**To the shareholders of China Shipping Development Company Limited**
(Established in the People's Republic of China as a joint stock company with limited liability)

We have audited the financial statements of China Shipping Development Company Limited set out on pages 52 to 141, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation and true 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 the directors, 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 give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2007

# 綜合損益表

# CONSOLIDATED INCOME STATEMENT

截至二零零六年十二月三十一日止年度

Year ended 31 December 2006

| | 附注<br>Notes | **2006**<br>**人民幣千元**<br>**Rmb'000** | 2005<br>人民幣千元<br>Rmb'000 |
|---|---|---|---|
| Revenue | 5 | **9,574,912** | 8,515,191 |
| Operating costs | | **(6,193,679)** | (5,155,273) |
| Gross profit | | **3,381,233** | 3,359,918 |
| Other income and gains | 5 | **386,614** | 266,186 |
| Administrative expenses | | **(223,514)** | (253,295) |
| Other expenses | | **(113,749)** | (90,699) |
| Finance costs | 7 | **(128,721)** | (135,593) |
| PROFIT BEFORE TAX | 6 | **3,301,863** | 3,146,517 |
| Tax | 10 | **(543,015)** | (452,639) |
| PROFIT FOR THE YEAR | | **2,758,848** | 2,693,878 |
| Attributable to: | | | |
| Equity holders of the parent | 11 | **2,755,850** | 2,691,200 |
| Minority interests | | **2,998** | 2,678 |
| | | **2,758,848** | 2,693,878 |
| DIVIDEND | | | |
| Proposed final | 12 | **997,800** | 997,800 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 13 | **82.86 cents** | 80.91cents |

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

# 綜合資產負債表

# CONSOLIDATED BALANCE SHEET

二零零六年十二月三十一日

31 December 2006

| | 附注 Notes | 2006 人民幣千元 Rmb'000 | 2005 人民幣千元 Rmb'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **15,079,291** | 11,468,121 |
| Available-for-sale investments | 17 | **4,578** | 4,000 |
| Deferred staff expenditure | 19 | **45,333** | 58,117 |
| Deferred tax assets | 30 | **20,090** | 20,795 |
| Total non-current assets | | **15,149,292** | 11,551,033 |
| **CURRENT ASSETS** | | | |
| Bunker oil inventories | | **202,432** | 266,701 |
| Trade and bills receivables | 20 | **428,159** | 227,913 |
| Prepayments, deposits and other receivables | 21 | **619,857** | 163,783 |
| Equity investments at fair value through profit or loss | 18 | **159,000** | - |
| Derivative financial instruments | 25 | **1,044** | - |
| Cash and cash equivalents | 22 | **663,778** | 1,177,927 |
| Total current assets | | **2,074,270** | 1,836,324 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 23 | **227,299** | 216,888 |
| Tax payable | | **56,001** | 41,417 |
| Other payables and accruals | 24 | **868,625** | 519,315 |
| Current portion of interest-bearing bank and other borrowings, and finance lease payables | 26 | **1,506,573** | 295,641 |
| Total current liabilities | | **2,658,498** | 1,073,261 |
| NET CURRENT ASSETS/ (LIABILITIES) | | **(584,228)** | 763,063 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **14,565,064** | 12,314,096 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 30 | **80,082** | - |
| Interest-bearing bank and other borrowings, and finance lease payables | 27 | **1,888,058** | 1,440,406 |
| Total non-current liabilities | | **1,968,140** | 1,440,406 |
| Net assets | | **12,596,924** | 10,873,690 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 31 | **3,326,000** | 3,326,000 |
| Reserves | 32 | **8,273,124** | 6,524,921 |
| Proposed final dividend | 12 | **997,800** | 997,800 |
| | | **12,596,924** | 10,848,721 |
| Minority Interests | | **-** | 24,969 |
| Total equity | | **12,596,924** | 10,873,690 |

