

# Interim Report 2006

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 2006 (the “Reporting Period”), together with the comparative figures for the six months ended 30 June 2005. 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 Ernst & Young, in accordance with SAS 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as compared with those for the six months ended 30 June 2005, and are as follows:

### (1) Interim Condensed Consolidated Income Statement (Note 1)

Items	Notes	For the six months ended 30 June	
		2006 (Unaudited) Rmb’000	2005 (Unaudited) Rmb’000
Revenue	2	4,592,642	4,200,778
Operating costs		(3,002,144)	(2,281,654)
Gross profit		1,590,498	1,919,124
Other income and gains	3	151,671	195,499
Administrative expenses		(110,022)	(114,436)
Other expenses		(71,106)	(64,713)
Finance costs	5	(52,051)	(65,789)
PROFIT BEFORE TAX	4	1,508,990	1,869,685
Tax	6	(213,575)	(263,232)
PROFIT FOR THE PERIOD		1,295,415	1,606,453
Attributable to:			
Equity holders of the Parent		1,293,741	1,604,549
Minority interests		1,674	1,904
PROFIT FOR THE PERIOD		1,295,415	1,606,453
EARNINGS PER SHARE	7	38.90 cents	48.24 cents
DIVIDEND PER SHARE	8	-	-

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(2) Interim Condensed Consolidated Balance Sheet (Note 1)

	<b>30 June 2006 (Unaudited) Rmb'000</b>	31 December 2005 (Audited) Rmb'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	13,303,531	11,468,121
Available-for-sale equity investment/long term investment	4,000	4,000
Deferred staff expenditure	51,725	58,117
Deferred tax assets	20,954	20,795
	<b>13,380,210</b>	11,551,033
<b>CURRENT ASSETS</b>		
Bunker oil inventories	306,123	266,701
Trade and bills receivables	350,299	227,913
Prepayments, deposits and other receivables	260,466	163,783
Cash and cash equivalents	445,074	1,177,927
	<b>1,361,962</b>	1,836,324
<b>CURRENT LIABILITIES</b>		
Trade payables	341,035	216,888
Tax payable	38,215	41,417
Other payables and accruals	507,246	519,315
Derivative financial instruments	20,237	-
Current portion of interest-bearing bank and other borrowings, and finance lease payables	1,296,615	295,641
	<b>2,203,348</b>	1,073,261
<b>NET CURRENT ASSETS / (LIABILITIES)</b>	<b>(841,386)</b>	763,063
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>12,538,824</b>	12,314,096
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings, and finance lease payables	1,390,432	1,440,406
	<b>11,148,392</b>	10,873,690
<b>EQUITY</b>		
Equity attributable to equity holders of the Parent		
Issued capital	3,326,000	3,326,000
Reserves	7,795,749	6,524,921
Proposed final dividend	-	997,800
	<b>11,121,749</b>	10,848,721
Minority interests	26,643	24,969
	<b>11,148,392</b>	10,873,690

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Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated 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 condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the 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 the current period’s financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) - INT 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) - INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) - INT 6	Liabilities arising from Participating in a Specific Market -- Waste Electrical and Electronic Equipment

The adoption of these new and revised HKFRSs, HKASs and Interpretations has had no material impact on the Group’s results of operations or financial position.

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## 2. REVENUE

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 Reporting Period amounted to Rmb97,461,000 (six months ended 30 June 2005: Rmb93,040,000).

## 3. OTHER INCOME AND GAINS

Other income and gains mainly represent income of Rmb37,517,000 arising from leasing of vessels, revenue of Rmb7,860,000 arising from management of vessels, revenue of Rmb26,876,000 arising from sales of coal, interest income of Rmb12,906,000 and net gains on disposal of vessels of Rmb54,046,000 during the Reporting Period.

## 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging of the following depreciation and amortisation expenses:

	<b>January-June 2006</b> <b>(Unadited)</b> <b>Rmb'000</b>	January-June 2005 (Unadited) Rmb'000
Depreciation:		
Owned property, plant and equipment	<b>490,711</b>	423,286
Finance leased property, plant and equipment	<b>14,572</b>	10,475
Amortisation of deferred staff expenditure	<b>6,392</b>	6,391

## 5. FINANCECOST

	<b>January-June 2006</b> <b>(Unadited)</b> <b>Rmb'000</b>	January-June 2005 (Unadited) Rmb'000
Total interest	<b>52,051</b>	72,181
Less: Interest capitalised	-	(6,392)
Interest expenses	<b>52,051</b>	65,789

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## 6. 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 profit was earned in or derived from Hong Kong during the Reporting Period (six months ended 30 June 2005: No assessable profit was earned).

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.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the Period of Rmb 1,293,741,000 (six months ended 30 June 2005: Rmb 1,604,549,000) and the number of shares of 3,326,000,000 (six months ended 30 June 2005: 3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month periods ended 30 June 2005 and 2006 have not been presented as no diluting events existed during these periods.

## 8. DIVIDEND PER SHARE

The Board do not recommend the payment of interim dividend (six months ended 30 June 2005: Nil).

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

	<b>January-June 2006</b> <b>(Unaudited)</b> <b>Rmb'000</b>	January-June 2005 (Unaudited) Rmb'000
Net profit attributable to equity holders of the Parent prepared under PRC Accounting Standards	<b>1,298,617</b>	1,607,557
Adjustments for depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	<b>(4,876)</b>	(3,008)
Net profit attributable to equity holders of the Parent prepared under HKGAAP	<b>1,293,741</b>	1,604,549

	<b>30 June 2006</b> <b>(Unaudited)</b> <b>Rmb'000</b>	31 December 2005 (Audited) Rmb'000
Equity attributable to equity holder of the Parent prepared under PRC Accounting Standards	<b>11,009,480</b>	10,711,224
Adjustments for revaluation surplus, depreciation, gain on disposal of vessels and deferred staff expenditure, etc	<b>112,269</b>	137,497
Equity attributable to equity holder of the Parent prepared under HKGAAP	<b>11,121,749</b>	10,848,721

## II. Changes of share capital structure and major shareholder

- (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 1,578,500,000 State-owned legal person shares (shares subject to trade conditions), 1,296,000,000 H shares and 451,500,000 A shares (held by common investors in the market).