will fall due as from 2010 to 2012 respectively.

(3) Capital structure

As at 30 June 2010, the equity attributable to equity holders of the parent, bank loans and other interest-bearing borrowings amounted to approximately RMB21,978,251,000 and approximately RMB12,070,365,000 respectively. The debt-to-equity ratio was 54.9% (31 December 2009: 44.6%).

(4) Borrowings

As at 30 June 2010, the Group's total borrowing was approximately RMB12,070,365,000. Borrowings repayable within one year amounted to approximately RMB1,054,793,000. Interests of the above loans were calculated at the annual rate of 4.86% or libor+0.38% to 1.40% or floating interest rates. Borrowing repayable over one year amounted to approximately RMB 11,015,572,000. Interests of the above loans were calculated at the annual rate from 3.90% to 4.86% or libor+0.38% to 1.40% 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 3 vessels under construction and another 11 vessels with total net carrying amount of RMB956,348,000 and RMB5,563,504,000 on 30 June 2010 respectively.

Except for secured bank loans of RMB4,538,051,000 which are denominated in USD, all other borrowings are denominated in RMB.

As at 30 June 2010, the Group's debt ratio was 40.1%, calculated by dividing total liabilities over total assets of the Group.

3. FINANCIAL ANALYSIS (Continued)

(5) Risk on foreign currency

As at 30 June 2010, the Group's foreign exchange liabilities mainly comprised of bank loans payable in US dollars equivalent to approximately RMB4,775,732,000. 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 was approximately 39.6% as at 30 June 2010. During the Reporting Period, foreign exchange income and expenses were basically balanced.

Given the increasing revenue of the Group's international shipping business, changes in exchange rates will have certain impact 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 2010, 4 new tankers with a total capacity of 536,000 deadweight tonnes and 6 new bulk vessels with a total capacity of 689,000 deadweight tonnes have been delivered for use. In the first half of 2010, the total investment of the Group was approximately RMB3,658,877,900, of which approximately RMB3,331,453,900 was paid for the acquisition of fixed assets in cash.

5. MATERIAL ASSET DISPOSALS

In the first half of 2010, the Group disposed of 12 old vessels of 358,000 deadweight tonnes, including 2 tankers totalling 21,000 deadweight tonnes and 10 bulk vessels totalling 337,000 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
Da Qing 217	4,850	1,661	No	Market price
Da Qing 234	17,601	11,027	No	Market price
Hua De	18,384	17,270	No	Market price
Yin Bin	44,623	15,140	No	Market price
Yin Yang	46,421	21,064	No	Market price
Hua Zhong	19,201	18,000	No	Market price
Hua Nan	22,624	20,876	No	Market price
Hua Kun	19,202	17,705	No	Market price
Xue Feng Ling	20,520	9,294	No	Market price
Hu Zhou	24,359	22,930	No	Market price
Da Qing 87	24,133	12,186	No	Market price
Sen Hai 1	1,310	497	Yes	Market price
Total	263,228	167,650		

6. ASSET ACQUISITION

Counter parties	Asset acquired	Date of acquisition	Price of acquisition (RMB)	Net profit/ (net loss) arising from the asset acquired from the date of acquisition to 30 June 2010 (RMB)	Connected transaction (Yes/No)	Pricing policy
Shanghai Shipping (Group) Company	50% equity interest of Huahai Petrol Transportation & Trading Co., Limited	17 May 2010	144,459,154.80	-2,656,923.76	Yes	Appraisal price

7. ACQUISITION AND INCORPORATION OF SUBSIDIARIES DURING THE REPORTING PERIOD

(i) Tianjin Zhonghai Huarun Marine Co., Limited

In May 2010, the Company has made the capital contribution to Tianjin Zhonghai Huarun Marine Co., Limited with the former name China Resources Power Shipping (Tianjin) Co., Limited, a subsidiary of China Resources Power Logistics (Tianjin) Co., Limited. The Company has contributed a vessel (Ningan 1) valued at RMB103,652,640 and RMB49,347,360 in cash, with a consideration of RMB153,000,000, representing 51% of the registered capital.

(ii) Shanghai Jiahe Shipping Co., Limited

In January 2010, the Company has formed a joint venture, Shanghai Jiahe Shipping Co., Limited with Shenergy Co. Limited. The Company has contributed RMB122,400,000, representing 51% of the registered capital.

8. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2010

Notwithstanding the global economy has shown signs of recovery in the first half of the year, we are aware that the foundation for the global and domestic economy to recover remains weak, the economic and trade conditions are uncertain and unstable, and we are still faced with difficult situations. In relation to the shipping market, the situation of excessive shipping supply has not fundamentally improved. According to Clarkson Rereach (one of the world's biggest shipbrokers), as of June 30 2010, the deadweight tonnages of oil tankers and bulk carriers ordered accounted for 27.8% and 60.5% of their existing tonnages, respectively. As domestic and global economy fluctuated, the shipping market conditions for the second half of the year is unlikely to be promising, and the Group expects the situation in the second half of 2010 to be more difficult than it was in the first half of the year in terms of operation.

8. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2010 (Continued)

In response to current market conditions, the Group will focus on the following in the second half of 2010:

(1) 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.

(2) Continue to speed up adjustments to vessel composition, further optimize fleet structure, endeavor to arrange the delivery of new vessels and cargo resources. As at 30 June 2010, the Group had a total of 168 vessels with an aggregate of 9,925,000 deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes ('000)	Average age (years)
Tankers	65	5,602	8.5
Bulk vessels	103	4,323	18.5
Total	168	9,925	14.4

Currently, the Group has a total of 49 new vesssels with 6,855,000 deadweight tonnes under construction, which are scheduled to be delivered for use by the end of 2012. 13 vessels with a total capacity of 1,936,000 deadweight tones including 6 tankers with a total capacity of 1,152,000 deadweight tonnes, and 7 bulk vessels with a total capacity of 784,000 deadweight tones scheduled to be delivered for use in the second half year.

In the second half of 2010, the Group is scheduled to dispose of 3 old vessels of totalling 127,000 deadweight tonnes. In addition, in accordance with China's policies for phasing out single hull vessels, the Group will propose and timely implement specific programs for scrapping or re-building our existing single-hull tankers in light of the Chinese Government's phase-out policy together with a combination of considerations regarding market conditions, policies and cost-effectiveness.

The year of 2011 is the first year of the "Twelfth Five-year Plan" period. The Group will formulate its fleet development plan for the "Twelfth Five-year Plan" period by the end of this year, with the aim of "Building a world-class oil tanker fleet" and "Building another freight transport fleet". To this end, the Group will monitor closely the shipping market and implement its plan at the right time, so as to continue to improve the competitiveness of the Group's fleet.

8. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2010 (Continued)

(3) Reducing cost and improving efficiency by strengthening cost control. At the beginning of this year, the Group set up a budget management department in an effort to strengthen its cost control and budget planning and carry out tailored management measures for various expenses. Fuel cost control will be the main focus of the Group's cost control. In the second half, The Group will continue to strengthen energy-saving and emission reduction, enhance the use of energy-saving technologies, implement the policy of economic speed and strive to control fuel costs.

(4) Strengthening internal control. Following the joint promulgation of the Basic Standards for Enterprise Internal Control by the Ministry of Finance, the CSRC, National Audit Office, CBRC and CIRC in June 2008, the Implementation Guidelines for Enterprise Internal Control was also promulgated in April this year, which will be applicable to companies that are both listed home and abroad with effect from January 1, 2011. The Company will take this opportunity to strengthen its internal control and streamline its internal structure, so as to provide reliable support and protection for its steady and healthy development.

9. SIGNIFICANT EVENTS

(1) Directors' and supervisors' interests in contracts

As at 30 June 2010, 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.

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

As at 30 June 2010, 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.

(3) 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.

(4) 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.

9. SIGNIFICANT EVENTS (Continued)

(5) Compliance with the Code on Corporate Governance Practices

Following specific enquiries made with the Directors, supervisors and chief executive of the Company, the Company confirmed that it has complied throughout the six months ended 30 June 2010 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").

(6) 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 interim results of the Company for the Reporting Period are unaudited but have been reviewed by the audit committee.

(7) 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) 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 the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Director's securities transactions.

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 2010.

(9) 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 2010, the Company had 4,038 employees. During the Reporting Period, the total staff cost was approximately RMB630 million (The same period in 2009: approximately RMB534 million).

9. SIGNIFICANT EVENTS (Continued)

(10) Contingent Liabilities

In 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 of the PRC, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication of the PRC, 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 in the United Kingdom, the Company had made adequate provision for its estimated loss. Up to 30 June 2010, 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 lost its appeal and the Company was 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 2010, the Company is still in the process of settling all the issues concerned.

In May 2008, one of the Company's cargo vessels "Ningan 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") lost its claim. The Company was allowed to set up a provision of liability fund which is limited to RMB25,443,000. There was a settlement agreement between the Company and Shanghai Waigaoqiao. Up to 30 June 2010, the Company is still in the process of claiming compensation from the insurance company.

