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

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

(Stock Code: 1138)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Financial Highlights

- Revenue increased by 38.9% to approximately RMB17.214 billion
- Profit attributable to equity holders increased by 18.2% to approximately RMB5.373 billion
- Earnings per share was RMB1.5864
- A final dividend of RMB0.30 per share is recommended by the Board

The board (the "**Board**") of directors (the "**Directors**") of China Shipping Development Company Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2008 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2007. The Group's annual results have been audited by UHY VOCATION HK CPA LIMITED (天職香港會計師事務所有限公司) (certified public accountants in Hong Kong), the Company's international auditors appointed as of 29 February 2008.

1. PRINCIPAL FINANCIAL DATA AND STATISTICS HIGHLIGHTS

The annual results of the Group for the Reporting Period have been audited by UHY VOCATION HK CPA LIMITED and compared with those for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Items	For the year ended 31 December 2008 *Rmb'000*	2007 *Rmb'000*
Revenue	17,214,283	12,394,739
Operating costs	(11,110,771)	(7,329,308)
Gross profit	6,103,512	5,065,431
Other income and gains	460,900	542,947
Marketing expenses	(37,907)	(36,744)
Administrative expenses	(256,883)	(214,841)
Other expenses	(284,429)	(21,374)
Share of profits of jointly-controlled entities	531,566	165,745
Finance costs	(84,074)	(173,129)
PROFIT BEFORE TAX	6,432,685	5,328,035
Tax	(1,056,690)	(781,652)
PROFIT FOR THE YEAR	5,375,995	4,546,383
Attributable to:		
Equity holders of the parent	5,373,010	4,546,383
Minority interests	2,985	—
	5,375,995	4,546,383
DIVIDENDS		
Proposed final	1,021,366	1,702,510
Earnings per share attributable to ordinary equity holders of the parent		
Basic earnings per share (RMB)	158.64 cents	136.69 cents
Diluted earnings per share (RMB)	158.64 cents	135.09 cents

CONSOLIDATED BALANCE SHEET

	As of 31 December	
	2008	**2007**
	Rmb'000	*Rmb'000*
NON-CURRENT ASSETS		
Property, plant and equipment	25,099,870	20,002,142
Investments in jointly-controlled entities	1,628,682	1,162,971
Available-for-sale equity investment	4,300	4,300
Derivative financial instruments	54,273	17,610
Total non-current assets	26,787,125	21,187,023
CURRENT ASSETS		
Bunker oil inventories	272,245	285,606
Trade and bills receivables	784,542	559,437
Prepayments, deposits and other receivables	225,900	237,880
Equity investments at fair value through profit or loss	—	257,400
Cash and cash equivalents	1,858,401	1,079,768
Total current assets	3,141,088	2,420,091
CURRENT LIABILITIES		
Trade payables	528,827	462,146
Other payables and accruals	320,946	477,733
Tax payable	63,039	50,514
Current portion of interest-bearing bank and other borrowings	920,948	721,825
Total current liabilities	1,833,760	1,712,218
NET CURRENT ASSETS	1,307,328	707,873
TOTAL ASSETS LESS CURRENT LIABILITIES	28,094,453	21,894,896

CONSOLIDATED BALANCE SHEET

	As of 31 December	
	2008	**2007**
	Rmb'000	*Rmb'000*
NON-CURRENT LIABILITIES		
Convertible bonds	—	1,871,438
Other loan	442,067	—
Other payables and accruals	177,347	54,000
Derivative financial instruments	53,697	—
Interest-bearing bank and other borrowings	5,528,811	3,554,841
Deferred tax liabilities	344,061	245,102
Total non-current liabilities	6,545,983	5,725,381
NET ASSETS	21,548,470	16,169,515
EQUITY		
Issued capital	3,404,552	3,326,000
Reserves	16,928,102	11,043,005
Proposed final dividend	1,021,366	1,702,510
Equity attributable to equity holders of the parent	21,354,020	16,071,515
Minority interests	194,450	98,000
TOTAL EQUITY	21,548,470	16,169,515

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December	
	2008	**2007**
	Rmb'000	*Rmb'000*
Net cash inflow from operating activities	6,048,669	5,602,060
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	25,617	34,513
Payments for construction in progress	(6,882,893)	(5,787,263)
Purchases of property, plant and equipment	(5,337)	(1,881,085)
Proceeds from disposal of property, plant and equipment	573,506	813,711
Dividends received from jointly-controlled entities	149,855	7,000
Dividends received from available-for-sale investments	932	881
Dividends received from equity investments at fair value through profit or loss	1,420	840
Investments in jointly-controlled entities increased	(84,000)	(112,300)
Proceeds from disposal of equity investments at fair value through profit or loss	88,131	—
Addition in available-for-sale investments	—	(578)
Net cash outflow used in investing activities	(6,132,769)	(6,924,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(296,911)	(237,824)
Dividend paid	(1,702,276)	(1,079,011)
Proceeds from issue of convertible bonds	—	1,965,000
Payments for redemption of convertible bonds	(11,827)	—
New bank loans	4,332,452	3,148,624
Repayment of bank loans	(1,978,013)	(1,908,484)
Loan from minority shareholder of subsidiary	455,726	—
Capital element of finance lease rental payments	—	(29,845)
Contribution from minority shareholder of subsidiaries	94,846	98,000
Net cash inflow from financing activities	893,997	1,956,460

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December	
	2008	**2007**
	Rmb'000	*Rmb'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	809,897	634,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,079,768	475,263
Effect of foreign exchange rate changes, net	(31,264)	(29,734)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,858,401	1,079,768
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,858,401	1,079,768

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The consolidated financial statements provide information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the consolidated financial statements.

