

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents gross revenue arising from shipping operations, net of business taxes. Pursuant to various tax rules and regulations in the PRC, revenues derived from sea freighting attributable to voyages departing from ports in the PRC and from vessel chartering services are both subject to business tax at a rate of 3%. Business taxes charged to the income statement for the year amounted to Rmb194,214,000 (2005: Rmb184,962,000).

An analysis of revenue, other income and gains is as follows:

	本集團 Group	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Revenue		
Oil shipments	5,280,260	4,604,473
Coal shipments	3,414,539	2,992,241
Other dry bulk shipments	880,113	918,477
	9,574,912	8,515,191
Other income		
Interest income	24,893	24,508
Rental income from bare-boat chartering	71,120	77,891
Service income from vessel management	14,818	13,302
Income from coal sales	47,782	37,009
Others	4,721	5,327
	163,334	158,037
Gains		
Gain on disposal of items of property, plant and equipment, net	170,259	107,529
Exchange losses, net	(43,517)	(7,609)
Fair value gains on equity investments at fair value through profit or loss	84,800	-
Others	11,738	8,229
	223,280	108,149
Other income and gains	386,614	266,186

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NOTES TO FINANCIAL STATEMENTS

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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	本集團 Group	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	3,174,600	2,423,751
Others	3,019,079	2,731,522
Depreciation	1,000,165	922,049
Operating lease rentals:		
Land and buildings	22,592	23,255
Vessels	380,391	218,590
	402,983	241,845
Auditors' remuneration	3,278	3,174
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries and hiring of sea crew	623,080	666,931
Pension scheme contributions	81,712	80,414
	704,792	747,345
Provision for bad and doubtful debts	247	1,075
Write-off of construction in progress	2,875	8,545
Amortization of deferred staff expenditure	12,784	12,784
Loss on liquidation of a subsidiary	17,254	-
Dry-docking and repairs	413,058	436,582

7. FINANCE COSTS

	本集團 Group	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Interest on bank loans and other borrowings wholly repayable within five years	123,932	138,563
Interest on finance leases	4,789	3,422
Total interest	128,721	141,985
Less: Interest capitalised	-	(6,392)
	128,721	135,593

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	董事 Directors		監事 Supervisors	
	2006	2005	2006	2005
	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
Fees	180	180	-	-
Other emoluments:				
Salaries, allowances and benefits in kind	1,495	1,388	353	1,262
Pension scheme costs	46	32	17	32
Total	1,721	1,600	370	1,294

財務報告附注(續)

NOTES TO FINANCIAL STATEMENTS

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(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Mr. Zhou Zhanqun	60	60
Mr. Hu Honggao	60	60
Mr. Xie Rong	60	60
Mr. Ma Xun	-	-
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors and a non-executive director and supervisors

2006	基本薪金、津貼 及實物利益 Salaries, allowances and benefits		退休金供款 Pension scheme contributions	薪酬金額 Total remuneration
	袍金 Fees	in kind		
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Executive directors:				
Mr. Li Shaode	-	-	-	-
Mr. Lin Jianqing	-	-	-	-
Mr. Wang Daxiong	-	-	-	-
Mr. Zhang Guofa	-	-	-	-
Mr. Mao Shijia	-	701	29	730
Mr. Wang Kunhe	-	794	17	811
Mr. Yao Zuozhi	-	-	-	-
	1,495	46	1,541	
Non-executive directors:				
Mr. Yao Zuozhi	-	-	-	-
Supervisors:				
Mr. Kou Laiqi	-	-	-	-
Mr. Xu Hui	-	-	-	-
Ms. Chen Xiuling	-	353	17	370
Mr. Yan Mingyi	-	-	-	-
Mr. Zhang Rongbiao	-	-	-	-
	353	17	370	

2005	基本薪金、津貼 及實物利益		退休金供款 Pension scheme contributions	薪酬金額 Total remuneration
	袍金 Fees	Salaries, allowances and benefits in kind		
	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
Executive directors:				
Mr. Li Shaode	-	-	-	-
Mr. Wang Daxiong	-	-	-	-
Mr. Sun Zhitang	-	-	-	-
Mr. Yao Zuozhi	-	-	-	-
Mr. Mao Shijia	-	621	16	637
Mr. Wang Kunhe	-	767	16	783
		<u>1,388</u>	<u>32</u>	<u>1,420</u>
Supervisors:				
Mr. Kou Laiqi	-	-	-	-
Mr. Yan Mingyi	-	550	16	566
Mr. Zhang Rongbiao	-	712	16	728
		<u>1,262</u>	<u>32</u>	<u>1,294</u>

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: four) directors or supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: one) non-director, non-supervisor, highest paid employee for the year are as follows:

	本集團 Group	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Salaries, allowances and benefits in kind	1,005	627
Pension scheme contributions	58	16
	<u>1,063</u>	<u>643</u>

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The number of non-director, non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	員工數目	
	Number of employees	
	2006	2005
Nil to Rmb\$1,000,000	2	1

10. TAX

Pursuant to the directive 1998 (250) jointly issued by the Shanghai State Tax Bureau and the 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 tax of the Company has been provided at the rate of 15% (2005: 15%) on the estimated assessable profits for the year.

