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)

2011 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

China Shipping Development Company Limited (the “Company” , together with its subsidiaries, 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 regions of the People’s Republic of China (the “PRC”), and internationally. At present, the Group is also developing Liquefied Natural Gas (“LNG”) transportation business.

In the first half of 2011, the recovery of global economy was slowing down. The domestic economy maintained smooth operation and trading. However, given the severe excess of shipping capacity in the market and the continued increase in international oil prices, shipping enterprises were faced with the double pressure of decreasing freight rate and increasing costs.

As for the global dry bulk shipping market, affected by unfavourable factors such as the spreading of global inflation and the macroeconomic control in China, the growth of the global demand for bulk commodities was relatively moderate. General information showed the growth of the marine trade for bulk commodities such as ore, coal and foodstuff on a global scale for the first half of 2011 was less than 5%. Meanwhile, since the growth of shipping capacity far exceeded that of cargo, this caused the international dry bulk cargo shipping market to experience a severe downturn. The Baltic Dry Bulk Freight Rate Index (“BDI”) averaged daily at 1,372 points, down 56.7% compared with the same period last year.

As for domestic coastal bulk shipment, because of the strong demand for thermal power generation and a drastic decrease in imported coal, the growth of coastal coal trade exceeded expectation. Some vessels which were engaged in both domestic and external trade turned to domestic coastal areas, creating significant pressure for coastal shipping. However, the overall domestic coastal bulk shipping market was steady in the first half of 2011. The Coastal Bulk Freight Index (“CBFI”) averaged daily at 1,442 points, down 4.6% compared with the same period last year.

As for international oil shipment, the global crude oil demand grew steadily. However, because of the centralised delivery of new vessels, there was an excess supply of shipping capacity. This caused the international oil shipping market to experience a sustained downturn. The Baltic Dirty Tanker Index (“BDTI”) averaged daily at 811 points, down 18.1% 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 very large crude oil carriers (“VLCC”) averaged at 55.9 points for the first half of 2011, and the average daily revenue for VLCC decreased by 23.6% as compared with the same period in 2010.

The domestic coastal oil shipping market maintained steady growth. However, given the sustained downturn of the international oil shipping market, part of the shipping capacity shifted from international routes to the domestic oil shipping market, leading to a sharp increase in shipping capacity. The Group faced increasingly intense competition. Facing market changes, the Group persisted in the strategy of cooperation with large oil companies to vigorously expand new demand sources. The Group still occupied a market share of 63% in the first half of 2011 and maintained its leading position in the domestic oil shipping market.

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

In the first half of 2011, being confronted with the impact of unfavourable factors such as rapid market changes and rising oil prices, the Group actively developed the market, continued to optimise its fleet portfolio, vigorously enhanced joint venture partnership, and put great efforts in implementing sophisticated management. As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development.

During the six months ended 30 June 2011 ("Reporting Period"), the shipping volume achieved by the Group was 165 billion tonne-nautical miles and the total turnover derived from shipment (after business tax and surplus, the same below) was approximately Renminbi ("RMB") 6,141 million, representing an increase of approximately 29.6% and approximately 11.1% respectively as compared with the first half of 2010. Cost of operations was approximately RMB5,260 million, representing an increase of approximately 23.7% as compared with the same period in 2010. Profit attributable to equity holders of parents was approximately RMB684 million, representing a decrease of approximately 30.1% as compared with the same period in 2010, and basic earnings per share was approximately RMB0.2010.

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 2010 (%)	Increase in operating costs as compared with the same period in 2010 (%)
Oil transportation	3,293,958	2,909,589	11.7	7.5	17.5
Coal transportation	1,864,170	1,472,516	21.0	10.0	15.4
Iron ore transportation	662,649	583,029	12.0	126.2	147.4
Other dry bulk cargoes transportation	320,635	295,138	8.0	-32.9	11.6
Total	6,141,412	5,260,272	14.3	11.1	23.7

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

Regions	Turnover (RMB'000)	Increase in turnover as compared with the same period in 2010 (%)
Domestic transportation	3,976,224	15.1
International transportation	2,165,188	4.4

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 2011, being confronted with an unfavourable market environment, the Group made great efforts in market development, fleet optimisation and staff training to achieve balanced growth in its three major segments, being coastal, offshore and joint ventures.

With respect to coastal shipping, the Group focused on power and coal contracts of affreightment ("COA contracts") and actively expanded its customer base. The Group's contracted domestic trade shipment through COA contracts amounted to approximately 62 million tons in 2011, with average benchmark freight rate up slightly from 2010, laying an important foundation for the operational efficiency of the Group.

With respect to offshore shipment, with the Group's very large ore carrier ("VLOC") vessels being put into operation successively, the Group's iron ore shipping amount increased gradually. In the first half year, five VLOC vessels completed a total freight volume of 3.82 million tons, achieving revenue from shipping operations of RMB329 million. This achieved the desired return on investment and became a growth highlight of the Group's foreign trade shipping operations this year.

With respect to joint venture partnership, 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 2011, the market share of the Group (including its associated companies) in domestic coal shipping market reached 26%, representing an increase of 3 percentage points 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 2011, the Group achieved a shipping volume of approximately 72.69 billion tonne-nautical miles of dry bulk cargoes, and a turnover of approximately RMB2,847 million was achieved, representing an increase of approximately 48.4% and approximately 15.5% respectively as compared with the same period in 2010. 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 2011 (billion tonne nautical miles)	In the first half of 2010 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic	**30.59**	27.99	**9.3**
Coal transportation	**24.70**	23.54	**4.9**
Iron ore transportation	**3.69**	3.00	**23.0**
Other dry bulk cargoes transportation	**2.20**	1.45	**51.7**
International	**42.10**	21.00	**100.5**
Coal transportation	**4.86**	2.16	**125.0**
Iron ore transportation	**23.82**	4.79	**397.3**
Other dry bulk cargoes transportation (Note)	**13.42**	14.05	**-4.5**
Total	**72.69**	48.99	**48.4**

Turnover by cargo specie

	In the first half of 2011 (RMB million)	In the first half of 2010 (RMB million)	**Increase/ decrease (%)**
Domestic	**1,989**	1,830	**8.7**
Coal transportation	**1,704**	1,596	**6.8**
Iron ore transportation	**164**	158	**3.8**
Other dry bulk cargoes transportation (Note)	**121**	76	**59.2**
International	**858**	635	**35.1**
Coal transportation	**160**	98	**63.3**
Iron ore transportation	**498**	135	**268.9**
Other dry bulk cargoes transportation	**200**	402	**-50.2**
Total	**2,847**	2,465	**15.5**

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

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

(2) Shipping business - Oil shipments

In the first half of 2011, the international oil shipping market continued to experience a downturn and competition in the domestic oil shipping market became more intense. Under these circumstances, the Group adjusted its operating strategy in a timely manner to strengthen cooperation with the three major domestic oil companies. While implementing the operation and management of large vessels, the Company actively contracted for COA cargo sources, striving to consolidate its existing market and actively expanding cargo sources in new markets.

