

2.22 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Translation for foreign operations

For the foreign operations, the Company translated all items into reporting currency - Renminbi "Rmb". All the assets and liabilities accounts at the balance sheet date are translated into Rmb at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profit" are translated into Rmb at the exchange rate on the date of occurrence. Income and expenses for each income statement are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as separate item behind "undistributed profit". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.23 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.

2.24 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.

2.25 Accounting estimates and judgements

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimates is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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 Group's 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 2007 was Rmb 14,212,139,000 (2006: restated at Rmb11,381,386,000).

Estimated net realizable value of inventories

The Group makes provision for slow-moving or obsolete inventories based on an assessment of the net realizable value of the inventories. Provisions are applied to the inventories where events or changes in circumstances indicate that net realizable value is less than cost. The determination of net realizable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on carrying value of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

Estimated provision for impairment of trade, prepayments, deposits and trade and other receivables
The Group makes provision for doubtful debts based on an assessment of the recoverability of trade, prepayments, deposits and trade and other receivables. Provisions are applied to trade, prepayments, deposits and trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will have impact on carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Valuation of convertible bonds

On initial recognition date, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 29.

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 have impact on the carrying value of the provisions and losses incurred in accidents/write-back in the period in which such estimate has been changed.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN ACCOUNTING POLICIES

3.1 Impact of new and revised HKFRSs

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

a) Amendment to HKAS 1 *Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 31 to the financial statements.

b) *HKFRS 7 Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

c) *HK(IFRIC)-Int 8 Scope of HKFRS 2*

This interpretation clarifies the requirement for transactions in which an entity cannot identify some or all of the specific goods or services received to come under the scope of HKFRS 2 Share-based payment transactions. As the Group does not have any share-based payments, the interpretation has had no effect on these financial instruments.

d) *HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group does not have any embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously recognised in respect of such assets, the interpretation has had no effect on the financial position or results of operations of the Group.

3.2 Impact of HKFRS issued but not yet effective

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

HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23(Revised)	Borrowing Costs ¹
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

- 1 Effective for annual periods beginning on or after 1 January 2009
 - 2 Effective for annual periods beginning on or after 1 March 2007
 - 3 Effective for annual periods beginning on or after 1 July 2008
 - 4 Effective for annual periods beginning on or after 1 January 2008
- a) *HKFRS 8 Operating Segments*

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1, "Presentation of financial statements" , replaces HKAS 1 (revised on 2004) as amended in 2005 and establishes the amendments to the presentation of information in the financial statements. It requires the presentation of recognized income and expenses in a statement of comprehensive income or in a statement of profit or loss together with a statement of comprehensive income, separately from owner changes in equity. All other non-owner changes in equity and related current and deferred tax should also be presented separately from the owner changes in equity. HKAS 1 also requires, as a minimum, the presentation of three statements of financial position (balance sheet) in a complete set of financial statements whenever there is prior period adjustment or a reclassification of items in the financial statements - as at the end of the current period, the end of the comparative period and the beginning of the comparative period. Dividends recognized as distributions to owners and related per-share amounts should be presented on the face of statement of changes in equity or in the notes and not on the face of the statement of comprehensive income or the face of income statement. The Group will apply HKAS 1 in its financial statements for the period commencing from January 1, 2009. Management does not expect any material impact from adopting HKAS 1 on the financial statements of the Group.

c) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

d) HK(IFRIC)-Int 11 *HKFRS 2 - Group and Treasury Share Transactions*

HK(IFRIC)-Int 11, HKFRS 2 - Group and treasury share transactions (effective from 1 January 2008), provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

e) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK (IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

f) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

g) HK(IFRIC)-Int 14 *HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statement.

3.3 Changes in accounting policies

With effect from 1 January 2007, the Group changed its policy of accounting for the results and net assets of its jointly-controlled entities from proportionate consolidation method to equity method in order to be consistent with the accounting treatment of its PRC subsidiaries which follow the "China Accounting Standards for Business Enterprises". As a result, the Group's interests in these jointly-controlled entities are carried in the balance sheet at cost plus its share of their post-acquisition reserves less impairment losses identified and results of their operation were accounted for in the consolidated income statement as a share of profit or loss from jointly-controlled entities. The change in accounting policy has been effected retrospectively. The comparative figures for 2006 have been restated accordingly.

In addition, there is a re-statement to retained profits due to the recognition on a merger accounting basis of a subsidiary acquired during the year.