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2005: Nil). 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.

	本集團 Group	
	2006	2005
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Group:		
Current-Hong Kong	-	-
Current-PRC		
Charge for the year	464,149	455,370
Over provision in prior years	(1,706)	(2,796)
Deferred (note 29)	80,572	65
Total tax charge for the year	<u>543,015</u>	<u>452,639</u>

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	2006		2005	
	人民幣千元 Rmb'000	%	人民幣千元 Rmb'000	%
Profit before tax	3,301,863		3,146,517	
Tax at the statutory tax rate	495,279	15.0	471,978	15.0
Higher tax rate for specific provinces	43,120	1.3	-	-
Adjustments in respect of current tax of previous periods	(1,706)	(0.1)	(2,796)	(0.1)
Expenses not deductible for tax	11,489	0.4	4,967	0.2
Income not subject to tax	(5,167)	(0.1)	(21,510)	(0.7)
Tax charge at the Group's effective rate	<u>543,015</u>	<u>16.5</u>	<u>452,639</u>	<u>14.4</u>

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a profit of Rmb2,801,742,000 (2005: Rmb2,477,262,000) which has been dealt with in the financial statements of the Company (note 32).

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12. DIVIDEND

	2006	2005
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Proposed final - Rmb0.30 (2005: Rmb0.30) per ordinary share	997,800	997,800

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of Rmb2,755,850,000 (2005: Rmb2,691,200,000) and 3,326,000,000 (2005: 3,326,000,000) shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

	本集團						
	租入固定資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸工具 Motor vehicles	房屋 Buildings	在建工程 Construction in progress	合計 Total
	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	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Cost or valuation							
At beginning of year	50,264	17,850,782	48,410	14,244	18,376	866,778	18,848,854
Transfers	-	872,231	4,360	17	10	(876,618)	-
Additions	-	1,663,433	4,221	4,105	404	3,205,484	4,877,647
Disposals	-	(796,984)	(2,811)	(831)	-	(2,875)	(803,501)
Exchange realignment	-	(40,026)	-	-	-	-	(40,026)
At 31 December 2006	50,264	19,549,436	54,180	17,535	18,790	3,192,769	22,882,974
Accumulated depreciation							
At beginning of year	11,028	7,325,233	33,761	8,027	1,748	-	7,379,797
Provided during the year	8,620	977,432	12,075	1,580	458	-	1,000,165
Disposals	-	(574,296)	(2,201)	(718)	-	-	(577,215)
Exchange realignment	-	-	-	-	-	-	-
At 31 December 2006	19,648	7,728,369	43,635	8,889	2,206	-	7,802,747
Impairment loss							
At 31 December 2006	-	-	-	936	-	-	936
At 31 December 2005	-	-	-	936	-	-	936
Accumulated depreciation and Impairment loss							
At 31 December 2006	19,648	7,728,369	43,635	9,825	2,206	-	7,803,683
At 31 December 2005	11,028	7,325,233	33,761	8,963	1,748	-	7,380,733
Net book value							
At 31 December 2006	30,616	11,821,067	10,545	7,710	16,584	3,192,769	15,079,291
At 31 December 2005	39,236	10,525,549	14,649	5,281	16,628	866,778	11,468,121

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NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	本集團						
	租入固定資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸工具 Motor vehicles	房屋 Buildings	在建工程 Construction in progress	合計 Total
	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	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Cost or valuation							
At beginning of year	26,662	14,951,793	44,211	13,388	17,923	1,293,408	16,347,385
Transfers	13,669	2,970,020	1,457	-	-	(2,985,146)	-
Additions	9,933	101,688	6,896	1,287	1,104	2,567,061	2,687,969
Disposals	-	(172,719)	(4,154)	(431)	(651)	(8,545)	(186,500)
At 31 December 2005	50,264	17,850,782	48,410	14,244	18,376	866,778	18,848,854
Accumulated depreciation							
At beginning of year	5,110	6,567,212	27,272	7,196	1,611	-	6,608,401
Provided during the year	5,918	904,436	10,248	1,186	261	-	922,049
Disposals	-	(146,415)	(3,759)	(355)	(124)	-	(150,653)
At 31 December 2005	11,028	7,325,233	33,761	8,027	1,748	-	7,379,797
Impairment loss							
At 31 December 2005	-	-	-	936	-	-	936
At 31 December 2004	-	-	-	936	-	-	936
Accumulated depreciation and Impairment loss							
At 31 December 2005	11,028	7,325,233	33,761	8,963	1,748	-	7,380,733
At 31 December 2004	5,110	6,567,212	27,272	8,132	1,611	-	6,609,337
Net book value							
At 31 December 2005	39,236	10,525,549	14,649	5,281	16,628	866,778	11,468,121
At 31 December 2004	21,552	8,384,581	16,939	5,256	16,312	1,293,408	9,738,048