In the first half of 2011, the Group achieved a shipping volume of approximately 92.34 billion tonne-nautical miles of oil shipment, representing an increase of approximately 17.9% as compared with the same period in 2010, and turnover achieved was approximately RMB3,294 million, representing an increase of approximately 7.5% as compared with the same period in 2010. 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 2011 (billion tonne nautical miles)	In the first half of 2010 (billion tonne nautical miles)	**Increase/ decrease (%)**
Domestic	**15.59**	12.71	**22.7**
Crude oil transportation	**11.29**	9.46	**19.3**
Refined oil transportation	**4.30**	3.25	**32.3**
International	**76.75**	65.63	**16.9**
Crude oil transportation	**64.77**	51.76	**25.1**
Refined oil transportation	**11.98**	13.87	**-13.6**
Total	**92.34**	78.34	**17.9**

Turnover by cargo specie

	In the first half of 2011 (RMB million)	In the first half of 2010 (RMB million)	**Increase/ decrease (%)**
Domestic	**1,987**	1,623	**22.4**
Crude oil transportation	**1,618**	1,298	**24.7**
Refined oil transportation	**369**	325	**13.5**
International	**1,307**	1,440	**-9.2**
Crude oil transportation	**834**	897	**-7.0**
Refined oil transportation	**473**	543	**-12.9**
Total	**3,294**	3,063	**7.5**

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

(3) Cost analysis

In the first half of 2011, while being active in implementing the transportation operations, the Group steadily promoted comprehensive budget management. By adhering to the development approach of "Green, Low Carbon", the Group thoroughly carried out energy conservation and discharge reduction, and controlled various costs and expenses within reasonable limits. In the first half of 2011, the total operating costs incurred was RMB5,260 million, representing an increase of 23.7% as compared with the same period in 2010. The composition of the main operating costs are analysed as follows:

	In the first half of 2011 (RMB million)	In the first half of 2010 (RMB million)	**Increase/ Decrease (%)**	**Composition Ratio in 2011 (%)**
Fuel cost	**2,376**	1,834	**29.6**	**45.2**
Port cost	**489**	433	**12.9**	**9.3**
Labour cost	**645**	585	**10.3**	**12.3**
Lubricants expenses	**132**	107	**23.4**	**2.5**
Depreciation	**838**	632	**32.6**	**15.9**
Insurance expenses	**118**	106	**11.3**	**2.2**
Repair expenses	**266**	245	**8.6**	**5.1**
Charter cost	**264**	139	**89.9**	**5.0**
Others	**132**	171	**-22.8**	**2.5**
Total	**5,260**	4,252	**23.7**	**100**

The fuel cost incurred by the Group in the first half of 2011 was approximately RMB2,376 million, representing an increase of approximately 29.6% as compared with the same period in 2010, accounting for 45.2% of the total operating cost. Such change was due to the significant increase of international oil prices as compared with the first half of 2010. The average price of Singapore 380CST fuel in the first half of 2011 increased by 35.0% as compared with the same period in 2010. The Group further enhanced its fuel saving, and in light of the total shipping turnover volume increase of 29.6% compared with the same period in 2010, the total fuel consumption of the Group amounted to 566,700 tonnes, representing an increase of 23.2% as compared with the same period in 2010. The fuel consumption per thousand nautical miles was 3.43 kg, representing a decrease of 4.9% as compared with that of the same period in 2010.

The Group's depreciation expenses incurred in the first half of 2011 amounted to approximately RMB838 million, representing an increase of 32.6% as compared with that of the same period in 2010, accounting for 15.9% of the total operating costs. Such change was due to the daily average capacity increase of 25% as a result of the completion and operation of 1 new tanker and 10 new bulk vessels.

The charter cost incurred by the Group in the first half of 2011 was approximately RMB264 million, representing an increase of approximately 89.9% as compared with the same period in 2010, accounting for 5.0% of the total operating cost. Such change was due to the increase in the capacity of tankers and bulk vessels chatered by the Group in the first half of 2011, including 4 tankers with a capacity of 542,000 deadweight tonnes and 19 bulk vessels with a capacity of 810,000 deadweight tonnes.

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 2011, the Group has recognised its profits in the 6 jointly-controlled entities of approximately RMB164 million, representing an increase of 49.8% as compared with that of the same period in 2010. The main reason for such change was due to the increase in the cargo volume and freight in domestic bulk shipping business, and the operating results achieved by the 5 jointly-controlled shipping companies of the Group. In the first half of 2011, the 5 jointly-controlled shipping companies achieved a shipping volume of 46.52 billion tonne-nautical miles, representing an increase of 62.6% as compared with the same period in 2010. The turnover achieved by the 5 jointly-controlled shipping companies the in the first half of 2011 was approximately RMB3,706 million, with a net profit of approximately RMB309 million, representing an increase of 60.0% and 45.6% as compared with the same period in 2010 respectively.

As at 30 June 2011, the 5 jointly-controlled shipping companies owned 49 bulk vessels with a total capacity of 2,511,000 deadweight tonnes and 42 vessels under construction with the capacity of 2,093,000 deadweight tonnes.

The operating results achieved by the 5 jointly-controlled shipping companies in the first half of 2011 are as follows:

Company name	Interest held by the Company	Shipping volume (billion tonne nautical miles)	Operating revenue (RMB'000)	Net profit (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	25.61	2,285,450	205,155
Shanghai Times Shipping Co., Limited	50%	15.89	1,082,057	69,143
Shanghai Friendship Marine Co., Limited	50%	0.77	72,957	8,757
Huahai Petrol Transportation & Trading Co., Limited	50%	0.78	76,688	4,476
Guangzhou Development Shipping Co., Limited	50%	3.47	189,021	21,136

In the first half of 2011, the net profit achieved by China Shipping Finance Co., Limited ("CS Finance") , a non-shipping company, with 25% interest held by the Company, was RMB 48,980,000.

3. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group decreased from approximately RMB1,456,842,000 for the six months ended 30 June 2010 to approximately RMB1,148,240,000 for the six months ended 30 June 2011, representing a decrease of 21.2% as compared with the same period in 2010.

(2) Capital commitments

The Group had the following capital commitments as at 30 June 2011 of which RMB6,318,394,000 will be due within one year.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note)	**15,023,692**	20,436,403
Equity investments	**1,911,325**	2,111,649
	16,935,017	22,548,052

Note: According to the construction purchase agreements entered into by the Group from 2007 to June 2011, these capital commitments will fall due as from 2011 to 2013 respectively.

(3) Capital structure

As at 30 June 2011, the equity attributable to the equity holders of the parent and notes, interest-bearing bank borrowings amounted to approximately RMB22,544,645,000 and approximately RMB18,550,815,000 respectively. As at 30 June 2011, the debt-to-equity ratio was 82.3% (31 December 2010: 64.4%).

3. FINANCIAL ANALYSIS (Continued)

(4) Notes, interest-bearing bank and other borrowings

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Effective interest rate (%)	Maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Current				
(i) Bank loans				
Secured	0% to 10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.35% to 1.4%	2012	**1,091,105**	561,041
Unsecured	0% to 10% discount to the PBC Benchmark interest rate, Libor + 4%, 6.14% to 6.31%	2012	**2,778,417**	662,809
			3,869,522	1,223,850
(ii) Other borrowings				
Unsecured	5.004% to 6.13%	2012	**1,350,000**	1,200,000
Notes, interest-bearing bank and other borrowings - Current portion			**5,219,522**	2,423,850
Non-current				
(i) Bank loans				
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.40%	2012-2021	**5,474,471**	4,590,795
Unsecured	Libor + 0.135%	2013	**323,573**	—
			5,798,044	4,590,795
(ii) Notes				
Unsecured	3.90% to 4.18%	2012-2014	**4,991,698**	4,989,873
(iii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate, 4.86%	2013-2015	**2,541,551**	2,541,551
Notes, interest-bearing bank and other borrowings - Non-current portion			**13,331,293**	12,122,219

3. FINANCIAL ANALYSIS (Continued)

(4) Notes, interest-bearing bank and other borrowings (Continued)

(b) As at 30 June 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Analysed into:		
(i) Bank loans		
Within one year or on demand	**3,869,522**	1,223,850
In the second year	**1,221,210**	612,084
In the third to fifth year, inclusive	**2,603,700**	1,866,396
Over five years	**1,973,134**	2,112,315
	9,667,566	5,814,645
(ii) Notes		
In the second year	**1,996,979**	1,995,946
In the third to fifth year, inclusive	**2,994,719**	2,993,927
	4,991,698	4,989,873
(iii) Other borrowings		
Within one year or on demand	**1,350,000**	1,200,000
In the second year	**1,500,000**	200,000
In the third to fifth year, inclusive	**1,041,551**	2,341,551
	3,891,551	3,741,551
	18,550,815	14,546,069

The Group's bank loans are secured by pledges or mortgages of the Group's 7 vessels under construction (31 December 2010: 2 vessels) and another 16 vessels (31 December 2010: 15 vessels) with total net carrying amount of RMB9,452,597,000 (31 December 2010: RMB7,585,649,000) as at 30 June 2011.