In September 2009, one of the Company's cargo vessels "Wanshoushan" leaked during its voyage. The Company had been insured with an insurance company and had made provision of its liability. Up to 30 June 2010, the Company is still in the process of investigating the damages.

9. SIGNIFICANT EVENTS (Continued)

(11) Events After Reporting Period

(1) At the 2010 6th board meeting held on 30 July 2010, the Company passed the resolution regarding the Capital Contribution Agreement in relation to the increase in registered capital in Shanghai Friendship Marine Co., Limited. The Company and the other shareholder, Shanghai Electric Power Co., Limited agreed to contribute RMB75,000,000 respectively. The registered capital will become RMB200,000,000 after contribution by both parties. Up to the date of the financial statements were approved and authorized for issue, the Company has not completed its contribution.

(2) At the 2010 7th board meeting held on 13 August 2010, the Company passed the resolution regarding the acquisition of 50% registered capital of Guangzhou Development Shipping Co., Limited (Guangzhou Shipping), a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited (Guangzhou Coal Investment, a wholly owned subsidiary of Guangzhou Development Industry (Holdings) Co. Limited). The consideration is RMB327,922,000. The Company has also signed a joint venture agreement with Guangzhou Coal Investment. Up to the date of the financial statements were approved and authorized for issue, the acquisition is still in the progress.

(3) At the 2010 7th board meeting held on 13 August 2010, the Company passed the resolution regarding the construction of four 45,000 deadweight tons dry bulk vessels by Tianjin Zhonghai Huarun Marine Co., Limited.

(4) At the 2010 8th board meeting held on 17 August 2010, the Company passed the resolution regarding the construction of two 53,000 deadweight tons dry bulk vessels by Shanghai Jiahe Shipping Co., Limited.

(5) At the 2010 8th board meeting held on 17 August 2010, the Company passed the resolution regarding the construction of twelve 46,200 deadweight tons dry bulk vessels by Shenhua Zhonghai Marine Co., Limited.

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

Shanghai, the PRC
17 August 2010

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 18 to 47, 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 2010 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, 17 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Continuing operations			
Revenue			
Turnover	3	**5,527,749**	4,119,471
Operating costs		**(4,252,181)**	(3,274,103)
Gross Profit		**1,275,568**	845,368
Other income and gains	4	**140,421**	90,506
Marketing expenses		**(20,274)**	(16,855)
Administrative expenses		**(125,359)**	(93,368)
Other expenses		**(5,679)**	(4,007)
Share of profits / (losses) of jointly-controlled entities		**109,621**	(428)
Finance costs	6	**(71,283)**	(30,481)
PROFIT BEFORE TAX	5	**1,303,015**	790,735
Tax	7	**(330,944)**	(175,582)
PROFIT FOR THE PERIOD		**972,071**	615,153
OTHER COMPREHENSIVE INCOME			
Exchange realignment		**(39,549)**	(5,700)
Net (loss) / gain on cash flow hedges		**(15,156)**	29,680
Other comprehensive (losses) / income for the period (net of tax)		**(54,705)**	23,980
Total comprehensive income for the period		**917,366**	639,133
Profit for the period attributable to:			
Equity holders of the parent		**978,767**	613,639
Non-controlling interests		**(6,696)**	1,514
		972,071	615,153
Total comprehensive income attributable to:			
Equity holders of the parent		**924,133**	637,624
Non-controlling interests		**(6,767)**	1,509
		917,366	639,133
EARNINGS PER SHARE			
From continuing operations	8	**28.75 cents**	18.02 cents

Details of the dividends payable and proposed for the period are disclosed in note 9 to the condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2010 (Unaudited) RMB'000**	31 December 2009 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**30,858,899**	28,648,891
Investments in jointly-controlled entities		**2,064,267**	1,614,781
Available-for-sale investments		**4,300**	4,300
Derivative financial instruments	12	**—**	1,326
Total non-current assets		**32,927,466**	30,269,298
CURRENT ASSETS			
Bunker oil inventories		**441,878**	349,736
Trade and bills receivables	11	**915,558**	670,257
Prepayments, deposits and other receivables		**424,178**	362,996
Assets classified as held for sale		**—**	55,115
Cash and cash equivalents		**2,846,294**	2,222,147
Total current assets		**4,627,908**	3,660,251
CURRENT LIABILITIES			
Trade and bills payables	13	**1,147,310**	1,037,843
Other payables and accruals		**722,755**	839,735
Provisions - current portion	15	**20,000**	20,000
Tax payable		**189,301**	9,745
Current portion of interest-bearing bank and other borrowings	14	**1,054,793**	1,322,373
Total current liabilities		**3,134,159**	3,229,696
NET CURRENT ASSETS		**1,493,749**	430,555
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,421,215**	30,699,853