1.2 Basis of preparation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. All significant intercompany transactions and balances within the Group are eliminated on consolidation. The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

These 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 preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. REVENUE, OTHER INCOME AND GAINS

Revenue represents gross revenue arising from shipping operations, net of business taxes. Pursuant to various tax rules and regulations in the PRC, revenues derived from sea freighting attributable to voyages departing from ports in the PRC and from vessel chartering services are both subject to business tax at a rate of 3%. Business taxes charged to the income statement for the year amounted to Rmb331,353,000 (2007: Rmb247,371,000).

An analysis of revenue, other income and gains is as follows:

	Group	
	2008	**2007**
	Rmb'000	*Rmb'000*
Revenue		
Oil shipments	5,994,525	4,924,349
Coal shipments	6,872,280	5,324,189
Other dry bulk shipments	2,487,621	2,146,201
Rental income from vessel chartering	1,859,857	—
	17,214,283	12,394,739
Other income		
Interest income	25,617	34,513
Governmental subsidy	25,000	—
Rental income from vessel chartering	—	39,125
Others	16,401	5,731
	67,018	79,369
Gains		
Gain on disposal of property, plant and equipment, net	385,334	421,073
Exchange losses, net	(2,121)	(55,895)
Fair value gains on equity investments at fair value through profit or loss	—	98,400
Others	10,669	—
	393,882	463,578
Other income and gains	460,900	542,947

3. PROFIT BEFORE TAX

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

	Group	
	2008	**2007**
	Rmb'000	*Rmb'000*
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	4,704,521	3,588,437
Others	6,406,250	3,740,871
Depreciation	1,038,878	1,000,854
Operating lease rentals:		
Land and buildings	26,236	24,900
Vessels	2,690,387	75,194
	2,716,623	100,094
Auditors' remuneration	2,800	3,512
Staff costs (including directors' remuneration as set out in the consolidated financial statements):		
Wages, salaries and hiring of sea crew	1,299,082	998,833
Pension scheme contributions	100,043	85,951
	1,399,125	1,084,784
Gain on disposal of property, plant and equipment, net	(385,334)	(421,073)
(Reversal of provision)/provision for bad and doubtful debts	(8,161)	9,334
Impairment loss on fixed assets	108,546	—
Amortisation of deferred staff expenditure	—	49,668
Loss on disposal of equity investments at fair value profit or loss	169,269	—
Dry-docking and repairs	534,599	456,415

4. FINANCE COSTS

	Group	
	2008	**2007**
	Rmb'000	*Rmb'000*
Interest on convertible bonds within five years	19,739	32,155
Interest on bank loans and other borrowings wholly repayable within five years	289,449	230,394
Interest on finance leases	—	649
Total interest	309,188	263,198
Less: Interest capitalised	(225,114)	(90,069)
	84,074	173,129

5. TAX

Pursuant to the directive 2008 (113) jointly issued by the Shanghai State Tax Bureau and the Shanghai Bureaus of Finance on 5 August 2008, the Company is entitled to a preferential income tax rate of 18% - 24% effective from 1 January 2008. Accordingly, PRC income tax of the Company has been provided at the rate of 18% (2007: 15%) on the estimated assessable profits for the year.

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2007: Nil). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	**2007**
	Rmb'000	*Rmb'000*
Group:		
Current - Hong Kong	—	—
Current - PRC		
Charge for the year	935,635	636,722
Under/(Over) provision in prior years	27,969	(20,090)
Deferred tax	93,086	165,020
Total tax charge for the year	1,056,690	781,652
Company:		
Tax	962,183	596,418
Deferred tax	(45,800)	48,902
Total tax charge for the year	916,383	645,320

Income tax for the year of jointly-controlled entities attributable to the Group amounted to Rmb117,177,000 (2007: Rmb34,772,000).

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

	2008		2007	
	Rmb'000	*%*	*Rmb'000*	*%*
Profit before tax	6,432,685		5,328,035	
Tax at the statutory tax rate	1,157,883	18.0	799,203	15.0
(Lower)/Higher tax rate for specific provinces	(12,231)	(0.2)	11,896	0.2
Adjustments in respect of current tax of previous periods	27,969	0.4	(20,090)	(0.3)
Expenses not deductible for tax	6,084	0.1	13,267	0.2
Income not subject to tax	(123,015)	(1.9)	(22,624)	(0.4)
Tax charge at the Group's effective rate	1,056,690	16.4	781,652	14.7

Tax payable in the balance sheet represented by:

	2008	2007
	Rmb'000	*Rmb'000*
Income tax payable at the beginning of the year	50,514	52,450
Provision for Corporate income tax during the year	935,635	636,722
Increase/(Reversal) of provision tax of previous year	27,969	(20,090)
Income tax paid	(951,079)	(618,568)
Income tax payable at the end of the year	63,039	50,514

6. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a profit of Rmb4,228,863,000 (2007: Rmb3,531,035,000) which has been dealt within the financial statements of the Company.

