

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	本公司 Company	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Unlisted shares, at cost	931,839	100,000

The Groups other payable balances due to the jointly-controlled entities are disclosed in note 24 to the financial statements.

Particulars of the jointly-controlled entities are as follows:

Name	持有 已發行股份 之詳情 Particulars of issued shares held	註冊及經營地點 Place of incorporation/ registration and operations	本公司應佔所有者權 益、投票權利及利潤 分享百分比 Percentage of ownership interest, voting power and profit sharing attributable to the Company	主要業務 Principal activities
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Directly held by the Company:

上海友好航運有限公司 Shanghai Friendship Marine Co., Ltd.	註冊資本每份 人民幣1元 Registered Capital of Rmb1 each	中華人民共和國 PRC/mainland China	50%	船務服務 Provision of shipping services
珠海新世紀航運有限公司 Zhuhai New Century Marine Co., Ltd.	註冊資本每份 人民幣1元 Registered Capital of Rmb1 each	中華人民共和國 PRC/mainland China	50%	船務服務 Provision of shipping services
上海時代航運有限公司 Shanghai Times Shipping Co., Ltd.	註冊資本每份 人民幣1元 Registered capital of Rmb1 each	中華人民共和國 PRC/mainland China	50%	船務服務 Provision of shipping services

財務報告附注(續)

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16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The financial statements of the above jointly-controlled entities are coterminous with those of the Group. Material transactions between the jointly-controlled entities and the Group companies have been adjusted for.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2006	2005
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	241,131	125,424
Non-current assets	904,770	442,620
Current liabilities	(56,460)	(53,516)
Non-current liabilities	(182,272)	(75,812)
Net assets	907,169	438,716
Share of the jointly-controlled entities' results:		
Revenue	573,229	400,858
Other income	59,971	49,856
Total revenue	633,200	450,714
Total expenses	(547,821)	(366,939)
Tax	(11,676)	(11,505)
Profit after tax	73,703	72,270

17. AVAILABLE-FOR-SALE INVESTMENTS

	本集團及本公司 Group and Company	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Listed equity investments, at fair value:		
Shanghai	578	-
Unlisted equity investments, at cost	4,000	4,000
	4,578	4,000

During the year, the gross gain on the Group's available-for-sale investments, net of tax impact, recognised directly in equity amounted to Rmb182,000 (2005: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. As at 31 December 2006, unlisted equity investments with a carrying amount of Rmb4,000,000 (2005: Rmb4,000,000) were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	本集團及本公司 Group and Company	
	2006	2005
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Listed equity investments, at fair value:		
Shanghai	159,000	-

財務報告附注 (續)**NOTES TO FINANCIAL STATEMENTS***(continued)*

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**18. EQUITY INVESTMENTS AT FAIR
OR LOSS***(continued)***VALUE THROUGH PROFIT**

The above equity investments at 31 December 2006 classified as held for trading were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short-term investments at the date of approval of these financial statements was approximately Rmb182,800,000.

19. DEFERRED STAFF EXPENDITURE

	本集團及本公司 Group and Company 人民幣千元 Rmb'000
Cost	
At beginning of year and 31 December 2006	127,845
Accumulated amortisation	
At beginning of year	69,728
Amortisation provided during the year	12,784
At 31 December 2006	82,512
Net book value	
At 31 December 2006	45,333
At 31 December 2005	58,117

20. TRADE AND BILLS RECEIVABLES

	附注 Note	本集團 Group		本公司 Company	
		2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000	2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000
Trade and bills receivables		438,579	248,033	402,277	230,488
Due from fellow subsidiaries	28	807	-	-	-
Provision for doubtful debts		(11,227)	(20,120)	(10,239)	(19,661)
Trade and bills receivables, net		428,159	227,913	392,038	210,827

An aged analysis of the trade and bills receivables of the Group and the Company as at the balance sheet date, based on the invoice date, is as follows:

	本集團 Group		2005	
	2006 余額 Balance 人民幣千元 Rmb'000	百分比 Percentage % 人民幣千元	余額 Balance Rmb'000	百分比 Percentage %
Within one year	430,046	98	231,038	93
One to two years	-	-	-	-
Over two years	9,340	2	16,995	7
	439,386	100	248,033	100
Provision for doubtful debts	(11,227)		(20,120)	
Trade and bills receivables, net	428,159		227,913	