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

Except for secured bank loans of RMB5,810,188,000 (31 December 2010: RMB4,796,448,000) and unsecured bank loans of RMB1,701,990,000 (31 December 2010: RMB649,010,000) which are denominated in United States Dollar ("USD"), all other borrowings are denominated in RMB.

3. FINANCIAL ANALYSIS (Continued)

(5) Risk on foreign currency

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and Hong Kong Dollar ("HKD") against RMB. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

As at 30 June 2011, the Group's foreign exchange liabilities mainly comprised secured bank loans equivalent to approximately RMB5,810,188,000 (31 December 2010: RMB4,796,448,000) and unsecured bank loans equivalent to approximately RMB1,701,990,000 (31 December 2010: RMB649,010,000). In addition, the Company would pay dividend for H-Shares in HKD.

The Group does not have significant exposure to foreign exchange risk.

Given the increasing significance 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 USD for its operations. Secondly, the Group will conscientiously analyse and compare available financial instruments for averting exchange rate risks, so as to hedge and lock in financial costs, and to effectively protect against risks caused by exchange rate fluctuations.

4. OTHERS

(1) Investment and fleet expansion projects

In 2011, the Group has achieved further improvement in both investment and fleet expansion.

In the first half of 2011, the total investment of the Group was approximately RMB4,073 million, of which approximately RMB3,828 million was paid for the purchase of fixed assets (vessels) in cash.

In terms of external investment, the Group made a breakthrough in its LNG project. In the first half of 2011, the Group reached common understanding with MITSUI O.S.K. LINES, LTD. ("MOL") in relation to the establishment of 4 jointly-controlled companies and the building of 4 LNG vessels, and also entered the related agreements with MOL in July 2011. The 4 new LNG vessels are expected to be delivered in 2016 and to bring stable investment income to the Group. The LNG project investment will become one of the new growth points of the Group in the future.

In terms of fleet expansion, one new tanker with a total capacity of 308,000 deadweight tonnes and 10 new bulk vessels with a total capacity of 781,000 deadweight tonnes have been delivered for use in the first half of 2011. In addition, the Group has upgraded 5 old vessels with a total net carrying amounts of approximately RMB128,370,000, and approximately RMB52.66 million has been paid for the transformation of these old vessels. In the first half of 2011, the Group disposed of 6 old vessels of 205,000 deadweight tonnes and achieved an income of RMB115,270,000.

4. OTHERS (Continued)

(1) Investment and fleet expansion projects (Continued)

As at 30 June 2011, the Group owned 181 vessels with a total capacity of 12,252,000 deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes ('000)	Average age (years)
Tankers	70	6,697	8.4
Dry bulk vessels	111	5,555	15.8
Total	181	12,252	12.9

In terms of scale, both the Group's oil tanker fleet and bulk vessel fleet are among the top 10 independent shipowners in the world. The number of VLCC vessels owned by the Group has reached 12 and the VLCC fleet begins to take shape.

(2) Corporate governance and system establishment

In order to ensure various policies of the Company are in line with the existing laws, regulations and regulatory documents, improve the Company's system and enhance corporate governance, the Group continued to strengthen its corporate governance and system establishment in the first half of 2011 and amended the "Articles of Association" and the relevant rules of procedure, including "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Supervisory Committee" and "Rules of Procedure of the General Meeting" and formulated "Working Regulations for Independent Directors", "Measures for the Administration of Connected Transactions", "Risk Control System for Connected Transactions with China Shipping Finance Co., Ltd." and "Working Regulations for Secretary to the Board".

In 2011, the "Basic Standards for Enterprise Internal Control" and the "Implementation Guidelines for Enterprise Internal Control" formulated by the Ministry of Finance, the CSRC, National Audit Office, CBRC and CIRC will be applicable to companies that are both listed in the PRC and abroad. In accordance with the deployment by the regulatory authorities, the Company steadily propelled the establishment of the Company's internal control system and formulated practicable working plan for the implementation of the internal control regulations and produced the first draft of the internal control manual.

(3) Vessel safety management and corporate social responsibility

While striving to achieve both transportation and economic efficiency, the Group actively proceeded with the improvement and operation of the vessel safety management system, carried out seasonal climate change and interim safety work and strengthened efforts in preventing attacks from pirates. In February 2011, the Group's "Jianingshan" vessel succeeded in repulsing three attacks from pirates. In late March 2011 and early April 2011, the Group's "Shengchi" vessel completed the transportation of fuel offered by the Chinese Government as an aid to Japan in a safe and expeditious manner.

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2011

The global economic recovery has been relatively slow. As there are still a large number of orders for all types of vessels in the shipping market, it is difficult for he relationship between market demand and supply to improve in the short term. International oil prices have kept rising, creating significant cost pressure for shipping enterprises.

The Group anticipates the market for the full year of 2011 will underperform the market in 2010. In general, the overall situation of the international dry bulk market in the second half of 2011 is still not optimistic. It is expected the market will continue fluctuations at low levels but the emergence of interim hot spots cannot be ruled out. With respect to oil transportation, the international oil transportation market will remain sluggish in the second half of 2011, with minimal possibility of sharp increases and declines. The overall coastal oil transportation and dry bulk market are expected to maintain steady.

In response to the current market conditions, the Group will focus on the following in the second half of 2011:

(1) Actively implement the strategy of reinforcing its coastal business and developing its offshore business, continue to strengthen strategic partnership with major customers, further consolidate and expand the Company's share in both domestic and international shipping markets.

In recent years, the Group has actively implemented its strategies of cooperation with major customers, and sought to change the development mode based on stable supply and market expansion. For bulk cargoes transportation, the Company has actively promoted strategic cooperation with Huaneng, Shenhua, Baosteel, Shougang, China Resources, Shenergy, Shanghai Electric Power and Guangzhou Holding through joint venture partnerships and other means. As a result, the Company has quickly expanded its size of controllable capacity and enhanced control of the coastal thermal coal transportation market. In the second half of 2011 the Group will focus on striving to adjust supply structure and customer structure and enhancing scale, management and efficiency. For oil product transportation, the Group will strengthen consolidation of cooperation with domestic and foreign oil companies, seize market opportunities for domestic and foreign trades, improve operation of large ships such as VLCC, stabilise base supply, nurture ocean management team and enhance comprehensive benefits.

(2) Implement further adjustments to vessel composition and, endeavor to deliver new vessels and update the management of vessels. In accordance with the signed book orders for new vessels, the delivery of new vessels of the Group is as follows:

	In the second half of 2011		**In 2012**		**In 2013**	
	numbers	Capacity (deadweight tones)	numbers	Capacity (deadweight tones)	numbers	Capacity (deadweight tones)
Tankers	3	228,000	12	720,000	2	640,000
Bulk vessels	12	1,872,000	34	3,572,000	4	192,000

2011 and 2012 are the peak years for the Group to take delivery of new vessels. The Group will further get well-prepared in all aspects including vessel construction supervision, crew training and selection as well as management and training of personnel, so as to lay a solid foundation for the optimisation of the fleet of the Group.

5. OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2011 (Continued)

(3) Actively drive progress in the LNG project. The LNG project will be the Group's next development focus. The Group will actively propel the building of new LNG vessels in the second half of 2011 and endeavor to develop new business models and growth points.

(4) Strengthen its cost control system to enhance cost effectiveness. In the second half of 2011, the Group will continue to strengthen control over management and other fees to prevent the rebound thereof. Fuel costs are one of the Group's major costs. The Group will continue to strengthen the management of energy-saving and the use of energy-saving technologies, implement the policy of economic speed and strive to control fuel costs.

(5) Expand financing channels to ensure funds for corporate development. According to the Group's shipbuilding plans, the capital expenditure of the Group from 2011 to 2013 is RMB12.22 billion, RMB7.36 billion and RMB1.02 billion respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increase. In addition, pursuant to its planning, the Group will make continued investment in LNG transportation and therefore has certain needs for funding. In this connection, the Group will further strengthen cooperation with banks to maintain smooth financing channels. As at the date of this report, the Company has successfully issued A-Share convertible bonds of RMB3.95 billion.

(6) Continue to strengthen safety and security. We will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures, and will construct and operate a comprehensive security system.

