

Interim Report 2007

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 2007 (the “Reporting Period”), together with the comparative figures for the six months ended 30 June 2006. 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 Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as compared with those for the six months ended 30 June 2006, and are set out as follows:

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

	Notes	For the six months ended 30 June	
		2007 (Unaudited) Rmb’000	2006 (Unaudited) Rmb’000 (Restated)
Revenue	2	5,527,476	4,336,356
Operating costs		(3,073,730)	(2,792,991)
Gross profit		2,453,746	1,543,365
Other income and gains	3	257,494	111,488
Selling and distribution costs		(16,598)	(13,979)
Administrative expenses		(92,700)	(90,193)
Other expenses		(18,486)	(24,819)
Finance costs	5	(96,924)	(50,858)
Share of profits of jointly-controlled entities		91,520	25,092
PROFIT BEFORE TAX	4	2,578,052	1,500,096
Tax	6	(374,440)	(204,681)
PROFIT FOR THE PERIOD		2,203,612	1,295,415
Attributable to:			
Equity holders of the parent		2,203,612	1,293,741
Minority interests		-	1,674
PROFIT FOR THE PERIOD		2,203,612	1,295,415
EARNINGS PER SHARE	7	66.25cents	38.90cents
DIVIDEND PER SHARE	8	-	-

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

	30 June 2007 (Unaudited) Rmb'000	31 December 2006 (Audited) Rmb'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	16,390,913	14,192,004
Interest in jointly-controlled entities	998,689	907,169
Available-for-sale equity investment	4,000	4,578
Deferred staff expenditure	38,941	45,333
Deferred tax assets	6,824	20,090
	17,439,367	15,169,174
CURRENT ASSETS		
Bunker oil inventories	248,331	192,573
Trade and bills receivables	519,458	394,273
Prepayments, deposits and other receivables	278,389	614,019
Equity investments at fair value through profit or loss	219,400	159,000
Derivative financial instruments	-	1,044
Cash and cash equivalents	919,772	474,373
	2,185,350	1,835,282
CURRENT LIABILITIES		
Trade payables	385,708	215,762
Tax payable	56,733	52,293
Other payables and accruals	1,387,893	863,166
Proposed dividend payable	473,550	-
Derivative financial instruments	5,849	-
Current portion of interest-bearing bank and other borrowings, and finance lease payables	263,305	1,475,487
	2,573,038	2,606,708
NET CURRENT LIABILITIES	(387,688)	(771,426)
TOTAL ASSETS LESS CURRENT LIABILITIES	17,051,679	14,397,748
NON-CURRENT LIABILITIES		
Deferred tax liabilities	138,161	80,082
Deferred income	26,424	14,957
Interest-bearing bank borrowings	3,103,401	1,705,785
	13,783,693	12,596,924
EQUITY		
Equity attributable to equity holders of the parent	3,326,000	3,326,000
Issued capital	10,457,693	8,273,124
Reserves	-	997,800
Proposed final dividend	13,783,693	12,596,924
	13,783,693	12,596,924

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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” issued by the Hong Kong Institute of Certified Public Accountants. 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 2006, 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 the current period’s financial statements, the change in accounting estimate on residual values of vessels and the change in accounting method for investments in jointly-controlled entities:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economics</i>
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

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.

Depreciation of vessels

During the period ended 30 June 2007 (the “Period”), the residual values of fixed assets were reassessed, and accordingly, depreciation charge of fixed assets for the Period has been calculated based on the revised estimated residual values. This represented a change in accounting estimate, and the depreciation charge for the Period has been reduced by RMB117,066,000.

Interest in jointly-controlled entities

With effect from 1 January 2007, the Group has determined to change the accounting policy for investments in jointly-controlled entities from the proportionate consolidation method to equity method. Such change in accounting policy was accounted for retrospectively. However, such treatment had no impact on the Group’s net profit for the Period and the net assets as of 30 June 2007.

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2. REVENUE

During the Period, the Group was involved in the following principal activities:

- (a) investment holding; and
- (b) oil and cargo shipment along the PRC coast and international shipment.

There is no major seasonality for the Group's turnover. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the Period is as follows:

	For the six months ended 30 June			
	2007		2006	
	(Unaudited)		(Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
			(Restated)	(Restated)
By activity:				
Oil shipment				
Coal shipment	2,349,436	802,370	2,569,063	902,952
Other dry bulk shipment	2,454,571	1,244,716	1,328,527	457,085
	723,469	406,660	438,766	183,328
	5,527,476	2,453,746	4,336,356	1,543,365
Other income and gains		257,494		111,488
Selling and distribution costs		(16,598)		(13,979)
Administrative expenses		(92,700)		(90,193)
Other expenses		(18,486)		(24,819)
Finance costs		(96,924)		(50,858)
Share of profits of jointly-controlled entities		91,520		25,092
		2,578,052		1,500,096
Profit before tax				