7. DIVIDEND

	2008	2007
	Rmb'000	*Rmb'000*
Proposed final - Rmb0.30 (2007: Rmb0.50) per ordinary share	1,021,366	1,702,510

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

(a) Basic

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

	2008	**2007**
Profit attributable to equity holders of the Company (Rmb'000)	5,373,010	4,546,383
Weighted average number of ordinary shares in issue (thousands)	3,386,989	3,326,000
Basic earnings per share (Rmb cents per share)	158.64	136.69

(b) Diluted

Diluted earnings per share is calculated for adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to exclude the interest expense on convertible bonds.

	2008	**2007**
Profit attributable to equity holders of the Company (Rmb'000)	5,373,010	4,546,383
Interest expense on convertible bonds (Rmb'000)	—	—
Profit used to calculate diluted earnings per share (Rmb'000)	5,373,010	4,546,383
Weighted average number of ordinary shares in issue (thousands)	3,386,989	3,326,000
Adjustment for:		
- assumed conversion of convertible bonds (thousands)	—	39,510
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,386,989	3,365,510
Diluted earnings per share (Rmb cents per share)	158.64	135.09

9. TRADE AND BILLS RECEIVABLES

	Group 2008	2007
	Rmb'000	*Rmb'000*
Trade and bills receivables	784,542	568,932
Provision for doubtful debts	—	(9,495)
Trade and bills receivables, net	784,542	559,437

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

An aged analysis of the trade and bills receivables of the Group as at the balance sheet date, based on the invoice date, is as follows:

	Group 2008		2007	
	Balance	**Percentage**	**Balance**	**Percentage**
	Rmb'000	*%*	*Rmb'000*	*%*
1 - 3 months	716,890	92	568,858	100
4 - 6 months	63,548	8	8	—
7 - 9 months	1,557	—	—	—
10 - 12 months	2,547	—	—	—
1 - 2 years	—	—	66	—
	784,542	100	568,932	100
Provision for doubtful debts	—		(9,495)	
Trade and bills receivables, net	784,542		559,437	

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 receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade and bills receivables of the Group are denominated in the following currencies:

	Group 2008 *Rmb'000*	Group 2007 *Rmb'000*
Usd	206,757	58,492
Rmb	577,785	510,440
	784,542	568,932

10. TRADE PAYABLES

	Group 2008 *Rmb'000*	Group 2007 *Rmb'000*
Trade payables	247,243	288,288
Due to subsidiaries	—	—
Due to fellow subsidiaries	281,584	173,858
	528,827	462,146

The carrying amount of trade payables approximate their fair values.

An aged analysis of trade payables as at the balance sheet date , base on the invoice date, is as follows:

	Group 2008 Balance *Rmb'000*	2008 Percentage *%*	2007 Balance *Rmb'000*	2007 Percentage *%*
1 - 3 months	410,973	79	324,989	71
4 - 6 months	12,914	2	21,430	5
7 - 9 months	7,566	1	34,261	7
10 - 12 months	91,525	17	70,331	15
1 - 2 years	5,849	1	11,133	2
Over 2 years	—	—	2	—
	528,827	100	462,146	100

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

The trade payables are denominated in the following currencies:

	Group	
	2008	**2007**
	Rmb'000	*Rmb'000*
Usd	201,563	105,629
Rmb	307,417	347,238
Jpy	8,791	—
Aud	4,482	—
Gbp	2,756	—
Eur	2,465	—
Hkd	802	9,279
Others	551	—
	528,827	462,146

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In 2008, the American subprime lending crisis rapidly evolved into a global financial crisis and speedily impacting on the shipping industry through international trading and financial markets. This resulted in significant slowdown of the shipping demand and varied the performances of the global shipping market in the first and second half of the year.

In terms of dry bulk cargo shipping market, affected by the global demand and the speculation of financial derivatives, the Baltic Dry Bulk Freight Rate Index (the "**BDI**") closed at 774 points at the end of 2008 after a continuous decrease from the record high of 11,793 points in May 2008, representing a decrease of 93%. The annual average level of BDI was 6,407 points, representing a decrease of 9.7% as compared with that of the same period in 2007.

The domestic coastal bulk shipment market also showed a relatively higher point in the first half of 2008 and a relatively lower point in the second half of 2008. In the first half of 2008, the demand for coastal shipping was vigorous. However, in the second half of the year, as the Chinese domestic economic growth was reduced which resulted in the decrease in shipping demands from power plants and steel plants, the China Coastal Bulk Freight Index (the "CCBFI") closed at 1277 points at the end of 2008, representing a decrease of 55% from the highest point of 2,887 points in 2008. The annual average level of CCBFI was 2,092 points, representing an increase of 7.6% as compared with that of the same period in 2007.

In 2008, the overall demand in the international oil transportation market remained strong and the freight rate remained at a high level. The Baltic Dirty Oil Tanker Freight Rate Index (the "**BDTI**") averaged at 1,510 points, representing an increase of 34.4% as compared with that of the same period in 2007. Of these, 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 133 points, an increase of 69.9% as compared with that of the same period in 2007. Oil shipment market in the Chinese domestic trade remained stable and the freight rate also remained stable.