6. SIGNIFICANT EVENTS

(1) Directors' and supervisors' interests in contracts

As at 30 June 2011, none of the directors or supervisors of the Company 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 2011, 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 Securities and Futures Ordinance "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 ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

(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 of the company 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.

6. SIGNIFICANT EVENTS (Continued)

(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.

(5) Compliance with the Code on Corporate Governance Practices

The Company has complied throughout the six months ended 30 June 2011 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

(6) Audit Committee

In compliance with Rule 3.21 of the Listing Rules, the Company has established an audit committee ("Audit Committee ") to review the financial reporting procedures and internal control of the Group and to provide guidance thereto. The Audit Committee 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 of the Company comprises 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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding the Compnay's directors' securities transactions.

Following specific enquiries made with the directors, supervisors and chief executives of the Company, the Company has confirmed that each of them has complied with the Model Code during the Reporting Period.

(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 its administrative personnel with 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 2011, the Company had 4,038 employees. During the Reporting Period, the total staff cost was approximately RMB842.8 million (The same period in 2010: approximately RMB630.0 million).

6. SIGNIFICANT EVENTS (Continued)

(10) Contingent Liabilities

(1) In December 2005, one of the Company´s oil tankers "Daiqing 91" leaked fuel during its voyage in the waters of the Bohai Bay of the PRC. A hull crack of approximately 4.5m was discovered. After the investigation done by the Maritime Safety Administration, which affirmed the hull cracking and the leakage polluted the sea. The Company formed an incident management team. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province and that the Company would assume responsibility of the accident. As the Company had been insured with the United Kingdom Mutual Steamship Assurance Association, the Company had made provision for its estimated loss. As at 30 June 2011, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

(2) In December 2010, one of the Company's cargo vessels "Jiaxinshan" leaked with apparent conditions of goods in cargo seriously liquidated during its voyage into the waters near Sulu Sea of the Philippines. The safety of the vessel and other cargo were endorsed and the cargo was sea damaged. The cargo was then unloaded and dried in the Philippines pending negotiations and settlement. A provision of total of RMB4,500,000 was recognised. Up to 30 June 2011, the Company is still in the process of settling all issues concerned.

(3) In March 2009, Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping") signed a thirteen-year loan agreement in the amount not exceeding RMB500,000,000 with a commercial bank for the construction of two 57,000 deadweight tons vessels. Guangzhou Development Industry (Holdings) Co., Limited ("Guangzhou Holdings") entered into a guarantee contract with the commercial bank to provide guarantee to secure the bank loan in the maximum amount of RMB500,000,000. The guarantee period given by Guangzhou Holdings is the same as the period of the loan agreement.

On 16 August 2010, the Company acquired 50% registered capital of Guangzhou Shipping, a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited. At the 2010 fourteenth board meeting in 2010, the Company passed the resolution to offer a counter-guarantee letter in the maximum amount of RMB250,000,000 to Guangzhou Holdings, in accordance with the joint venture agreement signed with Guangzhou Development Coal Investment Co., Limited on 16 August 2010.

(11) Events After Reporting Period

(1) The issuance of A-Share convertible bonds for the Company was approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke 2011 No. 1152). The aggregate nominal value of the convertible bonds to be issued is RMB3.95 billion, with a term of 6 years. Current holders of A-Shares would have first priority in the allotment, then it would be allotted to institutional investors and the public through the Shanghai Stock Exchange trading system. The remaining amount would be underwritten by the underwriters. Permitted by Shanghai Stock Exchange Limited, the RMB3.95 billion A-Share convertible bonds with bond code "110017" has been listed on the Shanghai Stock Exchange since 12 August 2011.

6. SIGNIFICANT EVENTS (Continued)

(11) Events After Reporting Period (Continued)

The A-Share convertible bonds were issued on 1 August 2011 by the Company. The interest rates of the A-Share convertible bonds is 0.5%, for the first year, 0.7% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2.0% for the sixth year. Within five trading days after the maturity of the A-Share convertible bonds, the Company will redeem the outstanding A-Share convertible bonds at 105% of the par value of the convertible bonds (including interest for the final term). The A-Share convertible bonds bear interest from the year 2011, payable annually in arrear on 1 August of each year. The initial conversion price of the A-Share convertible bonds is RMB8.70 per share, the convertible period will start from six months after the date of issue to the date of expiry of the A-Share convertible bonds, being 2 February 2012 to 1 August 2017.

(2) At the 2011 fifth board meeting held on 16 March 2011, the Company has passed the resolution of applying an entrusted loan up to RMB3 billion from China Shipping (Group) Company ("China Shipping") whereby the Company agreed to apply for an entrusted loan up to RMB3 billion from China Shipping. On 8 August 2011, the Company entered into the First Entrusted Loan Agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB3 billion to the Company. The First Entrusted Loan has a term of seven years commencing from 9 August 2011 and ending on 8 August 2018 for an interest rate of 6.51% per annum. Interest payments are to be settled every quarter of the year on 20 March, 20 June, 20 September and 20 December respectively, with the last interest payment date being the maturity date of the First Entrusted Loan when the outstanding principal amount will also be repaid unless such loan is extended by the parties with five days written notice prior to the date of maturity. CS Finance will charge an administrative fee of RMB300,000 per annum.

(3) At the 2011 eleventh board meeting held on 26 July 2011, the Company has passed the resolution of applying an entrusted loan up to RMB0.4 billion from Guangzhou Maritime Transport (Group) Co. Ltd ("Guangzhou Maritime"), whereby the Company agreed to apply a one year loan in the amount of RMB0.4 billion from Guangzhou Maritime. On 8 August 2011, the Company entered into the Second Entrusted Loan Agreement with Guangzhou Maritime and CS Finance whereby Guangzhou Maritime entrusted CS Finance to provide a loan in the amount of RMB0.4 billion to the Company. The Second Entrusted Loan has a term of one year commencing from 9 August 2011 and ending on 8 August 2012 for an interest rate of 6.56% per annum. Interest payments are to be settled every quarter of the year on 20 March, 20 June, 20 September and 20 December respectively, with the last interest payment date being the maturity date of the Second Entrusted Loan when the outstanding principal amount will also be repaid unless such loan is extended by the parties with five days written notice prior to the date of maturity. CS Finance will charge a one-off administrative fee of RMB40,000.

(4) 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 Shenshua Energy Company Limited in relation to the increase in registered capital in Zhuhai New Century Shipping Company Limited. On 6 July 2011, the Company paid capital contribution in Shenzhua Zhonghai Marine Co., Limited (formerly known as Zhuhai New Century Shipping Company Limited) for an amount of RMB343 million. As at the date of this announcement, RMB783,330,000 capital contribution have been paid to Shenzhua Zhanghai Marine Co., Limited, and the outstanding amount to be contributed is RMB1,470,670,000.

6. SIGNIFICANT EVENTS (Continued)

(11) Events After Reporting Period (Continued)

(5) At the 2011 eleventh board meeting held on 26 July 2011, the Company passed the resolution regarding the Capital Contribution Plan for China Shipping Development (Hong Kong) Marine Co., Limited ("CSD HK"), a wholly owned subsidiary of the Company, and approved increase in capital by USD99.5 million for CSD HK, by cash payment. After completion of replenishment of capital, the registered capital of CSD HK will increase from USD0.5 million to USD100 million. As at the date of this announcement, the replenishment of capital has not been paid.

(6) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies as set out below entered into Ship Building Contracts for the construction of one LNG vessel each. After the completion of the construction of the LNG vessels, the four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following Charterers:

Company name	Charterer
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four lease with guarantee ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to the charterers under the lease term. According to the lease term, taking into account of the possible increase in the value of the lease pro rata to the shareholders of the above four companies, the amount of lease guarantee provided by the Company is limited to USD8.2 million (approximately RMB53 million).

The guarantee period is limited to that of the lease period, which is 20 years.