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2. REVENUE (continued)

	For the six months ended 30 June			
	2007		2006	
	(Unaudited)		(Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
			(Restated)	(Restated)
By geographical area:				
Domestic	3,527,980	1,601,683	2,424,911	733,265
International	1,999,496	852,063	1,911,445	810,100
	<u>5,527,476</u>	<u>2,453,746</u>	<u>4,336,356</u>	<u>1,543,365</u>
Other income and gains		257,494		111,488
Selling and distribution costs		(16,598)		(13,979)
Administrative expenses		(92,700)		(90,193)
Other expenses		(18,486)		(24,819)
Finance costs		(96,924)		(50,858)
Share of profits of jointly-controlled entities		91,520		25,092
Profit before tax		<u>2,578,052</u>		<u>1,500,096</u>

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	Rmb'000	Rmb'000
		(Restated)
Gain on disposal of property, plant and equipment	185,337	54,719
Fair value gains on equity investments at fair value through profit or loss	60,400	-
Interest income	13,936	12,532
Rental income from leased vessels	35,277	37,517
Service income from vessel management	1,800	7,860
Exchange losses, net	(45,054)	(8,835)
Others	5,798	7,695
Total	<u>257,494</u>	<u>111,488</u>

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4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2007 (Unaudited) Rmb'000	2006 (Unaudited) Rmb'000 (Restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,671,157	1,472,862
Depreciation	446,842	467,485
Operating lease rentals:		
Land and buildings	11,805	10,992
Vessels	91,728	86,656
	103,533	97,648
Staff costs	378,228	353,507

5. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) Rmb'000	2006 (Unaudited) Rmb'000 (Restated)
Total interest	123,008	50,858
Less: Interest capitalised	26,084	-
Interest expenses	96,924	50,858

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6. TAX

Pursuant to a directive 1998 (250) jointly issued by the Shanghai State Tax Bureau and Shanghai Bureau of Finance on 8 October 1998, the Company is entitled to a preferential income tax rate of 15% effective from 1 January 1998. Accordingly, PRC income has been provided at the rate of 15% (six months ended 30 June 2006: 15%) on the estimated assessable profits for the Period.

No Hong Kong profits tax has been provided as no assessable profit was earned in or derived from Hong Kong during the Period (six months ended 30 June 2006: 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.

	For the six months ended 30 June	
	2007 (Unaudited) Rmb'000	2006 (Unaudited) Rmb'000 (Restated)
Group:		
Hong Kong	-	-
PRC	374,440	204,681
Tax charge for the Period	374,440	204,681

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rates is as follows:

	For the six months ended 30 June	
	2007 (Unaudited) Rmb'000	2006 (Unaudited) Rmb'000 (Restated)
Accounting profit before tax	2,578,052	1,500,096
Profit attributable to jointly-controlled entities	(91,520)	(25,092)
	2,486,532	1,475,004
Tax at the applicable tax rate of 15% (2006: 15%)	372,980	221,250
Tax effect of net income that is not taxable in determining taxable profit	1,460	(16,569)
Tax charge at the Group's effective rate	374,440	204,681

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6. TAX (continued)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the future financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

The share of tax attributable to jointly-controlled entities amounting to RMB17,406,000 (six months ended 30 June 2006: RMB8,894,000) is included in "Share of profits of jointly-controlled entities" on the face of the interim condensed consolidated income statement.

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 RMB2,203,612,000 (six months ended 30 June 2006: RMB1,293,741,000) and the number of shares of 3,326,000,000 (six months ended 30 June 2006: 3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month periods ended 30 June 2006 and 2007 have not been presented as no diluting events existed during these periods.

8. DIVIDEND PER SHARE

The directors do not recommend the payment of interim dividend (six months ended 30 June 2006: Nil).

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

The Group has prepared a separate set of financial statements for the Period in accordance with PRC accounting standards. The major differences between the financial statements prepared under PRC accounting standards and HK GAAP are set out as follows:

	January-June 2007 (Unaudited) Rmb'000	January-June 2006 (Unaudited) Rmb'000
Net profit attributable to equity holders of the parent prepared under HK GAAP	2,203,612	1,293,741
Adjustments for depreciation, gain on disposal of vessels and deferred staff expenditure, etc.	23,185	4,876
Net profit attributable to equity holders of the parent prepared under PRC accounting standards	2,226,797	1,298,617

	30 June 2007 (Unaudited) Rmb'000	31 December 2006 (Audited) Rmb'000
Equity attributable to equity holder of the parent prepared under HK GAAP	13,783,693	12,596,924
Adjustments for revaluation surplus, depreciation, gain on disposal of vessels and deferred staff expenditure, etc	(68,287)	(131,028)
Equity attributable to equity holder of the parent prepared under PRC accounting standards	13,715,406	12,465,896