	2006 原報告金額	合營公司 資產及負債 Share of assets and liabilities of jointly- controlled entities	2006 重列 As restated
	As originally reported	As originally reported	As restated
	人民幣千元 Rmb'000	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Non-current assets	15,149,292	(904,770)	14,244,522
Interest in jointly-controlled entities	-	907,169	907,169
Current assets	2,074,270	(241,131)	1,833,139
Current liabilities	(2,658,498)	56,460	(2,602,038)
Non-current liabilities	(1,968,140)	182,272	(1,785,868)
Net assets	<u>12,596,924</u>		<u>12,596,924</u>
Retained profits brought forward of a subsidiary acquired during the year			8,329
Total shareholders' equity			<u>12,605,253</u>

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;
- (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 2007 and 2006.

4. SEGMENT INFORMATION (continued)

	油品運輸 Oil shipment		煤炭運輸 Coalshipment		其它乾散貨運輸 Other dry bulk shipment		綜合 Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	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	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(重列)		(重列)		(重列)		(重列)
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue:								
Revenue	<u>4,924,349</u>	5,356,583	<u>5,324,189</u>	2,806,027	<u>2,146,201</u>	1,040,947	<u>12,394,739</u>	9,203,557
Segment results	<u>1,392,688</u>	1,734,323	<u>2,482,111</u>	1,128,030	<u>1,190,632</u>	424,462	<u>5,065,431</u>	3,286,815
Unallocated revenue:								
Other income and gains							542,947	311,251
Unallocated operating expenses:								
Marketing expenses							(36,744)	(32,933)
Administrative expenses							(214,841)	(196,458)
Other expenses							(21,374)	(30,542)
Share of Profits of jointly controlled entities							165,745	75,170
Finance costs							(173,129)	(120,490)
Profit before tax							5,328,035	3,292,813
Tax							(781,652)	(531,339)
Profit for the year							<u>4,546,383</u>	<u>2,761,474</u>

The net book values of oil vessels and cargo vessels at 31 December 2007 amounted to Rmb8,957,375,000 and Rmb5,254,764,000 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.

4. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue and segment results from operating activities by geographical area of operations for the years ended 31 December 2007 and 2006.

	截至二零零七年十二月三十一日止年度 Year ended 31 December 2007		截至二零零六年十二月三十一日止年度 Year ended 31 December 2006	
	營業額 Revenue 人民幣千元 Rmb'000	分部業績 Contribution 人民幣千元 Rmb'000	營業額 Revenue 人民幣千元 Rmb'000 (重列) (Restated)	分部業績 Contribution 人民幣千元 Rmb'000 (重列) (Restated)
Domestic	7,312,282	3,144,305	4,986,156	1,740,253
International	5,082,457	1,921,126	4,217,401	1,546,562
	12,394,739	5,065,431	9,203,557	3,286,815
Other income and gains		542,947		311,251
Marketing expenses		(36,744)		(32,933)
Administrative expenses		(214,841)		(196,458)
Other expenses		(21,374)		(30,542)
Share of Profits of jointly controlled entities		165,745		75,170
Finance cost		(173,129)		(120,490)
Profit before tax		5,328,035		3,292,813
Tax		(781,652)		(531,339)
Profit for the year		4,546,383		2,761,474

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.

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 Rmb247,370,892 (2006: Rmb177,984,265).

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

	本集團 Group	
	2007	2006
	人民幣千元 Rmb'000	人民幣千元 Rmb'000 (重列) (Restated)
Revenue		
Oil shipments	4,924,349	5,356,583
Coal shipments	5,324,189	2,806,027
Other dry bulk shipments	2,146,201	1,040,947
	12,394,739	9,203,557
Other income		
Interest income	34,513	24,148
Service income from vessel management	39,125	43,652
Others	5,731	16,084
	79,369	83,884
Gains		
Gain on disposal of property, plant and equipment, net	421,073	177,989
Exchange losses, net	(55,895)	(38,972)
Fair value gains on equity investments at fair value through profit or loss	98,400	84,800
Others	-	3,550
	463,578	227,367
Other income and gains	542,947	311,251

6. PROFIT BEFORE TAX

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

	本集團 Group	
	2007	2006
	人民幣千元 Rmb'000	人民幣千元 Rmb'000 (重列) (Restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	3,588,437	2,934,471
Others	3,740,871	2,982,271
Depreciation	1,000,854	977,001
Operating lease rentals:		
Land and buildings	24,900	22,290
Vessels	75,194	83,742
	100,094	106,032
Auditor's remuneration	3,512	3,030
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	617,951	495,409
Pension scheme contributions	85,951	79,871
	703,902	575,280
Provision /(reversal of provision) for bad and doubtful debts	9,334	(9,423)
Write-off of construction in progress	-	2,875
Amortization of deferred staff expenditure	49,668	12,784
Loss on liquidation of a subsidiary	-	17,254
Dry-docking and repairs	456,415	401,970