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	本公司 Company						
	租入固定資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸工具 Motor vehicles	房屋 Buildings	在建工程 Construction in progress	合計 Total
	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	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Cost or valuation							
At beginning of year	50,264	15,248,783	46,469	12,046	6,395	703,845	16,067,802
Transfers	-	532,604	4,360	-	-	(536,964)	-
Additions	-	2,497	4,018	3,500	-	1,792,582	1,802,597
Disposals	-	(287,468)	(2,775)	(831)	-	(2,875)	(293,949)
At 31 December 2006	50,264	15,496,416	52,072	14,715	6,395	1,956,588	17,576,450
Accumulated depreciation							
At beginning of year	11,028	6,268,877	32,908	6,900	1,124	-	6,320,837
Provided during the year	8,621	796,460	11,745	1,178	165	-	818,169
Disposals	-	(275,654)	(2,170)	(718)	-	-	(278,542)
At 31 December 2006	19,649	6,789,683	42,483	7,360	1,289	-	6,860,464
Impairment loss							
At 31 December 2006	-	-	-	936	-	-	936
At 31 December 2005	-	-	-	936	-	-	936
Accumulated depreciation and Impairment loss							
At 31 December 2006	19,649	6,789,683	42,483	8,296	1,289	-	6,861,400
At 31 December 2005	11,028	6,268,877	32,908	7,836	1,124	-	6,321,773
Net book value							
At 31 December 2006	30,615	8,706,733	9,589	6,419	5,106	1,956,588	10,715,050
At 31 December 2005	39,236	8,979,906	13,561	4,210	5,271	703,845	9,746,029

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	本公司 Company						
	租入固定資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸工具 Motor vehicles	房屋 Buildings	在建工程 Construction in progress	合計 Total
	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	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Cost or valuation							
At beginning of year	26,662	12,680,025	43,018	11,061	7,046	1,247,276	14,015,088
Transfers	13,669	2,740,774	1,457	-	-	(2,755,900)	-
Additions	9,933	703	6,148	1,287	-	2,219,882	2,237,953
Disposals	-	(172,719)	(4,154)	(302)	(651)	(7,413)	(185,239)
At 31 December 2005	50,264	15,248,783	46,469	12,046	6,395	703,845	16,067,802
Accumulated depreciation							
At beginning of year	5,110	5,628,688	26,885	6,394	1,077	-	5,668,154
Provided during the year	5,918	786,604	9,782	796	171	-	803,271
Disposals	-	(146,415)	(3,759)	(290)	(124)	-	(150,588)
At 31 December 2005	11,028	6,268,877	32,908	6,900	1,124	-	6,320,837
Impairment loss							
At 31 December 2005	-	-	-	936	-	-	936
At 31 December 2004	-	-	-	936	-	-	936
Accumulated depreciation and Impairment loss							
At 31 December 2005	11,028	6,268,877	32,908	7,836	1,124	-	6,321,773
At 31 December 2004	5,110	5,628,688	26,885	7,330	1,077	-	5,669,090
Net book value							
At 31 December 2005	39,236	8,979,906	13,561	4,210	5,271	703,845	9,746,029
At 31 December 2004	21,552	7,051,337	16,133	3,731	5,969	1,247,276	8,345,998

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of the Group's vessels held under finance leases included in the total amount of property, plant and equipment at 31 December 2006 amounted to Rmb342,323,000 (2005: Rmb364,639,000). The depreciation charge for the year in respect of such assets amounted to Rmb22,316,000 (2005: Rmb22,316,000).

Certain of the Group's and the Company's property, plant and equipment are leased to other parties under operating leases. Further details of the assets under operating lease arrangements are as follows:

	本集團		本公司	
	2006	2005	2006	2005
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Vessels				
Cost at 31 December	976,926	989,187	527,166	512,216
Accumulated depreciation at 31 December	571,232	543,362	337,179	303,494

Further summary details of the operating leases are included in note 37(a) to the financial statements.

Certain of the Group's vessels existing as at 31 August 1994 were revalued at that date by Colliers Jardine Appraisals Limited, independent professionally qualified valuers, on an open market existing use basis. Since then, no further revaluation of the Group's vessels has been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out revaluations on a regular basis of its vessels which were stated at valuation at that time. Had these vessels been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately Rmb818,613,000 (2005: Rmb899,962,000).

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2006, certain of the Groups vessels with a net book value of approximately Rmb2,267,948,000 (2005: Rmb2,249,791,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INTERESTS IN SUBSIDIARIES

	本公司 Company	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Unlisted shares, at cost	<u>4,140</u>	<u>386,009</u>

Particulars of the Group's principal subsidiary are as follows:

Name	注册及 經營地點 Place of incorporation/ registration and operations	已發行/ 注册資本 Nominal value of issued/ registered capital	股份種類 Class of shares in issue	本公司應占股 本權益百分比 Percentage of equity attributable to the Company		主要業務 Principal activities
				直接Direct	間接Indirect	
China Shipping Development (Hong Kong) Marine Co., Limited	HongKong	500,000 元 US\$500,000	Ordinary	100%	-	Investment holding

The above table lists the subsidiary of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.