李绍德 董事　　茅士家 董事

Li Shaode, Director　　Mao Shijia, Director

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

# 綜合權益變動表

# CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

截至二零零六年十二月三十一日止年度

Year ended 31 December 2006

| | 附注 Notes | 2006 人民幣千元 Rmb'000 | 2005 人民幣千元 Rmb'000 |
|---|---|---|---|
| TOTAL EQUITY | | | |
| At beginning of year | | | |
| As previously reported | | **10,848,721** | 8,659,080 |
| Adoption of a new accounting policy | | **-** | 1,386 |
| As restated | | **10,848,721** | 8,660,466 |
| Net profit for the year | | **2,755,850** | 2,691,200 |
| Change in the exchange fluctuation reserve and net gains and losses not recognised in the income statement | 32 | **(10,890)** | (4,045) |
| Change in fair value of available-for-sale investments | 32 | **182** | - |
| Change in fair value of derivative financial instruments | 32 | **861** | - |
| Dividend paid on ordinary shares | | **(997,800)** | (498,900) |
| Equity attributable to equity holders of the parent | | **12,596,924** | 10,848,721 |
| Minority interests | | **-** | 24,969 |
| Total equity | | **12,596,924** | 10,873,690 |

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

# 綜合現金流量表 CONSOLIDATED CASH FLOW STATEMENT

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

| | 附注 Note | **2006** **人民幣千元** **Rmb'000** | 2005 人民幣千元 Rmb'000 |
|---|---|---|---|
| Net cash inflow from operating activities | 33(a) | **3,366,584** | 3,677,542 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **24,893** | 24,508 |
| Payments for construction in progress | | **(3,340,095)** | (2,616,029) |
| Purchases of items of property, plant and equipment | | **(1,173,642)** | (19,923) |
| Proceeds from disposal of items of property, plant and equipment | | **162,224** | 134,831 |
| Liquidation of a subsidiary | 33(c) | **(45,221)** | - |
| Addition in equity investments at fair value through profit or loss | | **(74,200)** | - |
| Addition in available-for-sale investments | | **(364)** | - |
| Net cash outflow from investing activities | | **(4,446,405)** | (2,476,613) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | | **(124,248)** | (143,394) |
| Dividend paid | | **(997,800)** | (498,900) |
| New bank loans | | **3,948,194** | 1,070,250 |
| Repayment of bank loans | | **(2,228,995)** | (1,704,602) |
| Capital element of finance lease rental payments | | **(60,615)** | (64,957) |
| Minority share of increase in capital of a subsidiary | | **-** | 10,000 |
| Net cash inflow/(outflow) from financing activities | | **536,536** | (1,331,603) |

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

# 綜合現金流量表(續)

# CONSOLIDATED CASH FLOW STATEMENT

*(Continued)*

截至二零零六年十二月三十一日止年度

Year ended 31 December 2006

| | **2006** | 2005 |
|---|---|---|
| | **人民幣千元** | 人民幣千元 |
| | **Rmb'000** | Rmb'000 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(543,285)** | (130,674) |
| Cash and cash equivalents at beginning of year | **1,177,927** | 1,312,646 |
| Effect of foreign exchange rate changes, net | **29,136** | (4,045) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | **663,778** | 1,177,927 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | **626,329** | 865,715 |
| Time deposits with original maturity of less than three months when acquired | **37,449** | 312,212 |
| | **663,778** | 1,177,927 |

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

# 資產負債表

# BALANCE SHEET

二零零六年十二月三十一日

31 December 2006

| | 附注<br>Notes | 2006<br>人民幣千元<br>Rmb'000 | 2005<br>人民幣千元<br>Rmb'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **10,715,050** | 9,746,029 |
| Interests in subsidiaries | 15 | **4,140** | 386,009 |
| Investments in jointly-controlled entities | 16 | **931,839** | 100,000 |
| Available-for-sale investments | 17 | **4,578** | 4,000 |
| Deferred staff expenditure | 19 | **45,333** | 58,117 |
| Deferred tax assets | 30 | **15,854** | 15,565 |
| Total non-current assets | | **11,716,794** | 10,309,720 |
| CURRENT ASSETS | | | |
| Bunker oil inventories | | **192,132** | 257,506 |
| Trade and bills receivables | 20 | **392,038** | 210,827 |
| Prepayments, deposits and other receivables | 21 | **2,195,406** | 1,336,108 |
| Equity investments at fair value through profit or loss | 18 | **159,000** | - |
| Cash and cash equivalents | 22 | **370,808** | 602,710 |
| Total current assets | | **3,309,384** | 2,407,151 |
| CURRENT LIABILITIES | | | |
| Trade payables | 23 | **213,899** | 203,898 |
| Tax payable | | **52,293** | 39,688 |
| Other payables and accruals | 24 | **332,793** | 360,634 |
| Current portion of interest-bearing bank and other borrowings, and finance lease payables | 26 | **1,366,995** | 265,356 |
| Total current liabilities | | **1,965,980** | 869,576 |
| NET CURRENT ASSETS | | **1,343,404** | 1,537,575 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **13,060,198** | 11,847,295 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 30 | **12,752** | - |
| Interest-bearing bank and other borrowings, and finance lease payables | 27 | **760,620** | 1,364,593 |
| Total non-current liabilities | | **773,372** | 1,364,593 |
| Net assets | | **12,286,826** | 10,482,702 |
| EQUITY | | | |
| Issued capital | 31 | **3,326,000** | 3,326,000 |
| Reserves | 32 | **7,963,026** | 6,158,902 |
| Proposed final dividend | 12 | **997,800** | 997,800 |
| | | **12,286,826** | 10,482,702 |

