

# Interim Report 2005

The board of directors (the "Board") of China Shipping Development Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "Reporting Period"), together with the comparative figures for the six months ended 30 June 2004. The Group's interim results have not been audited but have been reviewed by the Company's international auditors, Ernst & Young (certified public accountants in Hong Kong).

## I. Major Financial Data

The interim results of the Group for the Reporting Period have been reviewed by Erast & Young, in accordance with SAS700 "Engagement to Reviw Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants("HKICPA"), as compared with these for the six months ended 30 June 2004, are as follows:

(1) Consolidated income statement (Note 1):

Items	Notes	For the six months ended 30 June	
		2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000 (Restated)
Turnover	2	4,200,778	3,113,597
Operating costs		(2,281,654)	(1,928,116)
Gross profit		1,919,124	1,185,481
Other revenue and gains	3	195,499	77,972
Administrative expenses		(114,436)	(111,477)
Other operating expenses		(64,713)	(63,808)
Finance costs		(65,789)	(48,920)
Profit before tax	4	1,869,685	1,039,248
Tax	5	(263,232)	(152,826)
Net profit for the period		1,606,453	886,422
Attributable to			
Equity holders of parent		1,604,549	885,851
Minority Interest		1,904	571
Net profit for the period		1,606,453	886,422
Earnings per share	6	48.24 cents	26.63 cents
Dividend per share	7	-	-

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(2) Condensed Consolidated Balance Sheet

	<b>30 June 2005 (Unaudited) RMB'000</b>	31 December 2004 (Audited) RMB'000 (Restated)
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NON-CURRENT ASSETS		
Fixed assets	<b>11,051,195</b>	9,738,048
Long term investment	<b>4,000</b>	4,000
Deferred staff expenditure	<b>64,510</b>	70,901
Deferred tax assets	<b>19,856</b>	20,860
Negative goodwill	-	(1,386)
	<b>11,139,561</b>	9,832,423
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CURRENT ASSETS		
Bunker oil inventories	<b>217,974</b>	146,252
Trade and bills receivables	<b>301,046</b>	157,205
Other receivables	<b>310,607</b>	270,078
Cash and cash equivalents	<b>1,060,048</b>	1,312,646
	<b>1,889,675</b>	1,886,181
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CURRENT LIABILITIES		
Trade payables	<b>273,374</b>	165,008
Tax payable	<b>52,175</b>	44,449
Other payables and accruals	<b>424,165</b>	503,405
Current portion of interest-bearing bank and other borrowings, and finance lease payables	<b>561,564</b>	410,109
	<b>1,311,278</b>	1,122,971
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NET CURRENT ASSETS	<b>578,397</b>	763,210
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TOTAL ASSETS LESS CURRENT LIABILITIES	<b>11,717,958</b>	10,595,633
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NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	<b>1,889,187</b>	1,847,867
Finance lease payables	<b>48,261</b>	76,395
	<b>1,937,448</b>	1,924,262
	<b>9,780,510</b>	8,671,371
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EQUITY		
Equity attributable to equity holders of the parent	<b>3,326,000</b>	3,326,000
Issued capital	<b>6,440,315</b>	4,834,180
Reserves	-	498,900
Proposed final dividend	<b>9,766,315</b>	8,659,080
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Minority interests	<b>14,195</b>	12,291
	<b>9,780,510</b>	8,671,371
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## (3) Condensed Consolidated Statement of Changes In Equity For the six months ended 30 June 2005

