

# 中國註冊會計師 審計報告

# THE FINANCIAL STATEMENTS IN ACCORDANCE WITH CHINESE ACCOUNTING STANDARDS

**To the shareholders of  
China Shipping Development Company Limited:**

We have audited the accompanying financial statements of China Shipping Development Company Limited (“The Company”), which comprise the consolidated balance sheet of the company as at 31 December 2006, the consolidated profit and loss account and the consolidated cash flow statement of the company for the year then ended, and the notes to the financial statements.

## **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with China Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards of Chinese Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of China Shipping Development Company as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards.

BDO Shanghai Zhonghua

Shanghai,

March 29 2007

# 合并资产负债表

# BALANCE SHEET

二零零六年十二月三十一日

31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

Assets	附注 Notes	2006.12.31		2005.12.31	
		母公司	合并	母公司	合并
		人民币元 Rmb	人民币元 Rmb	人民币元 Rmb	人民币元 Rmb
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	6.1	370,807,770.92	663,777,644.15	602,710,187.38	1,177,926,740.95
Short-term investment				-	
Notes receivable	6.2	21,448,931.79	21,448,931.79	20,500,000.00	20,500,000.00
Dividends receivable					
Interests receivable					
Accounts receivable	6.3	361,520,741.07	397,515,389.13	185,453,883.80	202,472,064.96
Other receivable	6.4	1,905,025,583.18	331,637,442.54	1,224,708,008.11	42,308,093.42
Prepayments	6.5	785,509,819.91	816,544,458.02	118,889,872.94	128,853,057.34
Subsidies receivable					
Inventory	6.6	192,132,012.13	203,212,387.51	257,505,760.46	266,701,401.91
Prepaid expense	6.7	-	784,715.48	-	40,636.23
Long-term debt investment due within 1 year					
Other current assets					
<b>TOTAL CURRENT ASSETS</b>		<b>3,636,444,859.00</b>	<b>2,434,920,968.62</b>	<b>2,409,767,712.69</b>	<b>1,838,801,994.81</b>
<b>LONG-TERM INVESTMENTS:</b>					
Long-term equity investment		1,392,960,811.16	82,232,974.35	865,411,542.96	3,674,410.00
Long-term debt investment					
<b>TOTAL LONG-TERM INVESTMENTS</b>	6.8	<b>1,392,960,811.16</b>	<b>82,232,974.35</b>	<b>865,411,542.96</b>	<b>3,674,410.00</b>
Including:		-	3,668,774.35	-	-689,790.00
consolidated difference					
Including:					
equity investment difference					
<b>FIXED ASSETS:</b>					
Fixed assets-cost:	6.9	15,784,088,257.93	19,991,289,361.33	15,557,246,339.98	18,312,250,875.24
Less:Accumulated depreciation		7,130,958,652.09	8,198,422,390.15	6,629,504,117.60	7,814,284,893.53
Fixed assets-net value		8,653,129,605.84	11,792,866,971.18	8,927,742,222.38	10,497,965,981.71
Less:provision devaluation of fixed assets		936,268.00	936,268.00	936,268.00	936,268.00
Add: Leasing-holding improvement expenditure		30,615,355.50	30,615,355.50	39,235,411.50	39,235,411.50
Fixed assets net book value		8,682,808,693.34	11,822,546,058.68	8,966,041,365.88	10,536,265,125.21
Construction material					
Construction in progress	6.10	1,466,965,613.65	2,665,836,407.06	703,844,576.20	865,762,167.19
Disposal of fixed assets					
<b>TOTAL OFFIXED ASSETS</b>		<b>10,149,774,306.99</b>	<b>14,488,382,465.74</b>	<b>9,669,885,942.08</b>	<b>11,402,027,292.40</b>
<b>INTANGIBLE ASSETS AND OTHER ASSETS:</b>					
Intangible assets	6.11	6,055,477.45	6,055,477.45	7,089,775.50	7,089,775.50
Long-term deferred expenses		28,462.50	28,462.50	59,512.50	59,512.50
Other long-term assets					
<b>TOTAL OF INTANGIBLE ASSETS AND OTHER ASSETS</b>		<b>6,083,939.95</b>	<b>6,083,939.95</b>	<b>7,149,288.00</b>	<b>7,149,288.00</b>
<b>DEFERRED TAX:</b>					
Deferred tax debits					
<b>TOTAL ASSETS</b>		<b>15,185,263,917.10</b>	<b>17,011,620,348.66</b>	<b>12,952,214,485.73</b>	<b>13,251,652,985.21</b>