2. **Analysis of the Principal Operations of the Group**

In 2008, facing with the dramatic changes in shipping market, the Group persisted in taking domestic coastal coal shipping and oil shipping business as its core business, strengthened the strategic cooperation with its major customers and made efforts to promote meticulous management and enhance various cost control, energy saving and emission reduction measures. Benefiting from the rising coastal coal freight rate in the People's Republic of China (the "PRC") and the international oil freight rate, and with the joint efforts of all staff, the Group recorded a historic high in its operating results for the year ended 31 December 2008.

During the reporting period, the shipping volume achieved by the Group was 229.34 billion tonne-nautical miles, and the total revenue derived from shipment was approximately RMB17.214 billion (after business tax and surplus, the same below), representing an increase of 6.0% and 38.9% as compared with those of the same period in 2007 respectively. Cost of operations was approximately RMB11.111 billion, an increase of 51.6% as compared with that of the same period in 2007. Net profit recorded was approximately RMB5.373 billion, representing an increase of 18.2% as compared with that of the same period in 2007. Earnings per share was approximately RMB1.5864.

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

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase in revenue as compared with 2007	Increase in operating costs as compared with 2007	Increase/ (decrease) in gross profit margin as compared with 2007
	(Rmb'000)	*(Rmb'000)*	*(%)*	*(%)*	*(%)*	*(%)*
Coal shipments	6,872,280	3,435,679	50.0	29.1	20.9	Up 3.4 percentage points
Oil shipments	5,994,525	4,198,877	30.0	21.7	18.9	Up 1.7 percentage points
Other bulk shipments	2,487,621	1,516,666	39.0	15.9	58.7	Down 16.4 percentage points
Rental income from vessel chartering	1,859,857	1,959,549	(5.4)	—	—	—
Total	17,214,283	11,110,771	35.5	38.9	51.6	Down 5.4 percentage points

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

Principal Operations by Geographical Regions

Regions	**Revenue**	**Increase/ (decrease) in revenue as compared with 2007**
	(Rmb'000)	*(%)*
Domestic shipment	9,417,115	28.8
International shipment	7,797,168	53.4

(1) **Shipping business — Dry bulk shipments**

In 2008, as the Group seized the opportunity of strong market demand in the beginning of the year to increase the coastal COA contract freight rate in time and adjusted the fuel surcharge, the Group maintained stable operational efficiency despite the rising trend of oil price in the market. In the second half of 2008, with the decrease in the demands for coal and iron ore shipping in the China domestic coast region, the Group actively researched corresponding measures and adjusted shipping capacity to cater for the rapidly shrinking market. The profits of the Group resulting from dry bulk cargo transportation recorded a historic high in 2008. The Group achieved a shipping volume of approximately 125.33 billion tonne-nautical miles of dry bulk cargo, and derived a revenue of approximately RMB9.36 billion, representing increases of 5.2% and 25.3% as compared with those of the same period in 2007 respectively.

An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2008 *(billion tonne nautical miles)*	**In 2007** *(billion tonne nautical miles)*	**Increase/ (decrease)** *(%)*
Domestic Shipment	78.94	81.56	(3.2)
Coal	71.27	73.57	(3.1)
Other bulk	7.67	7.99	(4.1)
International Shipment	46.39	37.61	23.3
Coal	3.72	7.70	(51.7)
Other bulk	42.67	29.91	42.7
Total	125.33	119.17	5.2

Revenue by product types

	In 2008 *(Rmb million)*	**In 2007** *(Rmb million)*	**Increase/ (decrease)** *(%)*
Domestic Shipment	7,261	5,308	36.8
Coal	6,689	4,804	39.2
Other bulk	572	504	13.5
International Shipment	2,099	2,162	(2.9)
Coal	183	520	(64.8)
Other bulk	1,916	1,642	16.7
Total	9,360	7,470	25.3

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

(2) **Shipping business — Oil shipments**

Since the fourth quarter of 2008, the effect of global financial crisis on oil shipping business has gradually manifested. As such, the demand in the domestic trading market has experienced a slowdown since the third quarter, while the decrease in the freight rate in foreign trade market has intensified since the fourth quarter of 2008. The Group fully understood the difficulties in the market's adjustment and has adopted corresponding measures early by strengthening its cooperation with its major clients, increasing its proportion of long and stable demand sources, improving its shipping performance and enhancing the efficiency of its vessels.

In 2008, the Group achieved a shipping volume of approximately 104.01 billion tonne-nautical miles of oil shipment, representing an increase of 7.0% as compared with that of the same period in 2007, and the revenue achieved was approximately RMB5.994 billion, representing an increase of 21.7% as compared with that of the same period in 2007. In 2008, the market share of the Group in domestic crude oil shipping market exceeded 60% of this market.