	Issued capital Rmb'000	Share premium account Rmb'000	Revaluation reserve Rmb'000	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	General surplus reserve Rmb'000	Exchange fluctuation reserve Rmb'000	Retained profits Rmb'000	Proposed final dividend Rmb'000	Total Rmb'000
Balance at 1 January 2004	3,326,000	2,037,884	184,120	287,795	192,490	93,158	51	693,197	498,900	7,313,595
Net profit for the Period	-	-	-	-	-	-	-	885,851	-	885,851
Exchange realignment	-	-	-	-	-	-	(184)	-	-	(184)
Release on disposal of fixed assets	-	-	(1,457)	-	-	-	-	1,457	-	-
Payment of final dividend	-	-	-	-	-	-	-	-	(498,900)	(498,900)
Balance at 30 June 2004 (Unaudited)	<u>3,326,000</u>	<u>2,037,884</u>	<u>182,663</u>	<u>287,795</u>	<u>192,490</u>	<u>93,158</u>	<u>(133)</u>	<u>1,580,505</u>	<u>-</u>	<u>7,700,362</u>

	Issued capital Rmb'000	Share premium account Rmb'000	Revaluation reserve Rmb'000	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	General surplus reserve Rmb'000	Exchange fluctuation reserve Rmb'000	Retained profits Rmb'000	Proposed final dividend Rmb'000	Total Rmb'000
Balance at 1 January 2005										
As previously reported	3,326,000	2,037,884	180,096	483,641	385,470	93,158	(91)	1,654,022	498,900	8,659,080
Adoption of new accounting policy	-	-	-	-	-	-	-	1,386	-	1,386
As restated	<u>3,326,000</u>	<u>2,037,884</u>	<u>180,096</u>	<u>483,641</u>	<u>385,470</u>	<u>93,158</u>	<u>(91)</u>	<u>1,655,408</u>	<u>498,900</u>	<u>8,660,466</u>
Net profit for the period	-	-	-	-	-	-	-	1,604,549	-	1,604,549
Exchange realignment	-	-	-	-	-	-	200	-	-	200
Payment of final dividend	-	-	-	-	-	-	-	-	(498,900)	(498,900)
Balance at 30 June 2005 (Unaudited)	<u>3,326,000</u>	<u>2,037,884</u>	<u>180,096</u>	<u>483,641</u>	<u>385,470</u>	<u>93,158</u>	<u>109</u>	<u>3,259,957</u>	<u>-</u>	<u>9,766,315</u>

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(4) Condensed Consolidated Cash Flow Statement  
For the six months ended 30 June 2005

	<b>For the six months ended 30 June</b>	
	<b>2005</b> <b>(Unaudited)</b> <b>Rmb'000</b>	2004 (Unaudited) Rmb'000 (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>1,938,973</b>	1,201,656
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(1,784,676)</b>	(1,175,387)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<b>(407,095)</b>	(274,204)
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(252,798)</b>	(247,935)
Cash and cash equivalents at beginning of the period	<b>1,312,646</b>	1,166,688
Effect of foreign exchange rate changes, net	<b>200</b>	(184)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>1,060,048</b>	918,569
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>681,979</b>	918,569
Time deposits with original maturity of less than three months when acquired	<b>378,069</b>	-
	<b>1,060,048</b>	918,569

Notes:

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

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## 1. ACCOUNTING POLICIES (*Continued*)

HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property , Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int21	Income Taxes-Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 15	Operating Leases-Incentives

The adoption of HKASs 1,2,7,8,10,12,14,16,17,18,19,20,21,23,24,27,28,32,33,37,38,39,40, HKFRS2, HK(SIC)Int 21, HK-Int 4 and HKAS-Int 15 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

### (a) HKFRS3-Business Combinations and HKAS36-Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

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## 1. ACCOUNTING POLICIES (*Continued*)

### (a) HKFRS3-Business Combinations and HKAS36-Impairment of Assets (*Continued*)

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained earnings.

The effects of the above changes are reflected in the condensed consolidated statement of changes in equity. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

### (b) HKAS 31 - Interests in Joint ventures

Upon the adoption of HKAS 31, the Group is allowed to adopt the proportionate consolidation method for investments in jointly-controlled entities. The Group has determined to change the accounting policy for investments in jointly-controlled entities from the equity method to proportionate consolidation. Such change in accounting policy was accounted for retrospectively and involved recognising a proportionate share of the jointly-controlled entities' assets, liabilities, income and expenses into similar items in the condensed consolidated interim financial statement on a line-by-line basis. However, such treatment had no impact on the Group's net profit for the six months ended 30 June 2005 (the "Period") and the net assets as of 30 June 2005.