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20. TRADE AND BILLS RECEIVABLES

(continued)

	本公司 Company			
	2006		2005	
	余额	百分比	余额	百分比
	Balance	Percentage	Balance	Percentage
人民幣千元	%	人民幣千元	%	
	Rmb'000		Rmb'000	
Within one year	392,937	98	213,493	93
One to two years	-	-	-	-
Over two years	9,340	2	16,995	7
	402,277	100	230,488	100
Provision for doubtful debts	(10,239)		(19,661)	
Trade and bills receivables, net	392,038		210,827	

The Group normally allows a credit period of 30 days to its major customers. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	本集團 Group		本公司 Company	
	2006	2005	2006	2005
	附注	人民幣千元	人民幣千元	人民幣千元
	Note	Rmb'000	Rmb'000	Rmb'000
Prepayments		3,234	9,872	-
Deposits and other debtors		101,007	38,933	66,845
Due from fellow subsidiaries	28	516,059	115,322	284,457
Due from subsidiaries		-	-	1,844,515
Provision for doubtful debts		(443)	(344)	(411)
		619,857	163,783	2,195,406
				1,336,108

22. CASH AND CASH EQUIVALENTS

	本集團 Group		本公司 Company	
	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
Cash and bank balances	626,329	865,715	370,808	554,289
Time deposits	37,449	312,212	-	48,421
Cash and cash equivalents	663,778	1,177,927	370,808	602,710

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values. At the balance sheet date, the cash and bank balances of the Group denominated in US\$ amounted to Rmb181,687,000 (2005: Rmb488,494,000).

23. TRADE PAYABLES

		本集團 Group		本公司 Company	
		2006	2005	2006	2005
	附注 Note	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
Trade payables		223,005	209,261	213,899	197,903
Due to fellow subsidiaries	28	4,294	7,627	-	5,995
		227,299	216,888	213,899	203,898

財務報告附注(續)

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23. TRADE PAYABLES (continued)

An aged analysis of trade payables as at the balance sheet date is as follows:

	本集團 Group			
	2006		2005	
	余額 Balance 人民幣千元 Rmb'000	百分比 Percentage %	余額 Balance 人民幣千元 Rmb'000	百分比 Percentage %
Within one year	226,151	99	214,449	99
One to two years	869	1	302	-
Beyond two years	279	-	2,137	1
	227,299	100	216,888	100

	本公司 Company			
	2006		2005	
	余額 Balance 人民幣千元 Rmb'000	百分比 Percentage %	余額 Balance 人民幣千元 Rmb'000	百分比 Percentage %
Within one year	212,751	99	201,482	99
One to two years	869	1	279	-
Over two years	279	-	2,137	1
	213,899	100	203,898	100

The trade payables are non-interest-bearing and are normally settled in one to three months.

24. OTHER PAYABLES AND ACCRUALS

	本集團		本公司	
	Group		Company	
	2006	2005	2006	2005
附注	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Note	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Accruals	157,390	204,710	145,766	200,269
Other liabilities	189,853	298,016	179,088	151,800
Due to jointly-controlled entities	1,163	-	2,325	-
Due to fellow subsidiaries	28 520,219	16,589	5,614	8,565
	868,625	519,315	332,793	360,634

Other payables are non-interest-bearing and have an average term of one to three months.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group	2006	
	合同/名義金額	公允價值資產
	Contract/notional amount	Fair Values Assets
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Cross currency swap agreements	913,837	1,044

The carrying amounts of forward currency contracts are the same as their fair values.

財務報告附注(續)

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25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges

As at 31 December 2006, the Group held two cross currency swap agreements designated as hedges in respect of expected future JPY bank loans for which the Group has firm commitments.

The terms of the cross currency swap agreements have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and a net gain of Rmb861,000 was included in the hedging reserve as follows:

	2006 人民幣千元 Rmb'000
Total fair value gains included in the hedging reserve	1,044
Deferred tax on fair value gains	(183)
Net gains on cash flow hedges	<u>861</u>

26. CURRENT PORTION OF INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

	附注 Notes	本集團 Group		本公司 Company	
		2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000	2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000
Current portion of bank and other borrowings	27	1,467,012	233,225	1,337,150	228,225
Current portion of finance lease payables	29	39,561	62,416	29,845	37,131
		<u>1,506,573</u>	<u>295,641</u>	<u>1,366,995</u>	<u>265,356</u>