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

Shanghai, the PRC
16 August 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

TO THE SHAREHOLDERS OF CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
(Established in the People's Republic of China as a joint stock company with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 50, which comprises the condensed consolidated statement of financial position of China Shipping Development Company Limited (the "Company") and its subsidiaries (together referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 16 August 2011
Lo Wing See
Practising certificate number P04607

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2011

	Note	For the six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Revenue			
Turnover	3	**6,141,412**	5,527,749
Operating costs		**(5,260,272)**	(4,252,181)
Gross profit		**881,140**	1,275,568
Other income and gains	4	**140,653**	140,421
Marketing expenses		**(23,183)**	(20,274)
Administrative expenses		**(135,262)**	(125,359)
Other expenses		**(14,993)**	(5,679)
Share of profits of jointly-controlled entities		**164,224**	109,621
Finance costs	5	**(181,894)**	(71,283)
PROFIT BEFORE TAX	6	**830,685**	1,303,015
Tax	7	**(129,483)**	(330,944)
PROFIT FOR THE PERIOD		**701,202**	972,071
OTHER COMPREHENSIVE EXPENSES			
Exchange realignment		**(137,830)**	(39,549)
Net loss on cash flow hedges		**(2,179)**	(15,156)
Other comprehensive expenses for the period		**(140,009)**	(54,705)
Total comprehensive income for the period		**561,193**	917,366
Profit for the period attributable to:			
Equity holders of the parent		**684,406**	978,767
Non-controlling interests		**16,796**	(6,696)
		701,202	972,071
Total comprehensive income for the period attributable to:			
Equity holders of the parent		**544,874**	924,133
Non-controlling interests		**16,319**	(6,767)
		561,193	917,366
Earnings per share	8		
– Basic		**20.10 cents**	28.75 cents
– Diluted		**20.10 cents**	28.75 cents

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

The accompanying notes from pages 25 to 50 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Period ended 30 June 2011

	Note	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	10	**189,610**	—
Property, plant and equipment	10	**38,771,962**	35,385,957
Investments in jointly-controlled entities		**2,974,971**	2,574,217
Available-for-sale investments		**4,300**	4,300
Total non-current assets		**41,940,843**	37,964,474
CURRENT ASSETS			
Bunker oil inventories		**595,980**	449,285
Trade and bills receivables	11	**1,167,146**	891,063
Prepayments, deposits and other receivables		**406,405**	343,618
Cash and cash equivalents		**1,793,770**	1,061,735
Total current assets		**3,963,301**	2,745,701
CURRENT LIABILITIES			
Trade and bills payables	13	**1,788,958**	913,721
Other payables and accruals		**1,316,460**	1,146,208
Tax payable		**50,336**	78,604
Current portion of notes, interest-bearing bank and other borrowings	14	**5,219,522**	2,423,850
Total current liabilities		**8,375,276**	4,562,383
NET CURRENT LIABILITIES		**(4,411,975)**	(1,816,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,528,868**	36,147,792

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

Period ended 30 June 2011

	Note	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	**3,404,552**	3,404,552
Reserves		**19,140,093**	18,595,219
Proposed interim/final dividend		**—**	578,774
		22,544,645	22,578,545
Non-controlling interests		**679,523**	512,916
Total equity		**23,224,168**	23,091,461
NON-CURRENT LIABILITIES			
Other loans		**520,172**	429,934
Provisions	15	**54,500**	85,500
Derivative financial instruments	12	**15,079**	13,218
Notes, interest-bearing bank and other borrowings	14	**13,331,293**	12,122,219
Deferred tax liabilities		**383,656**	405,460
Total non-current liabilities		**14,304,700**	13,056,331
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**37,528,868**	36,147,792

Li Shaode
Director

Yan Zhichong
Director

The accompanying notes from pages 25 to 50 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium 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 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 shareholder of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	264,600	264,600
Dividend payable	—	—	—	—	—	—	—	—	—	(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
At 1 January 2011	**3,404,552**	**3,947,214**	**168,829**	**2,755,909**	**93,158**	**(14,230)**	**1,019**	**(644,226)**	**12,287,546**	**578,774**	**22,578,545**	**512,916**	**23,091,461**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**684,406**	**—**	**684,406**	**16,796**	**701,202**
Net loss on cash flow hedges	**—**	**—**	**—**	**—**	**—**	**(2,179)**	**—**	**—**	**—**	**—**	**(2,179)**	**—**	**(2,179)**
Exchange realignment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(137,353)**	**—**	**—**	**(137,353)**	**(477)**	**(137,830)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(2,179)**	**—**	**(137,353)**	**684,406**	**—**	**544,874**	**16,319**	**561,193**
Contribution from non-controlling shareholders of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**150,288**	**150,288**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(578,774)**	**(578,774)**	**—**	**(578,774)**
At 30 June 2011 (Unaudited)	**3,404,552**	**3,947,214**	**168,829**	**2,755,909**	**93,158**	**(16,409)**	**1,019**	**(781,579)**	**12,971,952**	**—**	**22,544,645**	**679,523**	**23,224,168**

The accompanying notes from pages 25 to 50 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,148,240**	1,456,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**138,303**	218,957
Purchases of property, plant and equipment	**(3,827,964)**	(2,991,590)
Dividends received from jointly-controlled entities	**8,470**	—
Investments in jointly-controlled entities	**(245,000)**	(339,864)
Other investing cash inflows, net	**—**	239
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(3,926,191)**	(3,112,258)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from non-controlling shareholders	**150,288**	117,600
Net cash inflow from notes, bank and other borrowings	**4,146,151**	2,380,705
Interest and dividend paid	**(769,486)**	(164,489)
Other financing cash outflow, net	**(3,780)**	(14,854)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**3,523,173**	2,318,962
NET INCREASE IN CASH AND CASH EQUIVALENTS	**745,222**	663,546
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,061,735**	2,222,147
Effect of foreign exchange rate changes, net	**(13,187)**	(39,399)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,793,770**	2,846,294
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,793,770**	2,846,294

The accompanying notes from pages 25 to 50 form part of the condensed consolidated 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 and principal place of business 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.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group, and all values are rounded to the nearest thousand except where otherwise indicated.

The condensed consolidated financial statements have been approved for issue by the Board of Directors on 16 August 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated 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 Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The condensed consolidated 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 2010 Annual Report.

2.2 Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

A number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") are effective for the financial year beginning on 1 January 2011. Except as described below (Note 2.3), the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements for the six months ended 30 June 2011 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2010.

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

In the current period, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRSs 3 (Revised 2008), HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-time adopters
HKAS 24 (Revised 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issue
HK(FRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(FRIC) - INT 19	Extinguishing financial liabilities with equity instruments

Impact of HKFRSs issued but not yet effective

HKFRS 7 (Amendments)	Disclosures - transfers of financial assets[1]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[2]
HKFRS 9	Financial instruments[3]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 January 2013.

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; and
(b) dry bulk shipment
- coal shipment
- iron ore shipment
- other dry bulk shipment

3. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

There is seasonality for the Group's turnover but the effect is small. An analysis of the Group's turnover and contribution to the 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			
	2011 (Unaudited)		2010 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment	**3,293,958**	**384,369**	3,062,760	586,532
Dry bulk shipment				
– Coal shipment	**1,864,170**	**391,654**	1,694,162	418,230
– Iron ore shipment	**662,649**	**79,620**	292,918	57,246
– Other dry bulk shipment	**320,635**	**25,497**	477,909	213,560
	2,847,454	**496,771**	2,464,989	689,036
	6,141,412	**881,140**	5,527,749	1,275,568
Other income and gains		**140,653**		140,421
Marketing expenses		**(23,183)**		(20,274)
Administrative expenses		**(135,262)**		(125,359)
Other expenses		**(14,993)**		(5,679)
Share of profits of jointly-controlled entities		**164,224**		109,621
Finance costs		**(181,894)**		(71,283)
Profit before tax		**830,685**		1,303,015
Total segment assets				
Oil shipment		**21,940,184**		19,833,417
Dry bulk shipment		**20,039,016**		14,932,033
Unallocated corporate assets		**3,924,944**		2,789,924
		45,904,144		37,555,374
Total segment liabilities				
Oil shipment		**12,880,393**		8,205,050
Dry bulk shipment		**9,416,496**		6,479,349
Unallocated corporate liabilities		**383,087**		391,610
		22,679,976		15,076,009

3. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment contribution represent the profit earned by each segment without allocation of central administration costs (including director's remuneration), marketing expenses, other expenses, share of profits of jointly-controlled entities, other income and gains and finance costs. This is the measure reported to Chief operating decision makers for the purposes of resource allocation and performance assessment.