# 合并资产负债表 (續)

# BALANCE SHEET (Continued)

二零零六年十二月三十一日

31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

Assets	附注	2006.12.31		2005.12.31	
		母公司	合并数	母公司	合并数
		Holding Company	Group	Holding Company	Group
		人民币元	人民币元	人民币元	人民币元
		Rmb	Rmb	Rmb	Rmb
<b>LIABILITIES AND OWNER'S EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Short-term loans	6.12	500,000,000.00	500,000,000.00	-	-
Notes payable		-	-	-	-
Accounts payable	6.13	213,898,891.57	227,299,240.63	205,270,403.96	218,260,349.54
Advances from customers	6.14	60,315,886.10	64,764,243.29	29,917,065.42	34,265,736.42
Accrued payroll					
Accrued welfare		143,920,931.92	149,415,412.80	188,187,140.24	192,564,444.11
Dividends payable					
Taxes payable	6.15	80,625,194.26	85,826,235.96	57,935,790.16	61,635,531.88
Other taxes payable	6.16	428,963.33	919,396.64	510,177.45	1,282,828.51
Other payable	6.17	52,717,203.75	571,113,010.85	85,425,130.02	232,570,386.16
Accrued expenses	6.18	1,763,171.53	7,336,102.52	3,353,053.84	3,417,079.73
Accrued liabilities		44,420,000.00	44,420,000.00	35,416,136.95	35,416,136.95
Long-term liabilities due within 1 year	6.19	866,994,537.79	996,853,626.63	265,355,852.92	270,355,852.92
Other currents liabilities					
<b>TOTAL OF CURRENT LIABILITIES</b>		<b>1,965,084,780.25</b>	<b>2,617,947,269.32</b>	<b>871,370,750.96</b>	<b>1,049,768,346.22</b>
<b>LONG-TERM LIABILITIES:</b>					
Long-term loans	6.20	760,620,000.00	1,832,159,393.99	1,336,745,000.00	1,346,745,000.00
Debentures payable					
Long-term payable	6.21	-	65,617,889.46	27,848,022.36	118,946,301.52
Other long-term loans					
<b>TOTAL OF LONG TERM LIABILITIES</b>		<b>760,620,000.00</b>	<b>1,897,777,283.45</b>	<b>1,364,593,022.36</b>	<b>1,465,691,301.52</b>
<b>DEFERRED TAX:</b>					
Deferred tax credits					
Deferred revenue					
<b>TOTAL LIABILITIES</b>		<b>2,725,704,780.25</b>	<b>4,515,724,552.77</b>	<b>2,235,963,773.32</b>	<b>2,515,459,647.74</b>
<b>MINORITY INTEREST</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>24,968,963.19</b>
<b>OWNER'S EQUITY:</b>					
Share capital	6.22	3,326,000,000.00	3,326,000,000.00	3,326,000,000.00	3,326,000,000.00
Capital surplus	6.23	2,053,720,693.55	2,053,720,693.55	2,053,720,693.55	2,053,720,693.55
Reserved fund	6.24	1,632,949,417.71	1,660,802,367.70	1,358,838,575.27	1,393,992,249.67
Exchange fluctuation reserve		-	-11,180,051.98	-	-2,858,605.09
Retained earnings	6.25	5,446,889,025.59	5,436,552,786.62	3,977,691,443.59	3,940,370,036.15
Including: dividend's payable		997,800,000.00	997,800,000.00	997,800,000.00	997,800,000.00
<b>TOTAL OWNER'S EQUITY</b>		<b>12,459,559,136.85</b>	<b>12,465,895,795.89</b>	<b>10,716,250,712.41</b>	<b>10,711,224,374.28</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>15,185,263,917.10</b>	<b>17,011,620,348.66</b>	<b>12,952,214,485.73</b>	<b>13,251,652,985.21</b>