7. FINANCE COSTS

	本集團 Group	
	2007	2006
	人民幣千元 Rmb'000	人民幣千元 Rmb'000 (重列) (Restated)
Interest on convertible bonds within five years	32,155	-
Interest on bank loans and other borrowings wholly repayable within five years	230,394	141,347
Interest on finance leases	649	3,511
Total interest	231,043	144,858
Less: Interest capitalised	(90,069)	(24,368)
	<u>140,974</u>	<u>120,490</u>

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	
	2007	2006	2007	2006
	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	320	180	-	-
Other emoluments:				
Salaries, allowances and benefits in kind	1,562	1,495	850	353
Pension scheme costs	38	46	38	17
Total	<u>1,920</u>	<u>1,721</u>	<u>888</u>	<u>370</u>

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2007	2006
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Mr. Zhou Zhanqun	80	60
Mr. Hu Honggao	80	60
Mr. Xie Rong	80	60
Mr. Ma Xun	80	-
	320	180

There were no other emoluments payable to the independent non-executive directors during the year (2006:Nil).

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

2007	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. Ma Zehua	-	-	-	-
Mr. Lin Jianqing	-	-	-	-
Mr. Wang Daxiong	-	-	-	-
Mr. Zhang Guofa	-	-	-	-
Mr. Mao Shijia	-	814	19	833
Mr. Wang Kunhe	-	748	19	767
	-	1,562	38	1,600
Non-executive directors:				
Mr. Yao Zuozhi	-	-	-	-
Supervisors:				
Mr. Kou Laiqi	-	-	-	-
Mr. Yan Zhichong	-	-	-	-
Mr. Xu Hui	-	-	-	-
Mr. Luo Yuming	-	458	19	477
Ms. Chen Xiuling	-	392	19	411
	-	850	38	888

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

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

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join an upon joining the Group or as compensation for loss of office.

No direction of the Company waived or agreed to waive any emoluments during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: three) directors or supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: two) non-director, non-supervisor, highest paid employee for the year are as follows:

	本集團	
	Group	
	2007	2006
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Salaries, allowances and benefits in kind	2,282	1,005
Pension scheme contributions	57	63
	<u>2,339</u>	<u>1,063</u>

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

	Number of employees	
	2007	2006
Nil to Rmb\$1,000,000	3	2

10. TAX

Pursuant to the directive 1998 (250) jointly issued by the Shanghai State Tax Bureau and the Shanghai Bureaus 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% (2006: 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 (2006: 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	
	2007	2006
	人民幣千元 Rmb'000	人民幣千元 Rmb'000 (重列) (Restated)
Group:		
Current-Hong Kong	-	-
Current-PRC		
Charge for the year	636,722	453,178
Over provision in prior years	(20,090)	(1,706)
Deferred (note 28)	165,020	79,867
Total tax charge for the year	<u>781,652</u>	<u>531,339</u>
Company:		
Tax	596,418	466,261
Deferred Tax	48,902	(3,102)
Total tax charge for the year	<u>645,320</u>	<u>463,159</u>

Income tax for the year of jointly-controlled entities attributable to the Group amounted to Rmb34,772,000 (2006: Rmb8,790,000).

財務報告附註 (續)

NOTES TO FINANCIAL STATEMENTS

(continued)

二零零七年十二月三十一日

31 December 2007

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:

	2007		2006	
	人民幣千元		人民幣千元	
			(重列)	
			(Restated)	
	Rmb'000	%	Rmb'000	%
Profit before tax	5,328,035		3,292,813	
Tax at the statutory tax rate	799,203	15.0	493,922	15.0
Higher tax rate for specific provinces	11,896	0.2	42,418	1.3
Adjustments in respect of current tax of previous periods	(20,090)	0.2	1,872	0.6
Expenses not deductible for tax	13,267			
Income not subject to tax	(22,624)	(0.4)	(5,167)	(0.2)
Tax charge at the Group's effective rate	781,652	14.7	531,339	16.2

Tax payable in the balance sheet represented by:

	2007		2006	
	人民幣千元		人民幣千元	
	Rmb'000		Rmb'000	
Corporate income tax payable of previous year	52,450		36,436	
Provision for Corporate Income tax during the year	636,722		453,178	
(Reversal)/Increase of previous year tax provisional	(20,090)		(1,706)	
Corporate income tax paid	(618,568)		(435,458)	
Corporate income tax charge for the year	50,514		52,470	

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 2007 includes a profit of Rmb3,531,035,000 (2006: Rmb2,801,742,000) which has been dealt within the financial statements of the Company (note 31).