李绍德 董事　　茅士家 董事

Li Shaode, Director　　Mao Shijia, Director

The accompanying notes from pages 58 to 141 form an integral part of the financial statements.

## 1. CORPORATE INFORMATION

China Shipping Development Company Limited (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is located at 168 Yuan Shen Road, Shanghai, the PRC. During the year, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

(a) investment holding; and

(b) oil and cargo shipment along the PRC coast and international shipment.

In the opinion of the directors, the Company's ultimate holding company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the measurement of certain items of property, plant and equipment, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("Rmb") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements:

- HKAS 21 Amendment
  Net Investment in a Foreign Operation
- HKAS 27 Amendment
  Consolidated and Separate Financial Statements:
  Amendments as a consequence of the Companies (Amendment) Ordinance 2005
- HKAS 39 & HKFRS 4 Amendments
  Financial Guarantee Contracts
- HKAS 39 Amendment
  Cash Flow Hedge Accounting of Forecast Intragroup Transactions

- HKAS 39 Amendment
  The Fair Value Option
- HK(IFRIC)-Int 4
  Determining whether an Arrangement
  contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements. This change has had no material impact on these financial statements.

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKAS 1 Amendment | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HKFRS 8 | Operating Segments |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies* |
| 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 |
| HK(IFRIC)-Int 11 | HKFRS 2-Group and Treasury Share Transaction |

HK(IFRIC)-Int 12　Service Concession Arrangements

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009 and will replace the existing HKAS 14 "Segment Reporting". HKFRS 8 requires an entity to adopt the "management approach" to report on the financial performance of its operating segments. Generally, the information to be reported would be that used internally for the purpose of evaluating segment performance and deciding resources allocation to operating segments. Such information may be different from what is used for preparing the income statement and balance sheet. HKFRS 8 therefore requires explanation of the basis on how the segment information is prepared and reconciled to the income statement and balance sheet.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10 HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company¡¯s investments in subsidiaries are stated at cost less any impairment losses.

**Joint ventures**

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

**Jointly-controlled entities**

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company’s income statement to the extent of dividends received and receivable. The Company’s investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

**Related parties**

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the periods of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | 10% |
| Vessels | 4.36% to 19.2% |
| Machinery and equipment | 6.67% to 20% |
| Motor vehicles | 10% to 12.5% |
| Buildings | 3.33% |

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the periods of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit’s value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

### Deferred staff expenditure

According to a housing reform scheme in Shanghai, the PRC, arrangements were made to transfer staff quarters to employees who agreed to remain in service for a period of 10 years. The net book value of the related staff quarters is recorded as deferred staff expenditure and is amortised on the straight-line basis to the income statement over the estimated beneficial period of 10 years.

**Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the income statement.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

**Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

*Assets carried at cost*
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity investments classified as available for sale are not reversed through the income statement.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**Financial liabilities at amortised cost (including interest-bearing loans and borrowings)**

Financial liabilities, including trade and other payables and interest-bearing bank and other borrowings, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

**Derivative financial instruments and hedging**

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Cash flow hedges*
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from shipping operations, on the percentage of completion basis;

(b) from vessel chartering, on a time proportion basis over the lease terms;

(c) from vessel management, in the period in which the vessels are managed in accordance with the respective agreements;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

In prior years, the Group adopted completion method to account for the revenue from shipping operations as a close approximation to the percentage of completion method. Since the Group has been increasingly engaged in long-distance voyages, the directors consider it would be more appropriate to adopt the percentage of completion method to account for the revenue from shipping operations starting from 1 January 2006. Since the impact of this change to the current year profit and loss and the opening balance of retained profits are immaterial, no prior year adjustments have been made to the financial statements.

