

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "HK Listing Rules") on The HK Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain leasehold property, plant and equipment, equity investments and financial instruments.

#### 1.2 New and revised HKFRSs

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2007 annual financial statements. Except in certain cases that give 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:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the abovementioned accounting standards has had no material impact on the accounting policies of the Group and the methods of computation of the Group's interim condensed consolidated financial statements.

#### 1.3 HKFRSs 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 <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008

## 2. SEGMENT INFORMATION

During the Period, the Group was involved in the following principal activities:

- (a) investment holding; and / or
- (b) oil and cargo shipment along the PRC coast and international shipment.

### Business segments

There is no major seasonality for the Group's turnover. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the Period is as follows:

	For the six months ended 30 June			
	2008 (Unaudited)		2007 (Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)	
By activity :				
Oil shipment	2,930,489	948,553	2,349,436	802,370
Coal shipment	3,850,343	2,145,204	2,454,571	1,244,716
Other dry bulk shipment	1,244,349	670,578	723,469	406,660
Rental income from leased vessels	1,088,411	(32,223)	-	-
	<u>9,113,592</u>	<u>3,732,112</u>	<u>5,527,476</u>	<u>2,453,746</u>
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly-controlled entities		302,447		93,036
Profit before tax		<u>4,076,038</u>		<u>2,579,992</u>

## Geographical segments

	For the six months ended 30 June			
	2008 (Unaudited)		2007 (Unaudited)	
	Revenue	Contribution	Revenue	Contribution
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)	
By geographical area :				
Domestic	5,159,887	2,628,059	3,527,980	1,601,683
International	3,953,705	1,104,053	1,999,496	852,063
	<u>9,113,592</u>	<u>3,732,112</u>	<u>5,527,476</u>	<u>2,453,746</u>
Other income and gains		211,253		258,890
Marketing expenses		(17,902)		(16,598)
Administrative expenses		(105,746)		(93,659)
Other expenses		(3,265)		(18,486)
Finance costs		(42,861)		(96,937)
Share of profits of jointly- controlled entities		302,447		93,036
Profit before tax		<u>4,076,038</u>		<u>2,579,992</u>

### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	Rmb'000	Rmb'000
		(Restated)
Gain on disposal of property, plant and equipment	321,929	185,337
Profits/ (loss) from other investments	932	(1,516)
Fair value (loss)/gain on equity investments at fair value through profit or loss	(134,000)	60,400
Interest income	11,543	13,960
Rental income from leased vessels	-	38,141
Service income from vessel management	285	1,800
Exchange losses, net	(41,250)	(45,030)
Government subsidy	25,000	-
Bad debts	8,161	-
Others	18,653	5,798
Total	<u>211,253</u>	<u>258,890</u>

#### 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(including) the following items:

	For the six months ended 30 June	
	2008 (Unaudited) Rmb'000	2007 (Unaudited) Rmb'000 (Restated)
Cost of shipping services rendered :		
Bunker oil inventories consumed and port fees	2,334,939	1,688,075
Depreciation	506,596	446,844
Operating lease rentals :		
Land and buildings	10,013	11,864
Vessels	86,941	195,789
	<u>96,954</u>	<u>207,653</u>
Staff costs	466,010	378,583
Gain on disposal of property, plant and equipment	(321,929)	(185,337)

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2008 (Unaudited) Rmb'000	2007 (Unaudited) Rmb'000 (Restated)
Total interest	148,432	123,021
Less : Interest capitalised	<u>105,571</u>	<u>26,084</u>
Interest expenses	<u>42,861</u>	<u>96,937</u>

## 6. TAX

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprise at 25%.

Accordingly, PRC tax has been provided at the rate of 25% (six months ended 30 June 2007: 15%) on the estimated assessable profits for the Period.

No Hong Kong profits tax has been provided as no assessable profit was earned in or derived from Hong Kong during the Period (six months ended 30 June 2007: No assessable profit was earned). 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 legislations, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	Rmb'000	Rmb'000
		(Restated)
Group:		
Hong Kong	-	-
PRC		
Charge for the year	809,205	374,440
Under provision in prior year	27,949	-
Deferred tax	53,995	-
	<u>891,149</u>	<u>374,440</u>
Tax charge for the Period	<u>891,149</u>	<u>374,440</u>

A reconciliation of the tax expenses applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expenses at the effective tax rates is as follows:

	For the six months ended 30 June	
	2008 (Unaudited) Rmb'000	2007 (Unaudited) Rmb'000 (Restated)
Accounting profit before tax	4,076,038	2,579,992
Profit attributable to jointly-controlled entities and other investments	(303,379)	(91,520)
	<u>3,772,659</u>	<u>2,488,472</u>
Tax at the applicable tax rate of 25% (2007: 15%)	<u>943,165</u>	<u>373,271</u>
Tax effect of net income that is not taxable in determining taxable profit	<u>(133,960)</u>	<u>1,169</u>
Tax charge at the Group's effective rate	<u>809,205</u>	<u>374,440</u>
Tax under-provided in the previous Period	27,949	-
Deferred tax	<u>53,995</u>	<u>-</u>
	<u>891,149</u>	<u>374,440</u>

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the Period of Rmb3,184,889,000 (six months ended 30 June 2007: Rmb2,205,552,000) and the weighted average number of shares of 3,369,426,265.83 (six months ended 30 June 2006: Rmb3,326,000,000) in issue during the Period.

