31. RESERVES(continued)

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 2007, before the proposed final dividend, the Company had reserve of Rmb7,928,539,000 (2006: Rmb4,999,032,000) available for distribution as dividends.

In addition, in accordance with the Company Law of the PRC, an amount of approximately Rmb2,037,884,000 (2006: 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.

Share premium account
Share premium arose from the issuance of shares at prices in excess of their par value.

Convertible bonds equity reserve
The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds equity reserve.

Hedging reserve
Changes in the fair values of derivative financial instruments and hedged items are to be charged directly and transferred to hedging reserve.

Revaluation reserve
The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

31. RESERVES(continued)

Statutory surplus reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must before distribution of a dividend to shareholders.

Statutory public welfare fund

Pursuant to the revised Company Law of the PRC, the Company is no longer required by law to make appropriations to the statutory public welfare fund as from 1 January 2006. The balance of the statutory public welfare fund as at 1 January 2006 of RMB 661,170,000 had been transferred to the statutory surplus reserve in 2006.

General surplus reserve

When the public welfare fund is utilized, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

Available- for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group’s net investment in foreign operations, provided certain conditions are met.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2007	2006
	人民幣千元	人民幣千元
	Rmb'000	Rmb'000
		(重列)
		(Restated)
Profit before tax	**5,328,035**	3,292,813
Adjustments for:		
Interest income	**(43,234)**	(25,610)
Depreciation of property, plant and equipment	**1,000,854**	977,001
Amortisation of deferred staff expenditure	**45,333**	12,784
Impairment/reversal of impairment on bad and doubtful debts	**9,334**	(9,423)
Gain on disposal of property, plant and e quipment, net	**(421,072)**	(260,431)
Loss on liquidation of a subsidiary	**-**	17,254
Fair value gain on equity investments at fair value through profit or loss	**(98,400)**	(84,800)
Operating profit before working capital changes	**5,820,850**	3,919,588
Increase in trade and bills receivables	**(159,110)**	(184,260)
(Increase)/decrease in bunker oil inventories	**(93,033)**	64,152
Decrease in prepayments	**629,910**	635
Decrease/(increase) in deposits and other receivables	**216,782**	(80,213)
Increase in amounts due from fellow subsidiaries	**-**	(170,098)
Increase in trade payables	**312,852**	17,308
Increase/(decrease) in accruals	**112,546**	(49,030)
Decrease in other liabilities	**(574,387)**	(52,418)
Decrease in amounts due to fellow subsidiaries	**(72,746)**	(31,600)
Increase in amounts due to holding company	**944**	-
(Decrease)/increase in amounts due to jointly-controlled entities	**(1,163)**	1,163
Cash generated from operation	**6,193,445**	3,435,227
Finance cost	**237,823**	171,449
Income tax paid	**(829,208)**	(435,458)
Net cash inflow from operating activities	**5,602,060**	3,171,218

33. PENSION SCHEME

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing and future retiring employees are limited to its annual contributions equivalent to 22.5% (2006:22.5%) of the basic salaries of the Group's employees, after certain adjustments on individual employee's salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2007 amounted to Rmb85,951,771 (2006:Rmb 79, 591,000).

34. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are include in note 27 to the financial statements.

35. CONTINGENT LIABILITIES

i) In December 2005, one of the Company's of oil tankers "Daqing 91" leaked fuel during its voyage. According to a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. The Company has made provision for the estimated loss from the claims taking into consideration the amount that could be compensated by the insurance company.

35. CONTINGENT LIABILITIES (continued)

ii) In December 2007, one of the Company's cargo vessels "Zhenfen 10" collided with "Mowushunfeng 276" which sunk afterward. The case is still under investigation up to 31 December 2007 and the Company has made provision for the estimated loss. Appropriate insurance has been taken up by the Company on the cargo vessel. On 3 January 2008, the Company signed an agreement with the owners and agreed to pay all the salvage expenses and, to settle the dispute agreed to pay Rmb3,000,000 as compensation and waive the amount of Rmb50,000 due from the owner. Up to 25 March 2008, the Company is still in the process of claiming compensation from the insurance company.

iii) In December 2007, one of the Company's cargo vessels, "Cheungshun" collided with "Shenming 6" resulting in damages of its bow. According to the local authorities including the Maritime Safety Administration of Shanghai Province, the Company should assume responsibility of the accident. The Company has made provision for the estimated loss from the claims taking into consideration the amount that could be compensated by the insurance company. By 25 March 2008, the claiming is still in progress.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from 1 to 12 years.