**Bunker oil inventories and ship stores and spare parts**

Bunker oil inventories are stated at cost less any provisions considered necessary by the directors. Cost is determined on the weighted average cost method basis.

Ship stores and spare parts are charged as operating expenses when purchased.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

**Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Foreign currencies**

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Renminbi. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

**Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Depreciation of vessels*

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at each balance sheet date. The principal assumptions for the Groups estimation of the useful lives and residual values include those related to the mode of operations, government regulations and scrap value of vessels in future. The carrying amount of the Group's vessels as at 31 December 2006 was Rmb11,821,067,000.

*Provision for losses incurred in accidents*

Provision for losses incurred in accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation and the recoverability of losses from insurance companies, which requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the provisions and losses incurred in accidents/write-back in the period in which such estimate has been changed.

## 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

(a) oil shipment;

(b) coal shipment; and

(c) other dry bulk shipment

In determining the Group's geographical segments, revenues and results are attributed to the segments based on domestic and international shipment.

**Business segments**

The following table presents revenue and results information for the Group's business segments for the years ended 31 December 2006 and 2005.

| | 石油運輸<br>Oil shipment | | 煤炭運輸<br>Coal shipment | | 其它乾散貨運輸<br>Other dry bulk shipment | | 綜合<br>Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| | **人民幣千元<br>Rmb'000** | 人民幣千元<br>Rmb'000 | **人民幣千元<br>Rmb'000** | 人民幣千元<br>Rmb'000 | **人民幣千元<br>Rmb'000** | 人民幣千元<br>Rmb'000 | **人民幣千元<br>Rmb'000** | 人民幣千元<br>Rmb'000 |
| Segment revenue: | | | | | | | | |
| Revenue | **5,280,260** | 4,604,473 | **3,414,539** | 2,992,241 | **880,113** | 918,477 | **9,574,912** | 8,515,191 |
| Segment results | **1,767,750** | 1,726,895 | **1,194,866** | 1,138,117 | **418,617** | 494,906 | **3,381,233** | 3,359,918 |
| Unallocated revenue: | | | | | | | | |
| Other income and gains | | | | | | | **386,614** | 266,186 |
| Unallocated operating expenses: | | | | | | | | |
| Administrative expenses | | | | | | | **(223,514)** | (253,295) |
| Other expenses | | | | | | | **(113,749)** | (90,699) |
| Finance costs | | | | | | | **(128,721)** | (135,593) |
| Profit before tax | | | | | | | **3,301,863** | 3,146,517 |
| Tax | | | | | | | **(543,015)** | (452,639) |
| Profit for the year | | | | | | | **2,758,848** | 2,693,878 |

The net book values of oil vessels and cargo vessels at 31 December 2006 amounted to Rmb7,172,571,000 (2005: Rmb6,424,833,000) and Rmb4,648,496,000 (2005: Rmb4,100,716,000), respectively. Since the Group's assets and liabilities (other than the vessels) are not directly employed according to its business segments, nor could they be allocated to these segments on a reasonable basis, business segment information relating to segment assets and liabilities is not presented.

**Geographical segments**

The following table presents revenue and segment results from operating activities by geographical area of operations for the years ended 31 December 2006 and 2005.

| | 截至二零零六年十二月三十一日止年度 Year ended 31 December 2006 | | 截至二零零五年十二月三十一日止年度 Year ended 31 December 2005 | |
|---|---|---|---|---|
| | 營業額 Revenue | 分部業績 Contribution | 營業額 Revenue | 分部業績 Contribution |
| | 人民幣千元 Rmb'000 | 人民幣千元 Rmb'000 | 人民幣千元 Rmb'000 | 人民幣千元 Rmb'000 |
| Domestic | **5,608,341** | **1,780,051** | 5,127,511 | 1,845,935 |
| International | **3,966,571** | **1,601,182** | 3,387,680 | 1,513,983 |
| | **9,574,912** | **3,381,233** | 8,515,191 | 3,359,918 |
| Other income and gains | | **386,614** | | 266,186 |
| Administrative expenses | | **(223,514)** | | (253,295) |
| Other expenses | | **(113,749)** | | (90,699) |
| Finance cost | | **(128,721)** | | (135,593) |
| Profit before tax | | **3,301,863** | | 3,146,517 |

The principal assets employed by the Group are located in the PRC, and accordingly, no segment analysis of assets and expenditure has been prepared for the year.