Geographical segments

	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	**3,976,224**	**999,836**	3,453,585	914,924
International	**2,165,188**	**(118,696)**	2,074,164	360,644
	6,141,412	**881,140**	5,527,749	1,275,568
Other income and gains		**140,653**		140,421
Marketing expenses		**(23,183)**		(20,274)
Administrative expenses		**(135,262)**		(125,359)
Other expenses		**(14,993)**		(5,679)
Share of profits of jointly-controlled entities		**164,224**		109,621
Finance costs		**(181,894)**		(71,283)
Profit before tax		**830,685**		1,303,015
Turnover				
Total segment turnover		**6,141,412**		5,527,749
Less: inter-company transactions		**—**		—
Total consolidated turnover		**6,141,412**		5,527,749

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	**25,211**	28,703
Interest income	**6,904**	7,994
Others	**3,664**	1,523
	35,779	38,220
Other gains/(losses)		
Gain on disposal of property, plant and equipment, net	**115,129**	135,977
Exchange losses, net	**(10,882)**	(34,000)
Reversal of provision for bad and doubtful debts	**—**	207
Others	**627**	17
	104,874	102,201
Other income and gains	**140,653**	140,421

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total finance costs		
Interest on notes, bank loans, overdraft or loan from capital market wholly repayable or by installment within five years	**242,666**	123,634
Interest on notes, bank loans, overdraft or loan from capital market not required wholly repayable or by installment within five years	**27,807**	21,032
Other loan or borrowings costs and charges	**27,870**	8,863
	298,343	153,529
Less : Interest capitalised	**(116,449)**	(82,246)
Finance costs	**181,894**	71,283

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**2,781,465**	2,202,769
Others (Including vessel depreciation and crew expenses)	**2,478,807**	2,049,412
Depreciation	**849,215**	720,183
Operating lease rentals:		
Land and buildings	**17,096**	14,395
Vessels - International	**143,853**	78,079
Vessels - Domestic	**113,761**	61,235
Total operating lease rentals	**274,710**	153,709
Staff costs (including directors' remuneration)		
Wages, salaries, pension and crew expenses	**842,831**	630,003
Gain on disposal of property, plant and equipment, net	**(115,129)**	(135,977)
Provision/(reversal of provision) for bad and doubtful debts	**300**	(207)
Government subsidies	**(25,211)**	(28,703)
Dry-docking and repairs	**273,011**	244,838

7. TAX

(i) Hong Kong Profits Tax

Hong Kong profits tax was not provided for in the condensed consolidated financial statements as the Group did not have any assessable profits arising in Hong Kong during the six months period 30 June 2011 and 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 24% (2010: 22%) 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% on various types of passive income such as dividends derived from sources within the PRC (the "New Tax Law"). 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.

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Hong Kong - current	**—**	—
PRC		
Charge for the period	**151,712**	262,491
(Over)/under provision in prior years	**(425)**	8
Deferred tax	**(21,804)**	68,445
Total tax charge for the period	**129,483**	330,944

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the parent (RMB'000)	**684,406**	978,767
Weighted average number of ordinary shares in issue (thousands)	**3,404,552**	3,404,552
Basic earnings per share (RMB cents per share)	**20.10**	28.75

As the Company does not have any potential dilutive ordinary shares during the period ended 30 June 2011 (six months ended 30 June 2010: nil), diluted earnings per share is the same as basic earnings per share.

9. DIVIDEND PER SHARE

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2010: Nil).

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the construction of one oil tankers at cost of RMB895,530,000 and ten dry bulk vessels at cost of RMB3,353,591,000 (six months ended 30 June 2010: four oil tankers at cost of RMB2,176,176,000 and six dry bulk vessels at cost of RMB2,337,690,000) were completed. Three oil tankers with net carrying amount of RMB121,209,000 completed repairs, and have been put into operation. Meanwhile, no used vessel was acquired during these periods.

During the period, six dry bulk vessels with net carrying amount of RMB23,000,000 were disposed to third parties (six months ended 30 June 2010: 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).

During the period, investment properties with carrying amount of RMB189,742,000 (six months ended 30 June 2010: nil) were completed and have been leased to third parties.

The investment properties comprise of commercial buildings located at 3rd to 5th Floor, 670 Dong Da Ming Road, Shanghai, the PRC.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of investment properties over their estimated useful lives using the straight line method.

11. TRADE AND BILLS RECEIVABLES

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

An aged analysis of the trade and bills receivables is as follows:

	30 June 2011 (Unaudited)		31 December 2010 (Audited)	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,142,006**	**98**	813,110	92
4 - 6 months	**23,884**	**2**	65,631	7
7 - 9 months	**140**	**—**	10,690	1
10 - 12 months	**1,099**	**—**	1,615	—
1 - 2 years	**—**	**—**	17	—
Over 2 years	**17**	**—**	—	—
	1,167,146	**100**	891,063	100
Provision for doubtful debts	**—**		—	
Trade and bills receivables, net	**1,167,146**		891,063	

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 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements	**15,079**	13,218

As at 30 June 2011, the Group held two interest rate swap agreements, the total notional principal amount of the two interest rate swap agreements was USD75,080,000 (approximately RMB485,887,751). The interest rate swap agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

During the period, the floating interest rates of the bank loans were LIBOR + 0.42% or 0.45%. The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Total fair value losses included in the hedging reserve	**(2,179)**	(15,156)
Hedge loan interest included in finance costs	**(5,498)**	(6,863)
Total losses on cash flow hedges of interest rate swap agreements for the current period	**(7,677)**	(22,019)

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 2011 (Unaudited)		31 December 2010 (Audited)	
	Balance	Percentage	Balance	Percentage
	RMB'000	%	RMB'000	%
1 - 3 months	1,512,820	84	706,129	77
4 - 6 months	102,928	6	60,709	7
7 - 9 months	68,470	4	58,871	6
10 - 12 months	36,701	2	79,755	9
1 - 2 years	63,400	4	7,605	1
Over 2 years	4,639	—	652	—
	1,788,958	100	913,721	100

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

14. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Effective interest rate (%)	Maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Current				
(i) Bank loans				
Secured	0% to 10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.35% to 1.4%	2012	**1,091,105**	561,041
Unsecured	0% to 10% discount to the PBC Benchmark interest rate, Libor + 4%, 6.14% to 6.31%	2012	**2,778,417**	662,809
			3,869,522	1,223,850
(ii) Other borrowings				
Unsecured	5.004% to 6.13%	2012	**1,350,000**	1,200,000
Notes, interest-bearing bank and other borrowings - Current portion			**5,219,522**	2,423,850

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

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows: (Continued)

	Effective interest rate (%)	Maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Non-current				
(i) Bank loans				
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.40%	2012-2021	**5,474,471**	4,590,795
Unsecured	Libor + 0.135%	2013	**323,573**	—
			5,798,044	4,590,795
(ii) Notes				
Unsecured	3.90% to 4.18%	2012-2014	**4,991,698**	4,989,873
(iii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate, 4.86%	2013-2015	**2,541,551**	2,541,551
Notes, interest-bearing bank and other borrowings - Non-current portion			**13,331,293**	12,122,219

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

(b) At 30 June 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Analysed into:		
(i) Bank loans		
Within one year or on demand	**3,869,522**	1,223,850
In the second year	**1,221,210**	612,084
In the third to fifth year, inclusive	**2,603,700**	1,866,396
Over five years	**1,973,134**	2,112,315
	9,667,566	5,814,645
(ii) Notes		
In the second year	**1,996,979**	1,995,946
In the third to fifth year, inclusive	**2,994,719**	2,993,927
	4,991,698	4,989,873
(iii) Other borrowings		
Within one year or on demand	**1,350,000**	1,200,000
In the second year	**1,500,000**	200,000
In the third to fifth year, inclusive	**1,041,551**	2,341,551
	3,891,551	3,741,551
	18,550,815	14,546,069

The Group's bank loans are secured by pledges or mortgages of the Group's 7 vessels under construction (31 December 2010: 2 vessels) and another 16 vessels (31 December 2010: 15 vessels) with total net carrying amount of RMB9,452,597,000 (31 December 2010: RMB7,585,649,000) at 30 June 2011.