26. CURRENT PORTION OF INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES (continued)

On 5 March 2007, a bank loan of Rmb720,000,000 included in the current portion of bank and other borrowings at the balance sheet date has been replaced by a long-term loan offered by the bank.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

	年利率 Effective interest rate (%)	到期日 Maturity	本集團 Group		本公司 Company	
			2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000	2006 人民幣千元 Rmb'000	2005 人民幣千元 Rmb'000
Current						
Finance lease payables (note 29)	3.25-6.12	2007	39,561	62,416	29,845	37,131
Bank loans - secured	5.19-6.84或 Libor+0.42-0.85	2007	237,251	233,225	117,150	228,225
Bank loans - unsecured	5.022 或(or)Libor+0.48	2007	1,229,761	-	-1,220,000	-
			1,506,573	295,641	1,366,995	265,356
Non-current						
Finance lease payables (note 29)	6.12	2008-2013	55,901	93,661	-	27,848
Bank loans - secured	5.19-6.84或 Libor+0.42-0.85	2008-2016	1,763,830	1,346,745	760,620	1,336,745
Bank loans - unsecured	Libor+0.48	2008-2016	68,327	-	-	-
			1,888,058	1,440,406	760,620	1,364,593
			3,394,631	1,736,047	2,127,615	1,629,949

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES (continued)

	本集團 Group		本公司 Company	
	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
Analysed into:				
Bank loans :				
Within one year or on demand	1,467,012	233,225	1,337,150	228,225
In the second year	247,012	233,225	117,150	228,225
In the third to fifth years, inclusive	741,606	619,675	352,020	614,675
Beyond five years	843,539	493,845	291,450	493,845
	3,299,169	1,579,970	2,097,770	1,564,970
Finance lease payables:				
Within one year	39,561	62,416	29,845	37,131
In the second year	7,864	39,556	-	27,848
In the third to fifth years, inclusive	23,623	26,690	-	-
Beyond five years	24,414	27,415	-	-
	95,462	156,077	29,845	64,979
	3,394,631	1,736,047	2,127,615	1,629,949

The Group's bank loans are secured by pledges of the Group's 8 vessels (2005: 19 vessels) with an aggregate net book value at 31 December 2006 of Rmb2,267,948,000 (2005: Rmb2,249,791,000).

27. INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES (continued)

Bank loans of Rmb211,840,000 were guaranteed by China Shipping as at 31 December 2006 (2005: Nil).

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate to their fair values.

Except for secured bank loans of Rmb1,349,135,000 which are denominated in United States dollars, all borrowings are in Renminbi.

28. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES, AND RELATED COMPANIES

Except for the balances due to fellow subsidiaries with a total amount of Rmb498,521,000 which are interest-bearing at a rate of 5.022% and are due within one year, the balances are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

29. FINANCE LEASE PAYABLES

As at 31 December 2006, the Group had non-cancellable finance leases for the purchase of vessels. The terms of such leases are for a period of 11 years except for one of the Group's jointly-controlled entities which had non-cancellable finance leases for a period of 7 years and 7 months. All these terms commence from the respective dates of delivery of the vessels. The Group has the option to purchase the leased vessels at the end of the lease terms. At 31 December 2006, the total future minimum lease payments under finance leases and their present values were as follows:

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NOTES TO FINANCIAL STATEMENTS

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29. FINANCE LEASE PAYABLES (continued)

	本集團 Group			
	最低應償融資租款		最低應償融資租款 之現值	
	Minimum lease payments		Present value of minimum lease payments	
	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
Amounts payable				
Within one year	43,248	67,369	39,561	62,416
In the second year	10,904	43,300	7,864	39,555
In the third to fifth years, inclusive	32,743	36,116	23,623	26,690
After five years	28,640	34,982	24,414	27,416
Total minimum finance lease payments	115,535	181,767	<u>95,462</u>	<u>156,077</u>
Future finance charges	(20,073)	(25,690)		
Total net finance lease payables	95,462	156,077		
Portion classified as current liabilities - note 26	(39,561)	(62,416)		
Long term portion - note 27	<u>55,901</u>	<u>93,661</u>		