# 合并利润及利润分配表

# INCOME STATEMENT

截止二零零六年十二月三十一日止年度

For the year ended 31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

ITEM	附注 Notes	2006		2005	
		母公司 Holding Company	合并数 Group	母公司 Holding Company	合并数 Group
		人民币元 Rmb	人民币元 Rmb	人民币元 Rmb	人民币元 Rmb
<b>Sales</b>	6.26	<b>9,036,005,271.22</b>	<b>9,772,392,066.59</b>	8,092,355,281.71	8,700,448,150.75
Less: sales allowance and discounts					
Net Sales		<b>9,036,005,271.22</b>	<b>9,772,392,066.59</b>	8,092,355,281.71	8,700,448,150.75
Less: Cost of sales		<b>5,742,668,557.65</b>	<b>6,187,605,307.38</b>	4,754,715,382.27	5,134,816,069.67
Sales Taxes	6.27	<b>177,984,265.06</b>	<b>194,213,590.21</b>	171,586,694.20	184,961,673.35
<b>Gross profit</b>		<b>3,115,352,448.51</b>	<b>3,390,573,169.00</b>	3,166,053,205.24	3,380,670,407.73
Add: Other operating income	6.28	<b>30,399,163.19</b>	<b>41,133,988.63</b>	29,971,936.56	44,199,895.41
Non-monetary transaction					
Less:					
Sales expense					
General and administration expense		<b>196,954,930.07</b>	<b>219,942,634.47</b>	222,743,496.75	241,515,217.11
Financial expense	6.29	<b>104,113,401.75</b>	<b>146,858,132.53</b>	130,222,225.67	121,332,327.69
<b>Operating Profit</b>		<b>2,844,683,279.88</b>	<b>3,064,906,390.63</b>	2,843,059,419.38	3,062,022,758.34
Add: Income on investment	6.30	<b>217,161,526.82</b>	<b>-9,981,743.70</b>	190,613,439.39	1,888,335.10
Subsidies	6.31	-	<b>5,027,950.00</b>	-	6,386,300.00
Non-operating income	6.32	<b>132,377,003.83</b>	<b>168,637,421.64</b>	102,046,437.68	102,806,206.33
Less: Non-operating expense	6.33	<b>2,345,320.29</b>	<b>2,355,551.96</b>	3,564,932.57	3,565,614.93
<b>Total Profit</b>		<b>3,191,876,490.24</b>	<b>3,226,234,466.61</b>	3,132,154,363.88	3,169,537,984.84
Less: Income tax		<b>450,768,065.80</b>	<b>462,443,925.53</b>	441,063,345.77	452,573,431.01
Less: Minority interest		-	<b>2,997,672.58</b>	-	2,741,957.94
Add: Unrecognized investment loss					
<b>Net Profit</b>		<b>2,741,108,424.44</b>	<b>2,760,792,868.50</b>	2,691,091,018.11	2,714,222,595.89

# 合并利潤及利潤分配表 (續)

# INCOME STATEMENT (Continued)

截止二零零六年十二月三十一日止年度

For the year ended 31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

ITEM	附注 Notes	2006		2005	
		母公司 Holding Company	合并數 Group	母公司 Holding Company	合并數 Group
		人民幣元 Rmb	人民幣元 Rmb	人民幣元 Rmb	人民幣元 Rmb
Add:retained earnings carried forward from last year		3,977,691,443.59	3,953,874,937.04	2,323,718,629.10	2,280,204,670.37
Other adjusting factors					
Less: decrease of retained earning caused by decrease of registered capital					
Transfer-in from surplus reserve					
<b>Distributable profit</b>		<b>6,718,799,868.03</b>	<b>6,714,667,805.54</b>	5,014,809,647.21	4,994,427,266.26
Deduct: transfer to statutory surplus reserve		274,110,842.44	280,315,018.92	269,109,101.81	280,223,331.46
transfer to statutory public welfare reserve		-	-	269,109,101.81	274,933,898.65
<b>Distributable profit to shareholders</b>		<b>6,444,689,025.59</b>	<b>6,434,352,786.62</b>	4,476,591,443.59	4,439,270,036.15
Deduct: dividends to preferred stock shareholders					
other general reserves					
dividends to common stock shareholders		997,800,000.00	997,800,000.00	498,900,000.00	498,900,000.00
<b>Retained earnings at the end of accounting period</b>		<b>5,446,889,025.59</b>	<b>5,436,552,786.62</b>	3,977,691,443.59	3,940,370,036.15