An analysis of the transportation volume and revenue in terms of products types is as follows:

Transportation volume and revenue in terms of products types

	In 2008 *(billion tonne nautical miles)*	**In 2007** *(billion tonne nautical miles)*	**Increase/ (decrease) (%)**
Domestic Shipment	18.09	16.48	9.8
Crude oil	15.34	14.60	5.1
Refined oil	2.75	1.88	46.3
International Shipment	85.92	80.73	6.4
Crude oil	48.41	41.97	15.3
Refined oil	37.51	38.76	(3.2)
Total	104.01	97.21	7.0

Revenue by product types

	In 2008 *(Rmb million)*	In 2007 *(Rmb million)*	Increase/ (decrease) (%)
Domestic Shipment	2,156	2,004	7.6
Crude oil	1,892	1,828	3.5
Refined oil	264	176	50.0
International Shipment	3,838	2,920	31.4
Crude oil	1,490	891	67.2
Refined oil	2,348	2,029	15.7
Total	5,994	4,924	21.7

(3) ***Vessel chartering business***

In 2008, the Group developed its vessel chartering business and chartered 15 bulk vessels with a total capacity of 1.12 million deadweight tonnes for international dry bulk cargo for a term exceeding one year in the first half of 2008, with most of them operated in subleasing manner. However, in the second half of 2008, the international vessel chartering market experienced a sharp fall. In order to control the risk of vessel chartering, the Group successively terminated the charter parties in 13 bulk vessels. As at the end of 2008, the Group chartered 2 bulk vessels with total capacity of 123,000 deadweight tonnes.

In 2008, the Group had rental income of RMB 1.86 billion from vessel chartering and incurred relevant costs of RMB 1.96 billion, with a gross profit margin of -5.36%. The loss was mainly due to the relatively higher chartering costs of the vessels and the limited earnings from subleasing, together with the rental revenue which was further reduced by the plummeting of BDI in the second half of 2008.

(4) **Transportation costs analysis**

In 2008, while adopting effective measures to increase revenue from its principal operations, the Group continued to enhance overall control on various major costs and improve energy saving and emission reduction. The Group has effectively controlled major transportation costs in fuel expenses, port expenses and repair expenses through advanced control and management in various aspects.

In the first half of 2008, the prices of international energy and bulk cargoes experienced steady upsurge. The international oil price increased month by month within the first three quarters and hit new historic highs. However, since October 2008, the international oil price, suffered from the impact of the international financial crisis, fell rapidly with its fluctuation spread and rate of decrease beyond expectation. This brought unprecedented challenge for shipping enterprises to control their fuel costs. In order to control the fuel cost effectively, the Group adopted measures such as closely following the international market trend of crude oil, making bulk purchases when appropriate to lock in prices, and speeding up the organizational restructure of its fleet with a view to reducing fuel consumption and reasonably improving the utilization ratio of low grade crude oil.

The total operating cost incurred in 2008 was RMB11.111 billion, an increase of 51.6% as compared with 2007, of which the transportation cost incurred was RMB9.151 billion (after deduction of vessel chartering cost), an increase of 25.2% as compared with that of the same period in 2007. The transportation cost compositions are specifically analysed as follows:

(a) **Fuel cost:** the Group's fuel consumption in 2008 was approximately 906,100 tonnes, and the fuel cost incurred was approximately RMB3.972 billion, an increase of 0.8% and 34.4% as compared with 2007, representing 43.4% of the total transportation cost. In 2008, the Group further enhanced its fuel saving, and as a result the fuel consumption per thousand nautical miles decreased by 4.9% as compared with that of the same period in 2007.

(b) **Port cost:** the Group's port expenses incurred in 2008 was approximately RMB866 million, an increase of 27.5% as compared with that of the same period in 2007, representing 9.5% of the total transportation cost. Such change was due to the increased voyages of international transportation and the port rates.

(c) **Labor cost:** the Group's total labor cost incurred in 2008 was approximately RMB1,161 million, an increase of 30.1% as compared with that of the same period in 2007, representing 12.7% of the total transportation cost. Such change was due to: (1) the increase in salary level of crew members of the Group by approximately 24% since the second half of 2007; and (2) the change in the accounting treatment of employees' salary due to the implementation of the new enterprise accounting standards.

(d) **Depreciation:** the Group's depreciation expenses incurred in 2008 amounted to approximately RMB1,017 million, an increase of 11.8% as compared with that of the same period in 2007, representing 11.1% of the total transportation cost. Such change was due to the change in number of vessels owned by the Group.

(e) **Lubricants expenses**: the Group's lubricants expenses incurred in 2008 was RMB 227 million, an increase of 26.7% as compared with that of the same period in 2007, representing 2.5% of the total transportation cost of the Group.

(f) **Insurance expenses**: the Group's insurance expenses incurred in 2008 was RMB 240 million, an increase of 30.7% as compared with that of the same period in 2007, representing 2.6% of the total transportation cost.

(g) **Repair expenses**: the Group's repair expenses incurred in 2008 amounted to approximately RMB527 million, an increase of 15.4% as compared with that of the same period in 2007, representing 5.8% of the total transportation cost.

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

In 2008, the Group has recognized its interests in the jointly-controlled entities' profits of RMB532 million, representing an increase of 221% as compared with that of the same period in 2007. Such change was due to the significant increases in the fleet scale and the operating results achieved by the three jointly-controlled entities of the Group, namely Shanghai Times Shipping Co. Ltd., Zhuhai New Century Marine Co., Ltd., and Shanghai Friendship Marine Co.' Ltd.. In 2008, the shipping volume achieved by the three jointly-controlled entities was 36.50 million tonnes, an increase of 2.6% as compared with that of the same period in 2007; the total revenue derived from such shipment was approximately RMB3.161 billion, with a net profit of approximately RMB1.06 billion, representing an increase of 51% and 221% respectively as compared to those of the same period in 2007. As at 31 December 2008, the three jointly-controlled entities owned 28 bulk vessels with total capacity of 1.22 million deadweight tonnes. In addition, 13 bulk vessels are under construction, with total capacity of 0.85 million deadweight tonnes.