12. DIVIDEND

	2007	2006
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
Proposed final - Rmb0.50 (2006: Rmb0.30) per ordinary share	1,702,510	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 for the year is based on the profit attributable to ordinary equity holders of the Company for the year ended 31 December 2007 of Rmb4,546,383,000 (2006: Rmb2,758,477,000) and the number of 3,326,000,000 ordinary shares issued for both years ended 31 December 2007 and 2006.

Diluted earnings per share for the year ended 31 December 2007 was calculated taking into account the potential dilutive effect of 39,510,075 ordinary shares issuable on full conversion of convertible bonds issued in July 2007.

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2007	本集團 Group							合計 Total
	租入固定 資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸車輛 Motor vehicles	房屋 Buildings	在建工程 Construction in progress		
	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 1 January 2007	50,264	19,329,752	48,466	14,704	16,419	2,286,915	21,746,520	
Transfers	-	2,457,558	-	-	-	(2,457,558)	-	
Additions	5,647	1,744,152	1,956	1,586	-	5,915,059	7,668,400	
Disposals	-	(1,347,908)	(3,945)	(746)	-	-	(1,352,599)	
At 31 December 2007	55,911	22,183,554	46,477	15,544	16,419	5,744,416	28,062,321	
Accumulated depreciation								
At 1 January 2007	19,648	7,948,366	40,908	7,168	4,348	-	8,020,438	
Provided during the year	9,326	981,590	3,520	949	5,469	-	1,000,854	
Disposals	-	(958,541)	(2,790)	(718)	-	-	(962,049)	
At 31 December 2007	28,974	7,971,415	41,638	7,399	9,817	-	8,059,243	
Impairment loss								
At 31 December 2007	-	-	-	936	-	-	936	
At 31 December 2006	-	-	-	936	-	-	936	
Accumulated depreciation and Impairment loss								
At 31 December 2007	28,974	7,971,415	41,638	8,335	9,817	-	8,060,179	
At 31 December 2006	19,648	7,948,366	40,908	8,104	4,348	-	8,021,374	
Net book value								
At 31 December 2007	26,937	14,212,139	4,839	7,209	6,602	5,744,416	20,002,142	
At 31 December 2006 (Restated)	30,616	11,381,386	7,558	6,600	12,071	2,286,915	13,725,146	

**14. PROPERTY, PLANT AND
EQUIPMENT (continued)**

31 December 2007	本公司 Company							合計 Total
	租入固定 資產改良 Leasehold improvements	船舶 Vessels	機器及設備 Machinery and equipment	運輸車輛 Motor vehicles	房屋 Buildings	在建工程 Construction in progress		
	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 1 January 2007	50,264	15,496,416	52,072	14,715	6,395	1,956,588	17,576,450	
Transfers	-	2,418,695	-	-	-	(2,418,695)	-	
Additions	-	1,654,766	1,699	1,586	-	2,851,332	4,509,383	
Disposals	(50,264)	(1,199,080)	(3,945)	(746)	-	-	(1,254,035)	
Exchangerealignment	-	(82,392)	(277)	(78)	-	(10,408)	(93,155)	
At 31 December 2007	-	18,288,405	49,549	15,477	6,395	2,378,817	20,738,643	
Accumulated depreciation								
At 1 January 2007	19,649	6,789,683	42,483	7,360	1,289	-	6,860,464	
Provided during the year	8,397	808,302	3,362	1,885	69	-	822,015	
Disposals	(28,046)	(920,856)	(2,790)	(718)	-	-	(952,410)	
At 31 December 2007	-	6,677,129	43,055	8,527	1,358	-	6,730,069	
Impairment loss								
At 31 December 2007	-	-	-	936	-	-	936	
At 31 December 2006	-	-	-	936	-	-	936	
Accumulated depreciation and Impairment loss								
At 31 December 2007	-	6,677,129	43,055	9,463	1,358	-	6,731,005	
At 31 December 2006	19,649	6,789,683	42,483	8,296	1,289	-	6,861,400	
Net book value								
At 31 December 2007	-	11,611,276	6,494	6,014	5,037	2,378,817	14,007,638	
At 31 December 2006	30,615	8,706,733	9,589	6,419	5,106	1,956,588	10,715,050	