	本公司 Company			
	最低應償融資租款		最低應償融資租款 之現值	
	Minimum lease payments		Present value of minimum lease payments	
	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
Amounts payable				
Within one year	30,491	38,941	29,845	37,131
In the second year	-	28,451	-	27,848
Total minimum finance lease payments	30,491	67,392	<u>29,845</u>	<u>64,979</u>
Future finance charges	(646)	(2,413)		
Total net finance lease payables	29,845	64,979		
Portion classified as current liabilities - note 26	(29,845)	(37,131)		
Long term portion- note 27	<u>-</u>	<u>27,848</u>		

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	未匯回利潤	可供出售 之股權投資	現金流量 套期	以公允價值 計量且變動 計入損益之 股權投資	合計
	Unremitted earnings	Available -for-sale investments	Cash flow hedge	Equity investments at fair value through profit or loss	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
At 1 January 2006	-	-	-	-	-
Deferred tax charged to the income statement during the year(note 10)	67,147	-	-	12,720	79,867
Deferred tax debited to equity during the year	-	32	183	-	215
Gross deferred tax liabilities at 31 December 2006	<u>67,147</u>	<u>32</u>	<u>183</u>	<u>12,720</u>	<u>80,082</u>

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NOTES TO FINANCIAL STATEMENTS

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30. DEFERRED TAX (continued)

Company	以公允價值計量 且變動計入損益 之股權投資		合計	
	可供出售 之股權投資	Equity investments at fair value through profit or loss		
	Available -for-sale investments	Equity investments at fair value through profit or loss	Total	
	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000	
At 1 January 2006	-	-	-	
Deferred tax charged to the income statement during the year	-	12,720	12,720	
Deferred tax debited to equity during the year	32	-	32	
Gross deferred tax liabilities at 31 December 2006	<u>32</u>	<u>12,720</u>	<u>12,752</u>	
<u>Deferred tax assets</u>				
	本集團 Group		本公司 Company	
	可抵扣稅項之減少 Deductible tax depreciation		可抵扣稅項之減少 Deductible tax depreciation	
	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
At 1 January	20,795	20,860	15,565	14,319
Deferred tax credited/(charged) to the income statement during the year(note 10)	(705)	(65)	289	1,246
Gross deferred tax assets at 31 December	<u>20,090</u>	<u>20,795</u>	<u>15,854</u>	<u>15,565</u>

30. DEFERRED TAX (continued)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. ISSUED CAPITAL

	本集團及本公司 Group and Company			
	2006	2006	2005	2005
	股份數目 Number of shares	人民幣千元 Rmb'000	股份數目 Number of shares	人民幣千元 Rmb'000
Registered, issued and fully paid State-owned legal person shares/A shares of Rmb1.00 each	1,578,500,000	1,578,500	1,578,500,000	1,578,500
H shares of Rmb 1.00 each	1,296,000,000	1,296,000	1,296,000,000	1,296,000
List A shares of Rmb 1.00 each	451,500,000	451,500	451,500,000	451,500
	3,326,000,000	3,326,000	3,326,000,000	3,326,000

財務報告附注(續)