Diluted earnings per share for the six-month Periods ended 30 June 2007 and 2008 have not been presented as no diluting events existed during these periods.

## 8. DIVIDEND PER SHARE

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2007: Nil)

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the construction and restructure of one oil tanker at cost of Rmb298,370,850 (six months ended 30 June 2007: one oil tanker at cost of Rmb291,848,000) was completed and has been put into operation. Meanwhile, no second-hand vessels was purchased (six months ended 30 June 2007: 33 second-hand cargo vessels were purchased from three fellow subsidiaries at a total cost of Rmb1,757,827,000).

During the Period, five cargo vessels with net carrying amount of Rmb179,521,000 and one oil tanker with net carrying amount of Rmb3,594,000 were disposed of to related parties. In addition, two oil tankers with a net carrying amount of Rmb46,966,000, two oil tankers with a net carrying amount of Rmb1,176,000 and four cargo vessels with nil carrying amount were disposed of to third parties.

## 10. TRADE AND BILLS RECEIVABLES

Ageing analysis of trade and bills receivables is as follows:

	30 June 2008		31 December 2007	
	(Unaudited)		(Audited)	
	Balance	Percentage	Balance	Percentage
	Rmb'000	%	Rmb'000	%
Within one year	1,042,666	100%	568,866	100%
One to two years	-	0%	66	0%
	<u>1,042,666</u>	<u>100%</u>	<u>568,932</u>	<u>100%</u>
Provision for doubtful debts	-		(9,495)	
Trade and bills receivables, net	<u>1,042,666</u>		<u>559,437</u>	

The Group normally allows a credit period of 30 days to its major customers.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008		31 December 2007	
	(Unaudited)		(Audited)	
	Contract/ Notional	Fair Values	Fair Values	
	Amount	Assets	Assets	
	Rmb'000	Rmb'000	Rmb'000	
Cross currency swap agreements	<u>1,146,611</u>	<u>13,095</u>	<u>17,610</u>	

The carrying amounts of cross currency swap agreements are the same as their fair values.

## 12. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30 June 2008		31 December 2007	
	(Unaudited)		(Audited)	
	Balance	Percentage	Balance	Percentage
	Rmb'000	%	Rmb'000	%
Within one year	792,509	100%	451,011	98%
One to two years	<u>-</u>	<u>0%</u>	<u>11,135</u>	<u>2%</u>
	<u>792,509</u>	<u>100%</u>	<u>462,146</u>	<u>100%</u>



### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2008 (Unaudited) Rmb'000	31 December 2007 (Audited) Rmb'000
<b>Current</b>				
Bank loans-secured	Libor + 0.38% to 0.45%	2008	143,040	210,505
Bank loans-unsecured	Libor+0.25% to 1% or 5.913% or fluctuating interest rate	2008	<u>1,902,179</u>	<u>511,320</u>
			<u>2,045,219</u>	<u>721,825</u>
<b>Non-current</b>				
Bank loans-secured	Libor + 0.38% to 0.45%	2009-2019	2,056,349	1,700,001
Bank loans-unsecured	5.913% to 6.804%	2010	<u>2,047,690</u>	<u>1,854,840</u>
			<u>4,104,039</u>	<u>3,554,841</u>

	30 June 2008 (Unaudited) Rmb'000	31 December 2007 (Audited) Rmb'000
Analysed into:		
Bank loans:		
Within one year	2,045,219	721,825
In the second year	143,040	1,316,857
In the third to fifth year, inclusive	1,598,834	945,135
Beyond five years	<u>2,362,165</u>	<u>1,292,849</u>
	<u>6,149,258</u>	<u>4,276,666</u>

The Group's bank loans are secured by pledges or mortgages of the Group's 5 vessels under construction with net carrying amount of Rmb1,532,123,000 and another 4 vessels with net carrying amount of Rmb1,314,598,000 at 30 June 2008.

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

Except for unsecured bank loans of Rmb1,502,179,000 and secured bank loans of Rmb2,199,388,000 which are denominated in United States dollar, all borrowings are in Renminbi.

#### 14. CONVERTIBLE BONDS

During the period, convertible bonds with a total face value of Rmb1,988,173,000 had been converted into 78,552,270 ordinary shares of the Company at Rmb25.31 per share. The remaining convertible bonds with a total face value of Rmb11,827,000 have all been redeemed by the Company during the period.

#### 15. ISSUED CAPITAL

	30 June 2008		31 December 2007	
	Number of shares	(Unaudited) Rmb'000	Number of shares	(Audited) 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
Listed H shares of Rmb1.00 each	1,296,000,000	1,296,000	1,296,000,000	1,296,000
Listed A shares of Rmb1.00 each	451,500,000	451,500	451,500,000	451,500
Conversion of convertible bonds into A shares of Rmb1.00 each	78,552,270	78,552	-	-
	<u>3,404,552,270</u>	<u>3,404,552</u>	<u>3,326,000,000</u>	<u>3,326,000</u>