36. OPERATING LEASE ARRANGEMENTS
(continued)

(a) As lessor *(continued)*

As at 31 December 2007, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follow:

	Group		Company	
	2007	2006	**2007**	2006
	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
Within one year	**442,735**	91,119	**49,973**	40,813
In the second to fifth years, inclusive	**57,704**	6,839	**5,904**	6,839
After five years	**1,353**	-	**1,353**	-
	501,792	97,958	**57,230**	47,652

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from one to six years.

36. OPERATING LEASE ARRANGEMENTS
(continued)

(b) As lessee (Continued)

As at 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	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
Within one year	**1,545,747**	103,103	**46,687**	278,673
In the second to fifth years, inclusive	**212,500**	1,802	**-**	671,925
After five years	**-**	-	**-**	852,277
	1,758,247	104,905	**46,687**	1,802,875

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group and the Company had the following capital commitments at the balance sheet date of which Rmb3,604,517,000 (The Company: Rmb5,044,867,000) will be due within the next financial year.

	Group		Company	
	2007	2006	**2007**	2006
	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
		(重列) (Restated)		
Authorized and contracted for construction and purchases of vessels (Note)	**23,436,298**	7,633,629	**8,886,700**	4,624,093
Capital payable to jointly-controlled entities and subsidiary	**163,377**	-	**163,377**	-
	23,599,675	7,633,629	**9,050,077**	4,624,093

Note: According to the construction purchase agreements entered into by the Group in 2006 and 2007, these capital commitments will fall due as from 2008 to 2012 respectively.

38. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER HK GAAP AND PRC GAAP

The Group has prepared a separate set of financial statements for the year ended 31 December 2007 in accordance with accounting principles generally accepted in the PRC ("PRC GAAP"). The major differences between the financial statements prepared under PRC GAAP and HKFRS are as followed:

	2007 **人民幣千元** **Rmb'000**	2006 人民幣千元 Rmb'000
Profit attributable to equity holders of the parent under HKFRS	**4,546,383**	2,758,477
Adjustments for deferred staff expenditure	**49,668**	12,784
Equity attributable to equity holders of the parent under PRC GAAP	**4,596,051**	2,771,261
Profit attributable to equity holders of the parent under HKFRS	**16,169,515**	12,605,253
Adjustments for deferred staff expenditure	**-**	(49,668)
Equity attributable to equity holders of the parent under PRC GAAP	**16,169,515**	12,555,585

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balance detailed elsewhere in these financial statements, business transactions between the Group and its holding company, fellow subsidiaries and jointly-controlled entities of the Group as well as related parties for the year ended 31 December 2007, which are also considered by the directors as related party transactions, are set out below:

(1) A services agreement dated 31 October 2006 between the Company and China Shipping became effective subsequent to an approval by the independent shareholders at an extraordinary general meeting held on 28 December 2006. Pursuant to the services agreement and a supplementary agreement entered into in 2006, China Shipping or its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operatings of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The service agreement has been updated by a new agreement entered into between China Shipping (and its subsidiaries and jointly-controlled entities) and is effective for 3 years from 1 January 2007 to 31 December 2009. The fees for the agreed supplies payable to China Shipping were determined with referernce to, depending on applicability and availability, any one among the state price, market price or cost.

    Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the year ended 31 December 2007 are set out below:

39. RELATED PARTY TRANSACTIONS

(continued)

	Pricing basis	**2007** **Total value** **人民幣千元** **Rmb'000**	2006 Total value 人民幣千元 Rmb'000 (Restated)
Dry-docking and repairs	State-fixed prices or market prices	**274,487**	282,752
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for lifeboats	Market prices	**2,107,357**	1,623,251
Whitewashing and water treatment for vessels	State-fixed prices or market prices	**13,468**	9,927
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	**32,904**	30,254
Hiring of sea crew	Market prices	**360,824**	172,786
Accommodation, lodging and transportation for employees	Market prices	**612**	7,814
Medical services (for existing employees)	State-fixed prices	**321**	261
Miscellaneous management services	Market prices	**46,606**	48,804
Agency commissions	Market prices	**87,289**	75,110
Service fees on sale and purchase of vessels, accessories and other equipment	Market prices	**9,676**	2,832

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

39. RELATED PARTY TRANSACTIONS

(continued)

(2) Save for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, jointly-controlled entities and related companies are as follows:

	Notes	2007 人民幣千元 Rmb'000	2006 人民幣千元 Rmb'000 (Restated)
Vessel chartering charges paid	(a)	**75,194**	83,742
Vessel chartering income received	(b)	**(32,629)**	(67,273)
Sale of vessels		**(173,404)**	(240,800)
Vessel management fees		**(2,566)**	(10,236)
Purchases of vessels		**356,057**	712,713
Delivery income received		**35,110**	-
Interest expenses		**23,593**	-

Notes:

(a) The Company has entered into the following agreements:

- A time charter-party agreement on 22 December 2004 with one of its fellow subsidiaries, namely China Shipping (Hong Kong) Holdings Co., Ltd., whereby the Company agreed to lease from this fellow subsidiary a vessel for a term of three years commencing 1 January 2005. The charter payment for this vessel for the year ended 31 December 2007 was Rmb48,744,120 (2006:Rmb55,965, 000).

39. RELATED PARTY TRANSACTIONS
(continued)

- A time charter-party agreement on 22 December 2004 with one of its fellow subsidiaries, namely Shanghai Shipping Industrial Co., Ltd., whereby the Company agreed to lease from this fellow subsidiary a vessel for a term of three years commencing 1 January 2005. The charter payment for this vessel for the year ended 31 December 2007 was Rmb26,450,020 (2006:Rmb27,777,000).

(b) The Company has entered into the following agreements:

- Various bare-boat charter party agreements in 1998 with one of its fellow subsidiaries, namely China Shipping Container Lines Co., Ltd., - ""CSC"", whereby the Company has agreed to lease to this fellow subsidiary three vessels for a term of 12 years commencing 4 September 1998, 18 September 1998 and 23 September 1998, respectively.

  Together with one of its subsidiaries, namely China Shipping Development (Hong Kong) Marine Co., Limited (""China Shipping Hong Kong""), various bare-boat charter-party agreements on 22 December 2004 with CSC, whereby the Company and China Shipping Hong Kong have agreed to lease to this fellow subsidiary four and five vessels respectively for a team of three years commencing 1 January 2005. The chartering income for these vessels for the year ended 31 December 2007 was Rmb 32,628,854 (2006:Rmb 64,094,000).

39. RELATED PARTY TRANSACTIONS

(continued)

(3) Outstanding balances with related parties:

Details of the Group's current account balances with its fellow subsidiaries as at the balance sheet date are disclosed in notes 21, 23 and 24 to the financial statements.

(4) Compensation of key management personnel of the Group:

	2007 **人民幣千元** **Rmb'000**	2006 人民幣千元 Rmb'000
Fees	**320**	180
Other emoluments:		
Salaries, allowances and benefits in kind	**4,236**	2,852
Pension scheme contributions	**340**	122
	4,896	3,154

Details of directors' and supervisor's emoluments are included in note 8 to the financial statements.

The related party transactions as disclosed in paragraphs (1) and (2) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally including interest rate swaps and forward currcney contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial insturments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

Interest rate risk

i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date.