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	**3,404,552**	3,404,552
Reserves		**18,573,699**	17,649,566
Proposed interim/final dividend		**—**	340,455
		21,978,251	21,394,573
Non-controlling interests		**501,114**	243,281
Total equity		**22,479,365**	21,637,854
NON-CURRENT LIABILITIES			
Other loan		**439,240**	441,658
Provisions	15	**81,000**	81,000
Derivative financial instruments	12	**14,911**	1,125
Notes, interest-bearing bank and other borrowings	14	**11,015,572**	8,215,534
Deferred tax liabilities		**391,127**	322,682
Total non-current liabilities		**11,941,850**	9,061,999
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**34,421,215**	30,699,853

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	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 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	–	–	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
At 1 January 2010	**3,404,552**	**3,947,214**	**–**	**168,829**	**2,580,677**	**93,158**	**(588)**	**1,019**	**(465,773)**	**11,325,030**	**340,455**	**21,394,573**	**243,281**	**21,637,854**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**978,767**	**–**	**978,767**	**(6,696)**	**972,071**
Net loss on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(15,156)**	**–**	**–**	**–**	**–**	**(15,156)**	**–**	**(15,156)**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,478)**	**–**	**–**	**(39,478)**	**(71)**	**(39,549)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(15,156)**	**–**	**(39,478)**	**978,767**	**–**	**924,133**	**(6,767)**	**917,366**
Contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**264,600**	**264,600**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(340,455)**	**(340,455)**	**–**	**(340,455)**
At 30 June 2010 (unaudited)	**3,404,552**	**3,947,214**	**–**	**168,829**	**2,580,677**	**93,158**	**(15,744)**	**1,019**	**(505,251)**	**12,303,797**	**–**	**21,978,251**	**501,114**	**22,479,365**

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,456,842**	1,108,643
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(3,112,258)**	(1,849,904)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**2,318,962**	(337,851)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**663,546**	(1,079,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**2,222,147**	1,942,970
Effect of foreign exchange rate changes, net	**(39,399)**	3,050
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**2,846,294**	866,908
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,846,294**	866,908

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.

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.

During the period, the Company has contributed RMB195,332,000 to Shenhua Zhonghai Marine Co., Limited (Shenhua Zhonghai) (former name was Zhuhai New Century Shipping Co., Limited), representing a decrease of the equity holding from 50% to 49%. In addition, the Company has acquired 50% equity interest of the joint venture, Huahai Petrol Transportation & Trading Co., Limited ("Huahai") owned by Shanghai Shipping (Group) Company ("Shanghai Shipping"), with a consideration amounted to RMB144,459,000.

During the period, the Company has acquired 51% equity interest of two subsidiaries, Tianjin China Shipping Huarun Marine Co., Limited and Shanghai Jiahe Shipping Co., Limited. Please refer to note 18 for details.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 17 August 2010.

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 2010. 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 2010 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2009.

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 2009 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. The adoption of these new and revised standards and interpretations had no material effect on the results and the financial position of the Group for the current or prior accounting periods:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK-Int 4 (Amendment)	Determination of Length of Lease Term in respect of Hong Kong Land Leases

Impact of HKFRSs issued but not yet effective

HKFRSs (Amendments[#])	Improvements to HKFRSs 2010[5]
HKFRS 9	Financial Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendment)	Presentation - Classification of Right Issues[1]
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirment[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[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 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 beginning on or after February 1, 2010
2 Effective for annual periods beginning on or after July 1, 2010
3 Effective for annual periods beginning on or after January 1, 2011
4 Effective for annual periods beginning on or after January 1, 2013
5 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

\# Improvements to HKFRSs 2010 contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34, HK(IFRIC)-Int 13.

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) dry bulk shipment

- coal shipment;
- other dry bulk shipment.