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

Except for secured bank loans of RMB5,810,188,000 (31 December 2010: RMB4,796,448,000) and unsecured bank loans of RMB1,701,990,000 (31 December 2010: RMB649,010,000) which are denominated in USD, all other borrowings are denominated in RMB.

15. PROVISIONS

	Legal claims (Note i) RMB'000	Other provisions (Note ii) RMB'000	Total RMB'000
At 31 December 2010	66,000	19,500	85,500
Reductions	(16,000)	(15,000)	(31,000)
At 30 June 2011	50,000	4,500	54,500

Notes:

(i) Legal claims

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 2012. A provision of RMB50,000,000 has been recognised 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 2011. Please refer to note 18(i) for details.

(ii) Other provisions

Issue concerning compensation for pollution caused by vessel "Jiaxinshan"

The estimated provision amount for this issue is RMB4,500,000. The board of directors expected that no decision will be concluded in 2012. 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 2011. Please refer to note 18(ii) for details.

16. ISSUED CAPITAL

	30 June 2011 (Unaudited) Number of shares	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) Number of shares	31 December 2010 (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
Total capital	**3,404,552,270**	**3,404,552**	3,404,552,270	3,404,552

All of the ordinary shares were circulated without trading restriction at the period end date.

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 2011, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**117,406**	53,581
In the second to fifth year, inclusive	**40,582**	14,744
	157,988	68,325

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 1 to 16 years.

As at 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**261,191**	109,932
In the second to fifth year, inclusive	**553,028**	94,583
After five years	**1,358,666**	—
	2,172,885	204,515

18. CONTINGENT LIABILITIES

i) In December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage in the waters of the Bohai Bay of the PRC. A hull crack of approximately 4.5m was discovered. After the investigation done by the Maritime Safety Administration, which affirmed the hull cracking and the leakage polluted the sea. The Company formed an incident management team. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province and that the Company would assume responsibility of the accident. As the Company had been insured with the United Kingdom Mutual Steamship Assurance Association, the Company had made provision for its estimated loss. As at 30 June 2011, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

ii) In December 2010, one of the Company's cargo vessels "Jiaxinshan" leaked with apparent conditions of goods in cargo seriously liquidated during its voyage into the waters near Sulu Sea of the Philippines. The safety of the vessel and other cargo were endorsed and the cargo was sea damaged. The cargo was then unloaded and dried in the Philippines pending negotiations and settlement. A provision of total of RMB4,500,000 was recognised. Up to 30 June 2011, the Company is still in the process of settling all issues concerned.

18. CONTINGENT LIABILITIES (Continued)

iii) In March 2009, Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping") signed a thirteen-year loan agreement in the amount not exceeding RMB500,000,000 with a commercial bank for the construction of two 57,000 deadweight tons vessels. Guangzhou Development Industry (Holdings) Co., Limited ("Guangzhou Holdings") entered into a guarantee contract with the commercial bank to provide guarantee to secure the bank loan in the maximum amount of RMB500,000,000. The guarantee period given by Guangzhou Holdings is the same as the period of the loan agreement.

On 16 August 2010, the Company acquired 50% registered capital of Guangzhou Shipping, a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited. At the 14th board meeting in 2010, the Company passed the resolution to offer a counter-guarantee letter in the maximum amount of RMB250,000,000 to Guangzhou Holdings, in accordance with the joint venture agreement signed with Guangzhou Development Coal Investment Co., Limited signed on 16 August 2010.

19. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at 30 June 2011 of which RMB6,318,394,000 will be due within one year.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note)	**15,023,692**	20,436,403
Equity investments	**1,911,325**	2,111,649
	16,935,017	22,548,052

Note: According to the construction purchase agreements entered into by the Group from 2007 to June 2011, these capital commitments will fall due as from 2011 to 2013 respectively.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, business transactions between the Group and its holding company, fellow subsidiaries, jointly-controlled entities as well as related parties for the periods, which are also considered by directors as related party transactions, 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.

20. 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 2011 are set out below:

		For the six months ended 30 June	
	Pricing basis	**2011 Total value (Unaudited) RMB'000**	2010 Total value (Unaudited) RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**66,791**	243,360
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	**1,409,074**	1,357,560
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**21,764**	14,395
Crew expenses	Market prices	**24,196**	28,946
Accommodation, lodging, medical services (for existing employees) and transportation for employees	State-fixed prices or market prices	**2,476**	2,168
Miscellaneous management services	Market prices	**12,843**	15,511
Agency commissions	Market prices	**54,179**	46,363
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**4,437**	9,659

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

20. RELATED PARTY TRANSACTIONS (Continued)

(2) Except for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, jointly-controlled entities and related companies are as follows:

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Vessel chartering charges paid	(i)	**18,208**	25,590
Vessel chartering income received		**2,250**	—
Sale of vessels		**—**	13,103
Rental income received		**3,300**	—
Purchases of vessels, construction in progress and other non-current assets	(ii)	**812,438**	643,594
Shipment income		**465,716**	428,872
Purchase of subsidiary		**—**	144,459
Loan interest payment	(iii)	**96,997**	10,598

The Group has entered into the following agreements:

(i) On 10 December 2010, China Shipping (Hong Kong) Holdings Co., Limited ("CSHK") and Xi Chuan Shipping S.A., a wholly-owned subsidiary of the Company, entered into a bare-boat charter where CSHK will lease the vessel Song Lin Wan to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2011 to 31 December 2011. The aggregate payment will be up to USD5,293,000.

On 10 December 2010, Shanghai Maritime Enterprises Corp. and the Company entered into a bare-boat charter where Shanghai Maritime Enterprises Corp. will lease the vessel Da Qing 88 to the Company for a term of 246 days commencing from 1 January 2011 to 3 September 2011. The aggregate payment will be up to USD2,153,000.

On 4 May 2009, Guangzhou Maritime Transport (Group) Co. Ltd ("Guangzhou Maritime") and the Company entered into three bare-boat charters where Guangzhou Maritime will lease 3 vessels to the Company for a term of 3 years commencing from 4 May 2009 to 4 May 2012. The aggregate payment will be RMB3,600,000 per annum.

(ii) On 28 September 2010, the Company entered into the agreements with China Shipping Industrial Co., Ltd. and China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of 12 vessels for the transportation of coal and other bulk cargo. The total consideration paid for the construction in progress of the vessels is approximately RMB812,438,000.

20. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

(iii) At the 2010 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 China Shipping Finance Co., Limited ("CS Finance") whereby China Shipping entrusted CS Finance 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.

On 30 March 2010, the Company has entered into a Loan Agreement with CS Finance whereby CS Finance provided a five-year loan in the amount up to RMB1,500,000,000 to the Company. The loan is used to finance the construction in progress of 22 vessels. The interest rate is the preferential rate determined by applying a 10% discount to the 5-year term Benchmark interest rate as published by the PBC on the date of drawdown of such loan by the Company, and interest will be adjusted annually. Interest payments are to be settled every quarter of the year, and the principal would be repaid on 1 April 2015.

At the 2010 tenth board meeting held on 19 November 2010, the Company has passed the resolution of entering into the Entrusted Loan Agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a one year loan in the amount of RMB1,000,000,000 to the Company. The loan is used to pay China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of twelve 48,000 deadweight tons vessels. The interest rate is 5.004% per annum, representing a preferential rate determined by applying a 10% discount to the commercial bank interest rate as published by the PBC on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, and the principal would be repaid on 20 September 2011.

On 21 June 2011, the Company has entered into a Loan Agreement with CS Finance whereby CS Finance provided a one-year loan in the amount up to RMB150,000,000 to the Company. The loan is used to finance business operation. The interest rate is fixed at 6.31% per annum and the principal would be repaid on 22 June 2012.

The related interest expenses RMB96,997 for the period have been included in the finance cost.