# 現金流量表

# CASH FLOW STATEMENT

截止二零零六年十二月三十一日止年度

For the year ended 31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

ITEM	2006	
	母公司	合并數
	Holding Company	Group
	人民幣元	人民幣元
	Rmb	Rmb
<b>1. Cash Flows from Operating Activities</b>		
Cash received from sales of goods or rendering of services	7,084,693,638.29	8,762,401,917.66
Refund of taxes and levy	—	5,557,097.33
Other cash received relating to operating activities	44,365,365.27	81,170,117.42
<b>Sub-total of cash inflows</b>	<b>7,129,059,003.56</b>	<b>8,849,129,132.41</b>
Cash paid for goods and services	3,223,750,255.15	3,830,656,925.27
Cash paid to and on behalf of employees	865,219,269.12	887,227,819.34
Tax paid	635,435,268.09	665,270,125.81
Other cash paid relating to operating activities	117,231,671.91	159,401,310.48
<b>Sub-total of cash outflows</b>	<b>4,841,636,464.27</b>	<b>5,542,556,180.90</b>
<b>Net cash flows from operating activities</b>	<b>2,287,422,539.29</b>	<b>3,306,572,951.51</b>
<b>2. Cash Flows from Investing Activities</b>		
Cash received from disposal of investments	588,938,396.79	409,290,699.17
Cash received from investment income	6,712,861.22	1,462,861.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	181,485,151.64	181,485,151.64
Other cash received relating to investing activities		
<b>Sub-total of cash inflows</b>	<b>777,136,409.65</b>	<b>592,238,712.03</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,790,399,799.50	4,422,200,025.36
Cash paid to acquire equity investment	906,039,000.00	486,039,000.00
Cash paid to acquire debt investment		
Other cash paid relating to investing activities		
<b>Sub-total of cash outflows</b>	<b>2,696,438,799.50</b>	<b>4,908,239,025.36</b>
<b>Net cash flows from investing activities</b>	<b>-1,919,302,389.85</b>	<b>-4,316,000,313.33</b>
<b>3. Cash Flows from Financing Activities</b>		
Proceeds from issuing shares		
Proceeds from borrowings	1,770,000,000.00	3,948,534,032.00
Other proceeds relating to financing activities		
<b>Sub-total of cash inflows</b>	<b>1,770,000,000.00</b>	<b>3,948,534,032.00</b>
Cash out for the payment of loans	1,272,334,337.49	2,257,567,123.83
Cash payments of expenses on any financing activities		
Cash payments for distribution of dividends or profits	1,073,977,846.44	1,143,516,246.59
Other cash payments relating to financing activities	5,155,254.22	32,825,810.23
<b>Sub-total of cash outflows</b>	<b>2,351,467,438.15</b>	<b>3,433,909,180.65</b>
<b>Net cash flows from financing activities</b>	<b>-581,467,438.15</b>	<b>514,624,851.35</b>

## 現金流量表(續)

## CASH FLOW STATEMENT (Continued)

截止二零零六年十二月三十一日止年度

For the year ended 31 December 2006

The financial statements prepared in accordance with the PRC Accounting Standards

ITEM	2006	
	母公司	合并數
	Holding Company	Group
	人民幣元	人民幣元
	Rmb	Rmb
4. Effect of Foreign Exchange Rate Changes on Cash	-18,555,127.75	-19,346,586.33
5. Net Increase in Cash and Cash Equivalents	-231,902,416.46	-514,149,096.80
<b>Supplemental Information</b>		
1. Reconciliation of Net profit to Cash		
Flows from Operating Activities		
Net profit	2,741,108,424.44	2,760,792,868.50
Add: minority interest	-	2,997,672.58
Less: unrecognized investment loss		
Add: net profit from merged entity		
Add: provision for assets	5,997,321.02	9,108,793.29
Depreciation of fixed assets	800,941,208.51	973,979,240.13
Amortization of intangible assets	1,049,298.05	1,049,298.05
Amortization of long-term deferred expense	31,050.00	31,050.00
Amortization of deferred expense	-	1,854,777.41
Increase in accruals (or deduct: decrease)	5,650,809.21	5,586,783.32
Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	-129,961,325.53	-163,307,496.87
Losses on scrapping of fixed assets		
Financial expenses	114,869,387.60	166,343,129.51
Losses arising from investments (or deduct gains)	-217,161,526.82	9,981,743.70
Deferred of tax credit (or deduct: debit)		
Decrease in inventories (or deduct: increase)	65,373,748.33	63,489,014.40
Decrease in operating receivables (or deduct: increase)	-1,071,215,374.90	-471,689,781.50
Increase in operating payables (or deduct: decrease)	-19,942,915.01	-44,326,575.40
Others	-9,317,565.61	-9,317,565.61
<b>Net Cash flows from operating activities</b>	<b>2,287,422,539.29</b>	<b>3,306,572,951.51</b>
2. Investing and financing activities that do not involving cash receipts and payments		
Conversion of debt into capital		
Reclassify convertible bonds to be expired within one year as current liability		
Fixed assets financed by finance leases		
3. Net Increase in Cash and Cash Equivalents		
Cash at the end of the period	370,807,770.92	663,777,644.15
Less: Cash at the beginning of the period	602,710,187.38	1,177,926,740.95
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-231,902,416.46</b>	<b>-514,149,096.80</b>