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			
	2010 (Unaudited)		2009 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment	**3,062,760**	**586,532**	2,345,564	610,624
Dry bulk shipment				
- Coal shipment	**1,694,162**	**418,230**	1,291,359	280,936
- Other dry bulk shipment	**770,827**	**270,806**	482,548	(46,192)
	5,527,749	**1,275,568**	4,119,471	845,368
Other income and gains		**140,421**		90,506
Marketing expenses		**(20,274)**		(16,855)
Administrative expenses		**(125,359)**		(93,368)
Other expenses		**(5,679)**		(4,007)
Share of profits / (losses) of jointly-controlled entities		**109,621**		(428)
Finance costs		**(71,283)**		(30,481)
Profit before tax		**1,303,015**		790,735
Total segment assets				
Oil shipment		**19,833,417**		17,259,414
Dry bulk shipment		**14,932,033**		11,295,880
Unallocated corporate assets		**2,789,924**		2,207,102
		37,555,374		30,762,396
Total segment liabilities				
Oil shipment		**8,205,050**		6,057,462
Dry bulk shipment		**6,479,349**		3,212,612
Unallocated corporate liabilities		**391,610**		326,361
		15,076,009		9,596,435

The Group determines its operating segments based on the reports reviewed by the Chief operating decision-makers that are used to make strategic decisions. Due to the changes to the composition of the operating segment, the comparative figures have been restated.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the six months ended 30 June			
	2010 (Unaudited)		2009 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	**3,453,585**	**914,924**	2,494,007	774,213
International	**2,074,164**	**360,644**	1,625,464	71,155
	5,527,749	**1,275,568**	4,119,471	845,368
Other income and gains		**140,421**		90,506
Marketing expenses		**(20,274)**		(16,855)
Administrative expenses		**(125,359)**		(93,368)
Other expenses		**(5,679)**		(4,007)
Share of profits / (losses) of jointly-controlled entities		**109,621**		(428)
Finance costs		**(71,283)**		(30,481)
Profit before tax		**1,303,015**		790,735
Turnover				
Total segment turnover		**5,527,749**		4,119,471
Less: inter-company transactions		**—**		—
Total consolidated turnover		**5,527,749**		4,119,471

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Government subsidy	**28,703**	32,451
Interest income	**7,994**	24,000
Others	**1,523**	1,492
	38,220	57,943
Other gains		
Gain on disposal of property, plant and equipment, net	**135,977**	26,487
Exchange (losses)/gain, net	**(34,000)**	3,529
Profit from other investments	**—**	1,319
Reversal of provision for bad and doubtful debts	**207**	—
Others	**17**	1,228
	102,201	32,563
Other income and gains	**140,421**	90,506

Note: During the period, the Group received government subsidy for business development purpose. There were no unfulfilled conditions or contingencies relating to these subsidy.

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**2,202,769**	1,436,392
Others (Including vessel depreciation and crew expenses)	**2,049,412**	1,837,711
Depreciation	**720,183**	501,126
Operating lease rentals:		
Land and buildings	**14,395**	12,951
Vessels - International	**78,079**	157,476
Vessels - Domestic	**61,235**	58,596
	153,709	229,023
Staff costs		
(Including wages, salaries, pension and crew expenses)	**630,003**	533,905
Gain on disposal of property, plant and equipment, net	**(135,977)**	(26,487)
Reversal of provision for bad and doubtful debts	**(207)**	—
Government subsidy	**(28,703)**	(32,541)
Dry-docking and repairs	**244,838**	235,877

6. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total finance costs		
Interest on bank loans, overdraft or loan from capital market wholly repayable or by installment within five years	**123,634**	89,252
Interest on bank loans, overdraft or loan from capital market not required wholly repayable or by installment within five years	**21,032**	29,630
Other loan or borrowings costs and charges	**8,863**	10,333
	153,529	129,215
Less : Interest capitalised	**(82,246)**	(98,734)
Finance costs	**71,283**	30,481

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 2010.

(ii) PRC Corporate Income Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). 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 22% (2009: 20%) on the estimated assessable profits for the year.

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)

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Hong Kong	**—**	—
PRC		
Charge for the period	**262,491**	154,968
Under provision in prior years	**8**	30,183
Deferred tax	**68,445**	(9,569)
Total tax charge for the period	**330,944**	175,582

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Accounting profit before tax	**1,303,015**	790,735
Less: Profit attributable to jointly-controlled entities and other investments	**(109,621)**	(890)
	1,193,394	789,845
Tax at the applicable tax rate of 25% (2009: 25%)	**298,349**	197,461
Tax effect of net income that is not taxable in determining taxable profit	**(35,858)**	(42,493)
Tax charge at the Group's effective rate	**262,491**	154,968
Tax under-provided in the previous period	**8**	30,183
Deferred tax	**68,445**	(9,569)
	330,944	175,582

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**978,767**	613,639
Weighted average number of ordinary shares in issue (thousands)	**3,404,552**	3,404,552
Basic earnings per share (RMB cents per share)	**28.75**	18.02

(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 2009: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, except for the assets acquired from business combination, the construction of four oil tankers at cost of RMB2,176,176,000 and six bulk vessels at cost of RMB2,337,690,000 (six months ended 30 June 2009: four oil tankers at cost of RMB1,673,138,000 and one bulk vessel at cost of RMB283,999,000) were completed and have been put into operation. Meanwhile, no used vessel was acquired during these periods.