The details of the three jointly-controlled entities are as follows:

Company name	Core business	Registered capital *(Rmb'000)*	Interest held by the Company *(Rmb'000)*	Total assets *(Rmb'000)*	Total liabilities *(Rmb'000)*	Net profit *(Rmb'000)*
Shanghai Times Shipping Co., Ltd.	Coastal coal shipment	1,200,000	50%	4,253,383	2,045,379	823,078
Zhuhai New Century Marine Co., Ltd.	Coastal coal shipment	682,000	50%	970,646	14,757	195,235
Shanghai Friendship Marine Co., Ltd.	Coastal coal shipment	50,000	50%	155,939	7,955	44,818

3. Financial analysis

(1) *Net cash inflow*

The net cash inflow from operating activities of the Group increased from approximately RMB 5,602,060,000 for the year ended 31 December 2007 to approximately RMB 6,048,669,000 for the year ended 31 December 2008, representing an increase of 8.0%.

(2) *Commitments on capital expenditures*

As at 31 December 2008, the commitments on capital expenditures for the Group amounted to approximately RMB21,110,745,000 (31 December 2007: RMB23,599,675,000). The source of funding was mainly financed by the Company's working capital, bank loans and other financing.

(3) *Capital structure*

As at 31 December 2008, the shareholders' equity, bank loans and interest-bearing borrowings amounted to approximately RMB21,354,020,000 and approximately RMB6,449,759,000 respectively. As at 31 December 2008, the debt-to-equity ratio was 39.2% (31 December 2007: 46.0%).

(4) ***Borrowings***

As at 31 December 2008, the Group's total borrowing was approximately RMB6,449,759,000, of which approximately RMB920,948,000 is to be payable within one year. Interests of the above loans were calculated at the annual rate ranging from approximately 4.78% to approximately 6.80% or Libor + 0.38% to 0.45% or floating interest rates. The Group has no seasonal borrowing.

The Group's bank loans are secured by pledges or mortgages on the Group's 7 vessels under construction and 4 other vessels.

As at 31 December 2008, the total net carrying amount of the 7 vessels under construction and the other 4 vessels is approximately RMB2,664,661,000 and RMB1,284,056,000 respectively. Apart from the above mentioned 11 vessels, there is no charge on the Group's assets.

The Group's gearing ratio was 28.0% as at 31 December 2008, calculated by dividing total liabilities over total assets of the Group.

(5) ***Risk on foreign currency***

As at 31 December 2008, the Group's foreign exchange liabilities mainly comprised of finance payable in US dollars equivalent to approximately RMB3,402,068,000. In addition, the Company would pay dividend of H shares in Hong Kong dollars.

In order to avoid the risk resulting from exchange rate fluctuations, the Group actively adjusts its debt structure, and the proportion of US dollar indebtedness increased from 51.3% at the beginning of 2008 to about 52.7% as at 31 December 2008. During the Reporting Period, foreign exchange income and expenses broke even.

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. **Investment**

In 2008, the Group entered into contracts for the construction of 12 vessels with a total tonnage of 912,000 deadweight tonnes; in addition, two new oil tankers with a total capacity of 88,000 deadweight tonnes has been delivered for use. The total capital expenditure of approximately RMB6,888,230,000 has been paid for the construction of vessels during the year.

5. **Material asset disposals**

In 2008, the Group continued to speed up adjustments to its fleet structure, and disposed of 18 old vessels of 268,000 deadweight tonnes, including 5 tankers of 61,000 deadweight tonnes, 8 bulk vessels of 173,000 deadweight tonnes and 5 container vessels of 34,000 deadweight tonnes. The details of such disposals are as follows:

Assets sold	**Price of Disposal** *(Rmb'000)*	**Profit arising from disposal of assets** *(Rmb'000)*	**Connected transaction (Yes/No)**	**Pricing Policy**
Jian Chi	23,889	17,948	Yes	Market price
Chang Hui	29,319	27,029	No	Market price
Chang Yang	24,098	22,617	No	Market price
Xu Zhou	33,523	31,650	No	Market price
Jian She7,8	17,000	15,323	No	Market price
Jian She 31,32	125,768	81,814	No	Market price
Chang Ning	32,320	31,350	No	Market price
Xiang Xing/ Xiang Zhu/ Xiang Xiu/ Xiang Da/ Xiang Wang	253,724	91,098	Yes	Market price
Chang Hong	25,032	24,281	No	Market price
Fei Xiashan	38,393	26,820	No	Market price
Chang Le	9,094	8,320	No	Market price
Shen Zhou	12,216	11,213	No	Market price
Total	624,376	389,463		

6. **Outlook and highlights for 2009**

(1) **Prediction and Analysis of International and Domestic Shipping Markets**

The financial crisis which started in 2008 around the world is continuing. Although active dialogue and cooperation have been carried out and measures have been adopted internationally to jointly tackle the difficulties and resolve such financial crisis, up till now, the financial crisis does not seem to have bottomed out and the international financial crisis is expected to further affect the economy. On 28 January 2009, the International Monetary Fund published its prediction and lowered the global economic growth rate of 2009 from 2.2% to 0.5%.