## 2. TURNOVER

Turnover represents gross revenue arising from shipping operations, net of business taxes and surtaxes. Business taxes and surtaxes charged on the income statements for the Reporting Period amounted to RMB93,040,000 (six months ended 30 June 2004: RMB73,043,000 (Restated)).

## 3. OTHER REVENUE AND GAINS

Other revenue and gains mainly represent revenue of RMB39,045,000 arising from leasing of vessels, revenue of RMB7,661,000 arising from management of vessels, revenue of RMB37,009,000 arising from sales of coal, net gain on foreign exchange of RMB13,052,000, interest income of 10,097,000 and net gains on disposal of vessels of RMB80,500,000 during the Reporting Period.

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## 4. PROFIT BEFORE TAX

The profit before tax of the Group has been arrived at after charging of the following depreciation and amortisation expenses:

	<b>January-June 2005 RMB'000</b>	January-June 2004 RMB'000
Depreciation:		
Owned fixed assets	<b>423,286</b>	370,878
Finance leased fixed assets	<b>10,475</b>	10,475
Amortisation of deferred staff expenditure	<b>6,391</b>	6,392

## 5. TAX

Tax includes the tax of the Group and that of the jointly-controlled entities of the Group.

Effective from 1 January 1998, assessable profits earned by the Company in the People's Republic of China ("PRC") are calculated in accordance with PRC tax regulations and subject to an income tax rate of 15%.

No Hong Kong profits tax has been provided for as no assessable profits were earned in or derived from Hong Kong during the Reporting Period (six months ended 30 June 2004: Nil).

Assessable profit earned by the Group in countries other than the PRC is subject to the applicable tax rate of the countries where its business is operated.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on net profit attributable to shareholders for the Reporting Period of RMB1,604,549,000 (net profit attributable to shareholders for the corresponding period in 2004: RMB885,851,000) and the 3,326,000,000 shares in issue during the Reporting Period (six months ended 30 June 2004: 3,326,000,000 shares in issue).

## 7. DIVIDEND PER SHARE

The Board does not recommend the distribution of any interim dividend for the Reporting Period (six months ended 30 June 2004: Nil).

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- (5) Differences in financial statements prepared under the PRC accounting standards ("PRC Accounting Standards") and the accounting principles generally accepted in Hong Kong ("HKGAAP"):

	<b>January-June 2005</b> <b>(Unaudited)</b> <b>RMB'000</b>	January-June 2004 (Unaudited) RMB'000
Net profit attributable to shareholders prepared under the PRC Accounting Standards	<b>1,607,557</b>	895,728
Adjustments for depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	<b>(3,008)</b>	(9,877)
Net profit attributable to shareholders prepared under the HKGAAP	<b>1,604,549</b>	885,851
	<b>30 June 2005</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2004 (Audited) RMB'000
Shareholders' equity prepared under PRC Accounting Standards	<b>9,607,542</b>	8,524,297
Adjustments for revaluation surplus, depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	<b>158,773</b>	134,783
Shareholders' equity prepared under HKGAAP	<b>9,766,315</b>	8,659,080

## II. Changes of share capital structure and information of major shareholders

- (1) Changes of share capital structure

During the Reporting Period, there is no change in either the total number of the shares of the Company or the share capital structure of the Company. The Company has issued a total amount of 3,326,000,000 shares, including 1,680,000,000 State-owned legal person shares, 1,296,000,000 H shares and 350,000,000 A shares.

- (2) Information of shareholders

As at 30 June 2005, the total number of shareholders of the Company is 48,233, of which 581 are holders of H shares.