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32. RESERVES

本集團 Group

母公司股東應占溢利

Attributable to equity holders of the parent

少數股東權益

Minority

interests

Total

Equity

	可供出售										合計	少數股東權益	權益合計
	股票溢價帳	重估儲備	法定公積金	法定公益金	一般公積金	套期股權投資之儲備	重估儲備	匯兌變動儲備	留存溢利	合計			
	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Hedging reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total Equity	
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	
At 1 January 2005													
As previous reported	2,037,884	180,096	483,641	385,470	93,158	-	-	(91)	1,654,022	4,834,180	12,291	4,846,471	
Adoption of a new accounting policy	-	-	-	-	-	-	-	-	1,386	1,386	-	1,386	
As restated	2,037,884	180,096	483,641	385,470	93,158	-	-	(91)	1,655,408	4,835,566	12,291	4,847,857	
Profit for the year	-	-	-	-	-	-	-	-	2,691,200	2,691,200	2,678	2,693,878	
Transfers from/(to) reserves	-	-	281,135	275,700	-	-	-	-	(556,835)	-	-	-	
Exchange realignment	-	-	-	-	-	-	-	(4,045)	-	(4,045)	-	(4,045)	
Release on disposal of items of property, plant and equipment	-	(3,117)	-	-	-	-	-	-	3,117	-	-	-	
Proposed final 2005 dividend (note 12)	-	-	-	-	-	-	-	-	(997,800)	(997,800)	-	(997,800)	
Capital injection by minority interests for the year	-	-	-	-	-	-	-	-	-	-	10,000	10,000	
At 31 December 2005	2,037,884	176,979	764,776	661,170	93,158	-	-	(4,136)	2,795,090	6,524,921	24,969	6,549,890	
Profit for the year	-	-	-	-	-	-	-	-	2,755,850	2,755,850	2,998	2,758,848	
Transfers from/(to) reserves	-	-	276,202	-	-	-	-	-	(276,202)	-	-	-	
Exchange realignment	-	-	-	-	-	-	-	(10,890)	-	(10,890)	-	(10,890)	
Release on disposal of items of property, plant and equipment	-	(8,150)	-	-	-	-	-	-	8,150	-	-	-	
Proposed final 2006 dividend (note 12)	-	-	-	-	-	-	-	-	(997,800)	(997,800)	-	(997,800)	
Reclassification	-	-	661,170	(661,170)	-	-	-	-	-	-	-	-	
Net gains on cash flow hedges	-	-	-	-	-	861	-	-	-	861	-	861	
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	182	-	-	182	-	182	
Liquidation of a subsidiary	-	-	(26,222)	-	-	-	-	-	26,222	-	(27,967)	(27,967)	
At 31 December 2006	2,037,884	168,829	1,675,926	-	93,158	861	182	(15,026)	4,311,310	8,273,124	-	8,273,124	

32. RESERVES (continued)

	本公司 Company							
	股份溢價帳	重估儲備	法定公積金	法定公益金	可供出售一般股權投資之公積金	重估儲備	留存溢利	合計
	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	investment revaluation reserve	Retained profits	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	人民幣千元 Rmb'000
At 1 January 2005	2,037,884	176,932	472,867	379,709	93,158	-	1,518,890	4,679,440
Profit for the year	-	-	-	-	-	-	2,477,262	2,477,262
Transfers from/(to) reserves	-	-	269,109	269,109	-	-	(538,218)	-
Release on disposal of property, plant and equipment	-	(3,117)	-	-	-	-	3,117	-
Proposed final 2005 dividend - (note 12)	-	-	-	-	-	-	(997,800)	(997,800)
At 31 December 2005 and beginning of year	2,037,884	173,815	741,976	648,818	93,158	-	2,463,251	6,158,902
Profit for the year	-	-	-	-	-	-	2,801,742	2,801,742
Transfers from/(to) reserves	-	-	274,111	-	-	-	(274,111)	-
Release on disposal of property, plant and equipment	-	(8,150)	-	-	-	-	8,150	-
Proposed final 2006 dividend - (note 12)	-	-	-	-	-	-	(997,800)	(997,800)
Reclassification	-	-	648,818	(648,818)	-	-	-	-
Changes in fair value of available-for-sale investments	-	-	-	-	-	182	-	182
At 31 December 2006	<u>2,037,884</u>	<u>165,665</u>	<u>1,664,905</u>	<u>-</u>	<u>93,158</u>	<u>182</u>	<u>4,001,232</u>	<u>7,963,026</u>

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC and the Company's articles of association, part of the SSR may be converted to increase share capital, provided that the remaining balance after capitalisation is not less than 25% of the registered capital.

32. RESERVES(continued)

In prior year, in accordance with the Company Law of the PRC, the Company was required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to its statutory public welfare fund (the "PWF") which is a non-distributable reserve other than in the event of the liquidation of the Company. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain as property of the Company unless subsequently transferred or disposed of.

Pursuant to the relevant regulations, the appropriation of PWF was discontinued with effect from 1 January 2006, and the remaining PWF is reclassified to SSR.

The directors have proposed to transfer Rmb274,111,000 (2005: Rmb269,109,000) to SSR, represents 10% (2005: 10%) of the Company's profit after tax of Rmb2,741,108,000 (2005: Rmb2,691,090,000), as determined in accordance with PRC GAAP. The transfer to the SSR is subject to shareholders' approval at the forthcoming annual general meeting.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. On this basis, as at 31 December 2006, before the proposed final dividend, the Company had a reserve of Rmb4,999,032,000 (2005: Rmb3,461,051,000) available for distribution as dividends.

In addition, in accordance with the Company Law of the PRC, an amount of approximately Rmb2,037,884,000 (2005: Rmb2,037,884,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.