During the period, nine dry bulk vessels with net carrying amount of RMB73,386,000 and two oil tankers with a net carrying amount of RMB8,616,000 were disposed to third parties and a dry bulk vessel with net carrying amount of RMB7,378,000 was disposed to a related party.

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 2010 (Unaudited)		31 December 2009 (Audited)	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**895,173**	**98%**	649,721	97%
4 - 6 months	**15,635**	**2%**	12,949	2%
7 - 9 months	**3**	**0%**	984	0%
10 - 12 months	**—**	**0%**	—	0%
1 - 2 years	**4,747**	**0%**	6,810	1%
	915,558	**100%**	670,464	100%
Provision for doubtful debts	**—**		(207)	
Trade and bills receivables, net	**915,558**		670,257	

The Group normally allows an average credit period of 30 days to its major customers. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Carried at fair value				
Cash flow hedges:				
- Cross currency swap agreements (a)	**—**	**—**	—	—
- Interest rate swap agreements (b)	**—**	**(14,911)**	1,326	(1,125)

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Cross currency swap agreement

As at 1 January 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.

In December 2009, the Group has terminated the cross currency swaps.

The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and a net gain included in the hedging reserve are as follows:

	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited) RMB'000
Total fair value gains included in the hedging reserve	—	64,645
Deferred tax on fair value gains	—	(10,666)
Accumulated net gains on cash flow hedges included in hedging reserve	—	53,979
Net gains on cash flow hedges included in hedging reserve for the current period	—	8,661

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate swap agreements

As at 30 June 2010, the Group held two interest rate swap agreements, the total notional principal amount of the two outstanding interest rate swaps agreements was US$86,306,667(approximately RMB586,107,000). The interest rate swaps agreements, with maturity in January and September 2016 respectively are designated as cash flow hedges in respect of the bank borrowings with a floating interest rate.

In December 2009, the Group modified the terms of the interest rate swap agreements with the bank and paid US$4,980,000 (approximately RMB34,011,000). The fixed rates were decreased from 4.40% per annum to 2.90% per annum.

During the period, the floating interest 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 are as follows:

	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited) RMB'000
Total fair value (losses)/gains included in the hedging reserve		
- From 1 January to 30 June	**(15,156)**	21,004
Hedge loan interest included in finance costs		
- From 1 January to 30 June	**(6,863)**	(7,587)
(Total losses)/Net gain on cash flow hedges of interest rate swap agreements for the current period	**(22,019)**	13,417

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 follows:

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**843,222**	**73%**	921,661	89%
4 - 6 months	**122,541**	**11%**	30,978	3%
7 - 9 months	**48,510**	**4%**	46,084	4%
10 - 12 months	**65,454**	**6%**	20,415	2%
1 - 2 years	**63,055**	**6%**	14,316	1%
Over 2 years	**4,528**	**0%**	4,389	1%
	1,147,310	**100%**	1,037,843	100%

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

14. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Current				
Bank loan				
Secured	Libor + 0.38% to 1.40%	2011	**467,112**	780,963
Unsecured	4.86% and Note 1	2011	**587,681**	541,410
Interest-bearing bank and other borrowings – Current portion			**1,054,793**	1,322,373
Non-current				
(i) Bank loan				
Secured	Libor + 0.38% to 1.40%	2012-2021	**4,070,940**	3,229,216
Unsecured	4.86% and Note 1	2013-2015	**1,956,562**	—
			6,027,502	3,229,216
(ii) Notes				
Unsecured	3.90% to 4.18%	2012-2014	**4,988,070**	4,986,318
Notes, interest-bearing bank and other borrowings – Non-current portion			**11,015,572**	8,215,534

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Analysed into:		
(i) Bank loans:		
Within one year or on demand	**1,054,793**	1,322,373
In the second year	**847,129**	397,004
In the third to fifth year, inclusive	**3,273,280**	1,191,012
Over five years	**1,907,093**	1,641,200
	7,082,295	4,551,589
(ii) Notes		
In the third to fifth year, inclusive	**4,988,070**	4,986,318
	12,070,365	9,537,907

The Group's bank loans are secured by the Group's 3 vessels under construction and another 11 vessels with total net carrying amount of RMB 956,348,000 and RMB 5,563,504,000 on 30 June 2010 respectively. The security of "Renda" vessel is still in the arrangement process.