Adversely affected by the international macroeconomic environment, the blooming trend of the shipping industry which has lasted for several years ended and rapidly enters into an adjustment period. With the large number of new vessels ordered several years ago to be delivered for use in the next two years, the recovery of the shipping market remain to be seen.

In 2009, the slowdown of China's economic growth will result in weakened demand in the global dry bulk shipping market, and on the other hand, the newly added shipping capacity to be put into operation will increase significantly. According to the statistics from Clarksons (a company registered in England which principal business activities are ship broking services and research activities), as at the end of 2008, the total shipping capacity of the global dry bulk cargo vessels each with capacity over ten thousand tonnes was 6,978 vessels with an aggregate of 418 million deadweight tonnes. 3,404 such vessels with total capacity of 295 million deadweight tonnes have been ordered representing 70.6% of the existing dry bulk vessel fleets' capacity, and among them, the shipping capacity of the dry bulk cargo vessels to be delivered for use in 2009 will be approximately 71.3 million deadweight tonnes. Although some new ship manufacturing orders are withdrawn, the completion level of the vessels proposed to be put into operation in 2009 is high, resulting in a lower proportion of withdrawals. Even though the number of disposals of old vessels increases, the shipping capacity will still experience a higher growth, which will further intensify the situation of supply exceeding demand. It is therefore expected that the BDI will remain low.

The direct and indirect effect of international financial crisis on China's economy is obvious and the economy of China suffered a great impact. Thermal power generation continues its four month negative growth since October 2008. In addition, the domestic coastal coal shipping market faces a smaller demand such that results in a situation of supply of shipping capacity exceeding its demand. As at 10 March 2009, a majority of domestic coastal dry bulk contracts of affreightment (the "COA Contracts") of the Group for 2009 have been signed, with the freight rate lowered by 39.2% as compared to that of 2008.

The impact of international financial crisis on international oil shipping market has emerged since the fourth quarter of 2008, which has weakened the price of crude oil significantly and made the decline of oil shipping demand inevitable. The international energy institutions predict that the daily global demand of crude oil will be 84,700,000 barrels, representing a decrease of 1,000,000 barrels as compared with that of 2008. The international oil shipping market also faces shipping capacity supply exceeding demand. In relation to very large crude oil carriers, there are 70 new vessels to be delivered for use in 2009, increased by approximately 8%. Thus, it is expected that the international tanker shipping market will face downward pressure in 2009.

(2) **Operational target for 2009**

In 2009, 19 new vessels of the Group with a total tonnage of 2.72 million deadweight tonnes are scheduled to be delivered for use, including 14 tankers of 2.26 million deadweight tonnes and 5 bulk vessels of 0.46 million deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the Group's operations in 2009 is expected to be 8.4 million deadweight tonnes, representing an increase of 10.8% as compared with that of the same period in 2008. Based on its view of the domestic and overseas shipping markets in 2009, and taking into account the delivery of new vessels, the Group's operating targets are as follows: shipping volume of approximately 253.2 billion tonne nautical miles, an increase of 10.4% as compared with 2008; turnover of approximately RMB9.83 billion, a decrease of 44%; operating costs of approximately RMB6.81 billion, a decrease of 38.7% as compared with 2008.

(3) **Corresponding Measures**

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

(a) Continue to enhance strategic cooperation with major customers and maintaining long-term stable strategic cooperation relationship so as to further consolidate and expand the Company's share in the domestic and overseas shipping markets and reduce operating risks brought about by fluctuation in shipping tariffs. As for transportation of dry bulk cargoes, in the first half of 2008, the Board approved the establishment of joint ventures by the Company with Shanghai Puyuan Shipping Company Limited and Baosteel Resources Co., Ltd. to expand the Group's iron ore shipping market. In respect of oil shipping, the Group will continue to enhance its strategic cooperation with major customers such as PetroChina, Sinopec and CNOOC, and to further establish a better and more diversified cooperation mechanism.

(b) Continue to enhance adjustments to vessel structure and further optimize fleet structure so as to achieve development in an adverse environment. As at 31 December 2008, the Group had a total of 167 vessels with 7,603,000 deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight**	**Average age**
Tankers	57	3,622,400	9.96
Bulk vessels	110	3,980,600	20.39
Total	167	7,603,000	16.83

In 2009, 11 old vessels of 309,000 deadweight tonnes are scheduled to be scrapped in accordance with old vessels disposal plans. Currently, the Group has a total of 69 vessels with 9.52 million deadweight tonnes under construction, which are all scheduled for delivery by the end of 2012. Total capital expenditure between 2009 and 2012 is expected to be approximately RMB21.1 billion.

Since the next three years will be the Group's concentrated period for taking delivery of large vessels, the Group will further improve its supervision strength against the vessels being manufactured. In addition, the Group will focus on training large vessels' crews and taking delivery of large vessels so as to better allocate crews according to the vessels' delivery progress and realize harmonious development of fleets and crew teams.