		Group		Company	
	Effective interest rate	**2007** **人民幣千元** **Rmb'000**	2006 人民幣千元 Rmb'000	**2007** **人民幣千元** **Rmb'000**	2006 人民幣千元 Rmb'000
	(%)		(Restated)		
Variable rate borrowings:					
Current liabilities Bank loans-secured	6.07 or (Libor+0.38-0.45)	**210,505**	225,642	**83,600**	117,150
Bank loan-unsecured	Libor+0.25	**511,320**	1,220,000	**-**	1,220,000
Long-term liabilities Bank loans-secured	5.67-6.48 or (Libor+0.38-0.45)	**1,700,001**	1,661,366	**142,500**	760,620
Bank loan-unsecured	5.67-6.72	**1,854,840**	-	**1,854,840**	-
Convertible bonds	3.49	**32,155**	-	**-**	-
		4,308,821	3,107,008	**2,080,940**	2,097,770

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain all its interest-bearing borrowings in a cost-effective manner. To achieve this purpose, the Group enters into interest rate swaps whereby the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of the interest rate swaps, the directors consider that the Group's exposure to interest rate risk is contanied.

ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other varibales held constant, would not lead to significant decrease/increase of the Group's profit after tax and retained profits. Other components of consolidated equity would have not fluctuate in response to the general increase/decrease in interest rates.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases transactions undertaken by operating units in currencies other than the units' functional currency.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedges.

The Group entered into swap arrangements for borrowings denominated in United States Dollars.

As at 31 December 2007, assets of the Group were mostly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars and other foreign currencies, while the Group's borrowings are denominated in Renminbi or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

Credit risk

The Group is exposed to credit risk that any single counter party or group of counter parties having similar characteristics will be unable to pay amounts in full when due. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

In respect of trade and other receivables, credit evaluations are preformed on all customers requiring credit over a certain amount. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The carrying amount of cash and bank deposits, trade and other receivables, deposits and prepayments, and balances with related parties represents the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate commited lines of funding from bank to meet its liquity requirements in the short and longer term. The contractual maturities of financial liabilities are disclosed in note 27.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group

2007

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	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
Interest-bearing bank and other loans	-	721,820	2,677,100	877,746	4,276,666
	-	721,820	2,677,100	877,746	4,276,666

2006

	Less than 3 months	3 to 12 months	1至5年 1 to 5 years	Over 5 years	Total
	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
Interest bearing bank and other loans	-	1,434,217	895,424	807,212	3,136,853
	-	1,475,484	895,424	807,212	3,136,853

The Company

2007

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	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
Interest-bearing bank and other loans	-	83,600	1,980,240	17,100	2,080,940
	-	83,600	1,980,240	17,100	2,080,940

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

The Company

	2006				
	Less than 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	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**
Interest bearing bank and other loans	-	963,682	601,655	562,278	2,127,615
	-	963,682	601,655	562,278	2,127,615

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets (see notes 17).

The Group's listed investments are listed on the Shanghai Stock Exchange ("SSE") in the PRC. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

The following table indicates the difference between carrying amount and fair value of financial instruments as at 31 December 2007 and 2006.

	2007		2006	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	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
The Groups and the Company	**4,300**	**4,300**	4,578	4,578
Available-for-sales financial assets	**74,200**	**257,400**	74,200	159,000
Equity investment at fair value through profit or loss				

Estimate of fair values

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

41. CAPITAL RISK MANAGEMENT

The Group's primary objectives of managing capital are to safeguard the Group's ability to continue as a going concern and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to be capital structure through the amount of dividend payments to shareholders, repayment to creditors, sell assets to reduce debt or raise new debt financing at a reasonable cost.

The management monitors the Group's capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt which includes interest-bearing loans and borrowings and trade and other payables plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's net debt-to-adjusted capital ratio at 31 December 2007 and 2006 was as follow:

41. CAPITAL RISK MANAGEMENT
(continued)

	Group		Company	
	2007	2006	**2007**	2006
	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
		(Restated)		
Current liabilities				
Trade payables	**462,146**	216,192	**391,138**	213,899
Other payables and accruals	**531,733**	909,322	**259,596**	332,793
Current portion of interest-bearing bank and other borrowings, and finance lease payables	**721,825**	1,475,487	**83,600**	1,366,995
	1,715,704	2,601,001	**734,334**	1,913,687
Non-current liabilities				
Convertible bonds	**1,871,438**	-	**1,871,438**	-
Interest-bearing bank and other borrowings, and finance lease payables	**3,554,841**	1,661,366	**1,997,340**	760,620
Proposed dividend	**1,702,510**	997,800	**997,800**	997,800
Total debts	**8,844,493**	5,260,167	**5,600,912**	3,672,107
Less:				
Cash and cash equivalents	**(1,079,768)**	(475,263)	**(549,402)**	(475,263)
Net Debt	**7,764,725**	4,784,904	**5,051,510**	3,196,844
Adjusted capital	**14,369,005**	11,607,453	**13,227,565**	11,289,026
Net Debt-to-adjusted capital ratio	**54.0%**	41.2%	**38.2%**	28.3%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42. POST BALANCE SHEET EVENT