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

Except for secured bank loans of RMB 4,538,051,000 which are denominated in USD, all other borrowings are denominated in RMB.

Note 1: 10% discount according to the standard interest rate offered by The People's Bank of China on the 3 and 5 years loan.

15. PROVISIONS

	Group		
	Legal claims (Note i) RMB'000	Other provisions (Note ii) RMB'000	Total RMB'000
At 31 December 2009 and 30 June 2010	66,000	35,000	101,000

15. PROVISIONS (Continued)

Provisions analysed as:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Current portion	**20,000**	20,000
Non-current portion	**81,000**	81,000
	101,000	101,000

Notes:

(i) Legal claims

a. Issue concerning compensation for pollution caused by vessel "Daiqing 91"

The Company is still in the process of settling for this issue, it is expected that the court may not conclude the case in the next year. A provision of RMB50,000,000 has been recognized for the pending lawsuit brought against the Company. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the legal claims will not give rise to any significant loss beyond the amounts provided at 30 June 2010. Please refer to note 19(i) for details.

b. Issue concerning collision of vessel "Fuzhou"

The Company is still in the process of settling for this issue, it is expected that the court may not conclude the case in the next year. A provision of total of RMB16,000,000 was recognized. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the legal claims will not give rise to any significant loss beyond the amount provided at 30 June 2010. Please refer to note 19(ii) for details.

(ii) Other provisions

a. Issue concerning collision of vessel "Ningan 11"

The Company is still in the process of settling for this issue, it is expected that the court will conclude the case in this year. A provision of total of RMB20,000,000 was recognized. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the compensation will not give rise to any significant loss beyond the amount provided at 30 June 2010. Please refer to note 19(iii) for details.

b. Issue concerning compensation for pollution caused by vessel "Wanshoushan"

The estimated provision amount for this issue is RMB15,000,000. The board of directors expected that no decision will be concluded in the next year. Provision has been made based on the amount expected to be paid for the compensation after reasonable estimation. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the compensation will not give rise to any significant loss beyond the amounts provided at 30 June 2010. Please refer to note 19(iv) for details.

16. ISSUED CAPITAL

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Number of shares	**(Unaudited) RMB'000**	Number of shares	(Audited) RMB'000
Registered, issued and fully paid:				
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

17. 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 4 years.

As at 30 June 2010, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follow:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	**48,682**	132,858
In the second to fifth year, inclusive	**5,244**	5,986
After five years	**—**	—
	53,926	138,844

17. OPERATING LEASE ARRANGEMENT (Continued)

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from 6 months to 4 years.

As at 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	**136,886**	152,803
In the second to fifth year, inclusive	**105,255**	129,589
After five years	**—**	—
	242,141	282,392

18. BUSINESS COMBINATION

Acquisition and incorporation of subsidiaries:

(i) Tianjin Zhonghai Huarun Marine Co., Limited

In May 2010, the Company has made the capital contribution to Tianjin Zhonghai Huarun Marine Co., Limited with the former name China Resources Power Shipping (Tianjin) Co., Limited, a subsidiary of China Resources Power Logistics (Tianjin) Co., Limited. The Company has contributed a vessel (Ningan 1) valued at RMB103,652,640 and RMB49,347,360 in cash, with a consideration of RMB153,000,000, representing 51% of the registered capital.

(ii) Shanghai Jiahe Shipping Co., Limited

In January 2010, the Company has formed a joint venture, Shanghai Jiahe Shipping Co., Limited with Shenergy Co. Limited. The Company has contributed RMB122,400,000, representing 51% of the registered capital.

19. CONTINGENT LIABILITIES

(i) In 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 in the United Kingdom. The Company had made adequate provision for its estimated loss. Up to 30 June 2010, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

(ii) 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 2010, the Company is still in the process of settling all the issues concerned.

(iii) In May 2008, one of the Company's cargo vessels "Ningan 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. There was a settlement agreement between the Company and Shanghai Waigaoqiao. Up to 30 June 2010, the Company is still in the process of claiming compensation from the insurance company.

(iv) In September 2009, one of the Company's cargo vessels "Wanshoushan" leaked during its voyage. The Company had been insured with an insurance company and had made provision of its liability. Up to 30 June 2010, the Company is still in the process of investigating the damages.