20. RELATED PARTY TRANSACTIONS (Continued)

(3) In October 2009, the Group has entered into the "Financial Services Framework Agreement" with China Shipping. The agreement has been passed at an extraordinary general meeting which was held on 22 December 2009. Pursuant to which China Shipping shall procure CS Finance to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) other financial services as approved by China Banking Regulatory commission. The financial Services Framework Agreement will be effective for a term of 3 years commencing from the date when all the following conditions precedent under the Financial Services Framework Agreement are satisfied to the day immediately before the third anniversary of the commencement date:

(i) the legal representative or authorised person between the China Shipping and the Company have signed and stamped the Companies chops;

(ii) the resolution has been approved by the independent shareholder;

(iii) CS Finance has received its "Business Registration Certificate" and Financial Certificate"; and

(iv) on the ground that the relevant laws and regulations (including the "Listing Rules") have been fulfilled, except either party address not to continue the transactions, the "Financial Services Framework Agreement" will automatically renewed for a period of three years period ended.

(4) Outstanding balances with related parties

(i) Included in trade and bill receivables are the amounts due from jointly-controlled entities amounting RMB59,643,000 (31 December 2010: RMB34,456,000).

(ii) Included in prepayments, deposits and other receivables are the amounts due from fellow subsidiaries amounting RMB181,924,000 (31 December 2010: RMB127,796,000).

(iii) Included in cash and cash equivalent represents an amount of RMB501,840,000 (31 December 2010: RMB309,458,000) of bank balance deposited with CS Finance, a jointly-controlled entity of the company.

(iv) Included in trade and bills payables are the amounts due to fellow subsidiaries amounting RMB585,545,000 (31 December 2010: RMB428,601,000).

(v) Included in other payables and accruals are the amounts due to fellow subsidiaries amounting RMB257,535,000 (31 December 2010: RMB138,205,000).

20. RELATED PARTY TRANSACTIONS (Continued)

(4) (Continued)

(vi) Included in other borrowings represent an amount of RMB1,591,551,000 (31 December 2010: RMB1,441,551,000) were borrowed from CS Finance, a jointly controlled entity of the Company. As at 30 June 2011, the current and non-current portion of this borrowing amounted to RMB350,000,000 (31 December 2010: RMB200,000,000) and RMB1,241,551,000 (31 December 2010: RMB1,241,551,000) respectively.

Included in other borrowings represent an amount of RMB2,300,000,000 (31 December 2010: RMB2,300,000,000) were borrowed from the Company's ultimate holding company. As at 30 June 2011, the current and non-current portion of this borrowing amounted to RMB1,000,000,000 (31 December 2010: RMB1,000,000,000) and RMB1,300,000,000 (31 December 2010: RMB1,300,000,000) respectively.

For further details please refer to note 20(2)(iii).

The amounts due from/(to) jointly-controlled entities and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

(5) Guarantees from ultimate holding company

The Company has entered loan agreements with China Merchants Bank for three short-term bank loans of totalling RMB700,000,000, accordingly to "Letter of irrevocable Guarantee" attached in the loan agreements, China Shipping is guarantor of these three bank loans.

These three short-term bank loan amounted RMB200,000,000, RMB200,000,000 and RMB300,000,000 respectively, and these three guarantee periods are from 1 February 2011 to 1 February 2012, from 18 March 2011 to 17 March 2012, and from 15 June 2011 to June 15, 2012 respectively. As at 30 June 2011, the Company has repaid fully for the short-term bank loan amounting RMB200,000,000, which its maturity guarantee date is 1 February 2012, and has repaid partially for the short-term bank loan amounting RMB100,000,000, which its maturity guarantee is 17 March 2012.

21. EVENTS AFTER REPORTING PERIOD

(1) The issuance of A-Share convertible bonds for the Company was approved by China Securities Regulatory Commission (Zheng Jian Xu Ke [2011] No. 1152). The aggregate nominal value of the convertible bonds to be issued is RMB3.95 billion, with a term of 6 years, total 39,500,000 number of bonds at nominal value RMB100 each. Current holders of A-Shares would have first priority in the allotment, then it would be alloted to institutional investors and pubic through the Shanghai Stock Exchange trading system. The remaining amount would be underwritten by the underwriters. Permitted by Shanghai Stock Exchange Limited, the RMB3.95 billion A-Share convertible bonds, bond code "110017" has been listed in Shanghai Stock Exchange since 12 August 2011.

The A-Share convertible bonds were issued on 1 August 2011 by the Company. The interest rates of the A-Share convertible bonds is 0.5%, for the first year, 0.7% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2.0% for the sixth year. Within five trading days after the maturity of the A-Share convertible bonds, the Company will redeem the outstanding A-Share convertible bonds at 105% of the par value of the convertible bonds (including interest for the final term). The A-Share convertible bonds bear interest from year 2011, payable annually in arrear on 1 August of each year. The initial conversion price of the A-Share convertible bonds is RMB8.70 per share, the convertible period will start from six months after the date of issue to the date of expiry of the A-Share convertible bonds, being 2 February 2012 to 1 August 2017.

(2) At the 2011 fifth board meeting held on 16 March 2011, the Company has passed the resolution of applying an entrusted loan up to RMB3 billion from China Shipping whereby the Company agreed to apply for entrusted loan up to RMB3 billion from China Shipping. On 8 August 2011, the Company entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in amount of RMB3 billion to the Company. This entrusted loan has a term of seven years commencing from 9 August 2011 and ending on 8 August 2018 for an interest rate of 6.51% per annum. Interest payments are to be settled every quarter of the year on 20 March, 20 June, 20 September and 20 December respectively, with the last interest payment date being the maturity date of this entrusted loan when the outstanding principal amount will also be repaid unless such loan is extended by the parties with five days written notice prior to the date of maturity. CS Finance will charge an administrative fee of RMB300,000 per annum.

(3) At the 2011 eleventh board meeting held on 26 July 2011, the Company has passed the resolution of applying an entrusted loan up to RMB0.4 billion from Guangzhou Maritime, whereby the Company agreed to apply a one year loan in the amount of RMB0.4 billion from Guangzhou Maritime. On 8 August 2011, the Company entered into an entrusted loan agreement with Guangzhou Maritime and CS Finance whereby Guangzhou Maritime entrusted CS Finance to provide a loan in amount of RMB0.4 billion to the Company. This entrusted loan has a term of one year commencing from 9 August 2011 and ending on 8 August 2012 for an interest rate of 6.56% per annum. Interest payments are to be settled every quarter of the year on 20 March, 20 June, 20 September and 20 December respectively, with the last interest payment date being the maturity date of this entrusted loan when the outstanding principal amount will also be repaid unless such loan is extended by the parties with five days written notice prior to the date of maturity. CS Finance will charge a one-off administrative fee of RMB40,000.

21. EVENTS AFTER REPORTING PERIOD (Continued)

(4) 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 Shenshua Energy Company Limited in related to the increase in registered capital in Zhuhai New Century Shipping Company Limited. On 6 July 2011, the Company paid capital contribution in Shenzhua Zhonghai Marine Co., Limited (former name as Zhuhai New Century Shipping Company Limited) for an amount of RMB343,000,000. As at the date of report, RMB783,330,000 capital contribution have been paid to Shenzhua Zhanghai Marine Co., Limited, and the outstanding amount to be contributed is RMB1,470,670,000.

(5) At the 2011 eleventh board meeting held on 26 July 2011, the Company passed the resolution regarding the Capital Contribution Plan for China Shipping Development (Hong Kong) Marine Co., Limited ("CSD HK"), a wholly owned subsidiary of the Company, and approved increase in capital by USD99.5 million for CSD HK, by cash payment. After completion of replenishment of capital, the registered capital of CSD HK will increase from USD0.5 million to USD100 million. As at the date of report, the replenishment of capital has not been paid.

(6) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies as set out below entered into Ship Building Contracts for the construction of one LNG vessel. After the completion of the LNG vessels, four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following Charterers:

Company name	**Charterer**
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four lease with guarantee ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term. Accordingly to lease term, taking into account of the possible increase in the value of the lease pro rota to the shareholders of above four companies, the amount of lease guarantee provided by the Company is limited to USD8.2 million (approximately RMB53 million).

The guarantee period is limited to that of the lease period, which is 20 years.