

NOTES TO FINANCIAL STATEMENTS

CONTINUED

31 December 2000

- (c) interest income, on the time proportion basis taking into account the principal outstanding and effective interest rate applicable.

Bunker oil inventories and ship stores

Bunker oil inventories are stated at cost less any provisions considered necessary by the directors. Since 1 January 2000, cost is determined on the WAC basis.

Ship stores and spare parts are charged as operating expenses when purchased.

Dry-docking and survey repairing

Expenditure for dry-docking and survey repairing is charged to the profit and loss account as incurred.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to get ready for its intended use are capitalised until the construction or production of the relevant asset is completed, and are included in the carrying value of the asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

Tax

PRC income tax is provided at applicable rates based on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, and based on existing PRC income tax legislation, practices and interpretation thereof.

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

The Company's financial records are maintained and the financial statements are stated in Renminbi ("Rmb").

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries denominated in foreign currencies are translated to Rmb for inclusion in the Group's financial statements using the closing rate method. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

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3. TURNOVER AND OTHER REVENUE

Turnover 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 vessel chartering services are subject to business taxes at 3% and 5%, respectively. Business taxes charged to the profit and loss account for the year amounted to Rmb82,959,000 (1999:Rmb72,647,000).

An analysis of turnover and other revenue is as follows:

	2000	1999
	Rmb'000	Rmb'000
Crude oil and refined oil shipments	1,874,859	1,702,767
Coal shipments	947,449	868,389
Dry bulk shipments	368,539	539,082
Turnover	<u>3,190,847</u>	<u>3,110,238</u>
Gain on disposal of fixed assets	12,499	8,768
Exchange gains, net	13,736	48,960
Interest income	7,838	8,958
Rental income from leased vessels	130,255	117,754
Service income from vessel management	23,585	23,471
Gain on liquidation of a subsidiary	1,125	-
Others	1,460	162
Other revenue	<u>190,498</u>	<u>208,073</u>
Total	<u>3,381,345</u>	<u>3,318,311</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2000	1999
	Rmb'000	Rmb'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,025,367	905,955
Depreciation:		
Owned fixed assets	538,915	564,834
Leased fixed assets	150,120	150,120
	689,035	714,954
Operating lease rentals:		
Land and buildings	23,515	19,508
Vessels	29,730	27,218
	53,245	46,726
Auditors' remuneration	2,097	1,936
Staff costs:		
Wages, salaries and hiring of sea crew	359,386	346,081
Pension contributions	41,729	42,850
	401,115	388,931
Dry docking and repairs	246,669	282,280

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5. FINANCE COSTS

	Group	
	2000	1999
	Rmb'000	Rmb'000
Interest on bank loans and other borrowings repayable:		
- within five years	110,114	153,306
- after five years	24,684	37,191
Interest on finance lease payables	78,944	88,470
Total finance costs	213,742	278,967
Interest capitalised	-	-
	<u>213,742</u>	<u>278,967</u>

6. DIRECTORS' REMUNERATION

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

	Group	
	2000	1999
	Rmb'000	Rmb'000
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	674	441
Pension contributions	118	71
	<u>792</u>	<u>512</u>

Two of the Company's directors are non-executive directors. During the year, the non-executive directors did not receive any remuneration (1999: Nil).

The remuneration of the directors fell within the following band:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	12	13

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

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Company during the year include three (1999: One) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining two (1999: Four) non-director, highest paid employees are as follows:

	Group	
	2000	1999
	Rmb'000	Rmb'000
Salaries, allowances and benefits in kind	348	464
Pension contributions	56	59
	404	523

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2000	1999
Nil to HK\$1,000,000	2	4