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at 30 June 2010 of which RMB2,006,890,000 will be due within one year.

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Authorized and contracted for:		
Construction and purchases of vessels (Note)	**15,082,765**	17,464,664
Equity Investments	**2,102,809**	2,103,051
	17,185,574	19,567,715

Note: According to the construction purchase agreements entered into by the Group from 2006 to June 2010, these capital commitments will fall due as from 2010 to 2012 respectively.

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:

(1) 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-fixed price, market price or cost.

In October 2009, the Group has entered into the "New Services Agreement" with China Shipping. The agreement is effective for 3 years from 1 January 2010 to 31 December 2012 and became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting which was held on 22 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-fixed price, market price or cost.

21. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

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 2010 are set out below:

		For the six months ended 30 June	
	Pricing basis	**2010 Total value (Unaudited) RMB'000**	2009 Total value (Unaudited) RMB'000
Dry-docking, repairs, painting and vessels restructuring expenses	State-fixed prices	**243,360**	219,421
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	**1,357,560**	771,159
Greasiness handling, installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	**14,395**	18,184
Crew expenses	Market prices	**28,946**	25,121
Accommodation, lodging and transportation for employees	Market prices	**2,168**	3,158
Medical services (for existing employees)	State-fixed prices	**—**	5
Miscellaneous management services	Market prices	**15,511**	10,160
Agency commissions	Market prices	**46,363**	47,019
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**9,659**	1,683

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)

(2) 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	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Vessel chartering charges paid		**25,590**	39,623
Vessel chartering / Shipping income received		**428,872**	—
Sale of vessels		**13,103**	31,308
Acquisition of subsidiary	(i)	**144,459**	100,276
Loans borrowed	(ii)	**2,023,014**	3,000,000
Interest payment on loans	(ii)	**10,598**	42,643
Acquisition of vessels, construction in progress and other non-current assets		**643,594**	445,290

The Group has entered into the following agreements:

(i) On 17 May 2010, the Company entered into the Share Transfer Agreement with Shanghai Shipping (Group) Company ("Shanghai Shipping"), regarding the acquisition of 50% equity interest of Huahai from Shanghai Shipping. The consideration amounted to RMB144,459,000.

(ii) At the second board meeting held on 26 March 2010, the Company has passed the resolution of entering into the Entrusted Loan Agreement with China Shipping and CS Finance Co., Limited whereby China Shipping entrusted CS Finance Co., Limited to provide a three-year loan in the amount of RMB1,300,000,000 to the Company. The loan is used to pay China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of 57,300 deadweight tons vessel. The interest rate is a preferential rate determined by the commercial bank interest rate on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid. During the period, the Company obtained a loan amounted to RMB723,014,000 from CS Finance Co., Limited.

22. EVENTS AFTER REPORTING PERIOD

(1) At the 2010 6th board meeting held on 30 July 2010, the Company passed the resolution regarding the Capital Contribution Agreement in relation to the increase in registered capital in Shanghai Friendship Marine Co., Limited. The Company and the other shareholder, Shanghai Electric Power Co., Limited agreed to contribute RMB75,000,000 respectively. The registered capital will become RMB200,000,000 after the contribution by both parties. Up to the date of the financial statements were approved and authorized for issue, the Company has not completed its contribution.

(2) At the 2010 7th board meeting held on 13 August 2010, the Company passed the resolution regarding the acquisition of 50% equity holding of Guangzhou Development Shipping Co., Limited (Guangzhou Shipping), a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited (Guangzhou Coal Investment, a wholly owned subsidiary of Guangzhou Development Industry (Holdings) Co. Limited). The consideration is RMB327,922,000. The Company has also signed a joint venture agreement with Guangzhou Coal Investment. Up to the date of the financial statements were approved and authorized for issue, the acquisition is still in the progress.

(3) At the 2010 7th board meeting held on 13 August 2010, the Company passed the resolution regarding the construction of four 45,000 deadweight tons dry bulk vessels by Tianjin Zhonghai Huarun Marine Co., Limited.

(4) At the 2010 8th board meeting held on 17 August 2010, the Company passed the resolution regarding the construction of two 53,000 deadweight tons dry bulk vessels by Shanghai Jiahe Shipping Co., Limited.

(5) At the 2010 8th board meeting held on 17 August 2010, the Company passed the resolution regarding the construction of twelve 46,200 deadweight tons dry bulk vessels by Shenhua Zhonghai Marine Co., Limited.