(i) As disclosed by the "Prospectus for the Issue of Convertible Corporate Bonds" issued by the Group, during the current period for the conversion of convertible bonds, if the closing price of the Company's A shares is not less than 130% (inclusive of 130%) of the current exercise price of the China Shipping Convertible Bonds for 20 consecutive trading days, the Company is entitled to redeem all or part of the China Shipping Convertible Bonds which have not been converted at 103% (inclusive of interests for the current interest-bearing year) of the nominal value of the bonds. The price of the Company's A shares (Rmb32.91 per share) had been higher than the exercise price (Rmb25.31 per share) for 20 consecutive trading days from 23 January 2008 to 26 February 2008 and satisfied the first requirement of redemption. According to the above agreement, Administrative Measures on Securities Issuance by Listed Companies and the Listing Rules, the Company passed the conditional redemption resolution in the fifth board meeting and decided to redeem all of the China Shipping Convertible Bonds which have not been converted on 26 March 2008.

(ii) The Company obtained approval from the China Securities Regulatory Commission [2007] No. 150, for the issue of 2,000,000,000 convertible bonds on 2 July 2007. The convertible bonds have been convertible to A shares since January 2008. A total value of Rmb1,587,385,000 of convertible bonds were converted into A shares while a total value of Rmb412,615,000 of convertible bonds were still in the market up to 21 March 2008.

42. POST BALANCE SHEET EVENT
(continued)

(iii) At the sixth board meeting on 10 March 2008, the Company amended the resolution regarding the formation of a joint venture shipping company by China Shipping Development (Hong Kong) Marine Co., Ltd. ("CS Development Hong Kong") and Shanghai Puyuan Shipbuilding Co., Ltd. ("Shanghai Puyuan"). The joint venture shipping company was established in Hong Kong with a registered capital of US$19,000,000, with CS Development Hong Kong contributing US$9,690,000 (equivalent to approximately Rmb70,780,000) accounting for 51% equity holding of the joint venture company and Shanghai Puyuan contributing US$9,310,000 (equivalent to approximately Rmb68,004,000) accounting for 49% equity holding of the joint venture company. There will be one 230,000 tons ore vessels at the first stage of investment, the expansion will depend on the growth of the investment.

(iv) At the fourth board meeting on 21 February 2008, the Company announced the resolution regarding the formation of a joint venture shipping company by the Company and Baosteel Trading Co., Ltd. ("Baosteel Trading"), to deal with imports of ocean shipping business of large bulk cargo such as iron ore. The joint venture shipping company was established in Hong Kong with a registered capital US$8,000,000 with the Company contributing US$4,080,000, accounting for 51% equity holding of the joint venture company and Baosteel Trading contributing US$3,920,000, accounting for 49% equity holding of the joint venture company. The Company intended to transfer the shipbuilding contracts in respect of two 300,000 tons ore vessels and four 230,000 tons ore vessels to the joint company. The contract price of the two 300,000 tons ore vessels was US$113,800,000 per vessel. Of the four 230,000 tons ore vessels, two were contracted at a price of US$80,800,000 per vessel, while the other two were contracted at a price of US$90,160,000 per vessel.

42. POST BALANCE SHEET EVENT

(continued)

(v) According to the seventh resolution of Board of Directors on 25 March 2008, the Company will distribute 10% of its net profit of Rmb3,724,491,700 to the statutory surplus reserve the directors also proposed to pay a final dividend for the year 2007 of Rmb0.5 per share. The resolution proposing the final dividend will be submitted to the forth-coming annual general meeting.

43. COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified pursuant to the changes in accounting policies set out in note 3.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2008.