Given the Group's existing scope and structure of dry bulk cargo fleet, currently the Group has a market share of approximately 26.8% in the domestic coastal coal shipping market in the PRC, representing a further decline. Based on current circumstances, this year will be the steep adjustment period for dry bulk cargo shipping market, and will bring new development opportunity for the enterprises that have stable development and cautious development plans. The Group as a large shipping enterprise under the control of the state of the PRC ultimately has to bear the social responsibility of ensuring the economic development of the country. In this adjustment period and in order to seize relevant opportunities, the Group will take an active role in planning, strengthen its collection and analysis of market information, update and enhance its shipping capacity through various ways and make efforts to enhance its market share in coastal coal shipping.

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

(d) Expand financing channel to ensure the capital required in the enterprise's development. The Group will further strengthen its cooperation relationship with banks, maintain smooth financing channel and establish emergency financing preparation plan. In the first half of 2009, the Company will endeavor to complete the issue of RMB 5 billion middle-term note.

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

3. **Post balance sheet and other significant events**

(1) **Changes of share capital structure**

Convertible bonds amounting to Rmb2,000,000,000 were issued on 2 July 2007 and started conversion since 2 January 2008. Face value of Rmb1,988,173,000 had been converted into 78,552,270 ordinary listed A shares of the Company. The remaining convertible bonds with face value of Rmb11,827,000 have been redeemed by the Company during the year. After the conversion, the total number of shares is 3,404,552,270 shares.

On 30 December 2008, 1,578,500,000 ordinary shares with trading restrictions held by China Shipping (Group) Company were converted into listed A shares without trading restrictions and all of the Company's 3,404,552,270 share capital were without trading restriction.

(2) **Changes in directors and supervisors**

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

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

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

(3) **Results, dividends and closure of the H Share register**

The net profit of the Company for 2008, as determined in accordance with PRC GAAP, was approximately Rmb5,375,995,000, 10% of which will be transferred to the statutory surplus reserve. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP.

The Directors recommend the payment of a final dividend of Rmb0.30 per share in respect of the year to shareholders on the register of members at the close of business on 23 April 2009. There was no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

The register of members of the Company will be closed from Friday, 24 April 2009 to Monday, 25 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to determine the identity of the shareholders who are entitled to attend and vote at the 2009 annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company's H shares, Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 April 2009.

(4) **Medical insurance scheme**

As required by the regulations of the local government effective from 1 July 2001, the Company participates in a defined contribution medical insurance scheme organised by local social security authorities. Under the scheme, the Company is required to make monthly contributions at the rate of 12% of the total salaries of the employees after certain adjustments on individual employee's salary in accordance with the applicable regulations. In addition, pursuant to the aforementioned regulations, the contributions are accounted for as staff welfare payables accrued by the Company. The Company has no obligation for the payment of medical benefits beyond such contributions to the registered insurance companies.

(5) **Pension scheme**

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees (except for the medical expenses to retired employees) are limited to its annual contributions equivalent to the range of 18% to 22% (2007: 22.5%) of the basic salaries of the Group's employees after adjustments on individual employee's salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2008 amounted to Rmb99,827,332 (2007: Rmb85,951,771).

(6) At the second board meeting held on 6 February 2009, the Company passed the resolution of the proposed issue of the medium-term notes (the "Medium-Term notes") with a principal amount of not more than Rmb5 billion (inclusive) to inter-bank bond market institutional investors in the PRC, but not to the public. The maturity of the notes is to be determined and the interest rate of the Medium-Term Notes will be determined according to the market conditions prevailing at the time of issue, but it would not be higher than the prime rate for bank loans quoted by the People's Bank of China for the corresponding period.

(7) At the forth board meeting held on 10 March 2009, the Company passed the resolution to the application for an entrusted loan of not more than Rmb3 billion and with a term of less than six months from China Shipping (Group) Company with interest rate less than the benchmark rate for loans under six months quoted by the People's Bank of China as at the date of entering into the Entrusted Loan Agreement.

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

During the Reporting Period, none of the Directors, chief executives and supervisors, nor their associates, had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange or would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

(9) **Purchase, redemption or sale of listed securities of the Company**

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

(10) **Compliance with the Code on Corporate Governance Practices**

During the Reporting Period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(11) **Audit Committee**

In compliance with Rule 3.21 of the Listing Rules, the Company has established an audit committee to review the financial reporting procedures and internal control and to provide guidance thereto. The audit committee of the Company comprises 4 independent non-executive Directors. During the Reporting Period, the Committee convened three meetings.

The Audit Committee has reviewed the annual results of the Group during the Reporting Period.

(12) **Remuneration Committee**

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

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

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

(14) **Employees**

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

(15) **Publication of annual results on the internet website of The Stock Exchange of Hong Kong Limited**

An annual report of the Company containing all the financial and relevant information required by paragraphs 7 to 34A of Appendix 16 to the Listing Rules will be posted on the website of the Hong Kong Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2007 and 2008, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the year ended 31 December, 2008, which will contain an unqualified auditors' report, will be delivered to the Registrar of Companies, and delivered to shareholders as well as made available on the Company's website at http://www.cnshippingdev.com.

By order of the Board
Li Shaode
Chairman

17 March 2009

Shanghai, the PRC

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