

# Independent Review Report

## **Appendix II**

### **Interim financial report prepared under accounting principles generally accepted in Hong Kong**

To the board of directors of

#### **CHINA SHIPPING DEVELOPMENT COMPANY LIMITED (the “Company”)**

(Established in the People’s Republic of China as a joint stock company with limited liability)

### **Introduction**

We have reviewed the interim condensed consolidated financial statements set out on pages 84 to 100, which comprise the interim condensed consolidated balance sheet of China Shipping Development Company Limited and its subsidiaries as of 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review 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. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
14 August 2007

# Interim Condensed Consolidated Income Statement

**For the six months ended 30 June**

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

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statement of Changes in Equity

## Attributable to equity holders of the parent

	Issued share capital Rmb'000	Share premium account Rmb'000	Revaluation reserve Rmb'000	Statutory		General surplus reserve Rmb'000	Hedging reserve Rmb'000	Available- for-sale investment revaluation reserve Rmb'000	Exchange fluctuation reserve Rmb'000	Proposed		Minority Total interests Rmb'000	Total equity Rmb'000	
				surplus reserve Rmb'000	public welfare fund Rmb'000					Retained profits Rmb'000	final dividend Rmb'000			
(Note 11)														
Balance at														
1 January 2006	3,326,000	2,037,884	176,979	764,776	661,170	93,158	-	-	(4,136)	2,795,090	997,800	10,848,721	24,969	10,873,690
Net profit for the period	-	-	-	-	-	-	-	-	-	1,293,741	-	1,293,741	1,674	1,295,415
Net loss on cash flow hedges	-	-	-	-	-	-	(20,237)	-	-	-	-	(20,237)	-	(20,237)
Exchange realignment	-	-	-	-	-	-	-	-	(2,676)	-	-	(2,676)	-	(2,676)
Release on disposal of item of property, plant and equipment	-	-	(1,950)	-	-	-	-	-	-	1,950	-	-	-	-
Reclassification	-	-	-	661,170	(661,170)	-	-	-	-	-	-	-	-	-
Payment of final dividend	-	-	-	-	-	-	-	-	-	(997,800)	(997,800)	-	-	(997,800)
Balance at 30 June 2006 (unaudited)														
	3,326,000	2,037,884	175,029	1,425,946	-	93,158	(20,237)	-	(6,812)	4,090,781	-	11,121,749	26,643	11,148,392

## Attributable to equity holders of the parent

	Issued share capital Rmb'000	Share premium account Rmb'000	Revaluation reserve Rmb'000	Statutory		General surplus reserve Rmb'000	Hedging reserve Rmb'000	Available- for-sale investment revaluation reserve Rmb'000	Exchange fluctuation reserve Rmb'000	Proposed		Minority Total interests Rmb'000	Total equity Rmb'000	
				surplus reserve Rmb'000	public welfare fund Rmb'000					Retained profits Rmb'000	final dividend Rmb'000			
(Note 11)														
Balance at														
1 January 2007	3,326,000	2,037,884	168,829	1,675,926	-	93,158	861	182	(15,026)	4,311,310	997,800	12,596,924	-	12,596,924
Net profit for the period	-	-	-	-	-	-	-	-	-	2,203,612	-	2,203,612	-	2,203,612
Net loss on cash flow hedges	-	-	-	-	-	-	(5,745)	-	-	-	-	(5,745)	-	(5,745)
Exchange realignment	-	-	-	-	-	-	-	-	(13,116)	-	-	(13,116)	-	(13,116)
Release on disposal of items of property, plant and equipment	-	-	(6,693)	-	-	-	-	-	-	6,693	-	-	-	-
Release on selling of available-for-sale investment	-	-	-	-	-	-	-	(182)	-	-	-	(182)	-	(182)
Payment of final dividend	-	-	-	-	-	-	-	-	-	(997,800)	(997,800)	-	-	(997,800)
Balance at 30 June 2007 (unaudited)														
	3,326,000	2,037,884	162,136	1,675,926	-	93,158	(4,884)	-	(28,142)	6,521,615	-	13,783,693	-	13,783,693

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Balance Sheet

	Notes	30 June 2007 (Unaudited) Rmb'000	31 December 2006 (Audited) Rmb'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>16,390,913</b>	14,192,004
Interest in jointly-controlled entities		<b>998,689</b>	907,169
Available-for-sale equity investment		<b>4,000</b>	4,578
Deferred staff expenditure		<b>38,941</b>	45,333
Deferred tax assets		<b>6,824</b>	20,090
		<b>17,439,367</b>	15,169,174
<b>CURRENT ASSETS</b>			
Bunker oil inventories		<b>248,331</b>	192,573
Trade and bills receivables	10	<b>519,458</b>	394,273
Prepayments, deposits and other receivables		<b>278,389</b>	614,019
Equity investments at fair value through profit or loss		<b>219,400</b>	159,000
Derivative financial instruments	11	-	1,044
Cash and cash equivalents		<b>919,772</b>	474,373
		<b>2,185,350</b>	1,835,282
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>385,708</b>	215,762
Tax payable		<b>56,733</b>	52,293
Other payables and accruals		<b>1,387,893</b>	863,166
Proposed dividend payable		<b>473,550</b>	-
Derivative financial instruments	11	<b>5,849</b>	-
Current portion of interest-bearing bank and other borrowings, and finance lease payables		<b>263,305</b>	1,475,487
		<b>2,573,038</b>	2,606,708
<b>NET CURRENT LIABILITIES</b>		<b>(387,688)</b>	(771,426)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,051,679</b>	14,397,748
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>138,161</b>	80,082
Deferred income		<b>26,424</b>	14,957
Interest-bearing bank borrowings		<b>3,103,401</b>	1,705,785
		<b>13,783,693</b>	12,596,924
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital		<b>3,326,000</b>	3,326,000
Reserves		<b>10,457,693</b>	8,273,124
Proposed final dividend		-	997,800
		<b>13,783,693</b>	12,596,924

Li Shaode

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

Mao Shijia

# Interim Condensed Consolidated Cash Flow Statement

**For the six months ended 30 June**

	<b>2007</b> <b>(Unaudited)</b> <b>Rmb'000</b>	2006 (Unaudited) Rmb'000 (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>2,694,043</b>	1,471,039
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(1,803,313)</b>	(2,052,802)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<b>(432,216)</b>	(135,921)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>458,514</b>	(717,684)
Cash and cash equivalents at beginning of the period	<b>474,373</b>	1,093,808
Effect of foreign exchange rate changes, net	<b>(13,115)</b>	(2,676)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>919,772</b>	373,448
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>783,786</b>	344,628
Time deposits with original maturity of less than three months when acquired	<b>135,986</b>	28,820
	<b>919,772</b>	373,448

The accompanying notes form an integral part of the interim condensed consolidated financial statements.