

## Geographical segments

The following table presents turnover and contribution to profit from operating activities by geographical area of operations. The contribution to profit is disclosed pursuant to the requirements under the Rules Governing the Listing of Securities of the Stock Exchange.

	Year ended 31 December 2001		Year ended 31 December 2000	
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Domestic				
International	<b>2,649,628</b>	<b>754,314</b>	2,274,040	534,974
	<b>1,245,298</b>	<b>225,208</b>	916,807	83,784
	<b><u>3,894,926</u></b>	<b><u>979,522</u></b>	<u>3,190,847</u>	618,758
Other revenue and gains		<b>199,740</b>		190,498
Administrative expenses		<b>(164,595)</b>		(162,364)
Other operating expenses		<b><u>(116,511)</u></b>		<u>(110,896)</u>
Profit from operating activities		<b><u>898,156</u></b>		<u>535,996</u>

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

### 5. TURNOVER, OTHER REVENUE AND GAINS

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 Rmb 98,008,000 (2000: Rmb 82,959,000).

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

	2001	2000
	Rmb'000	Rmb'000
Turnover		
Crude oil and refined oil shipments	2,540,349	1,874,859
Coal shipments	963,871	947,449
Dry bulk shipments	390,706	368,539
	<u>3,894,926</u>	<u>3,190,847</u>
Other revenue		
Interest income	7,237	7,838
Rental income from leased vessels	136,720	130,255
Service income from vessel management	17,614	23,585
Others	2,590	1,460
	<u>164,161</u>	163,138
Gains		
Gains on disposal of fixed assets	33,061	12,499
Exchange gains, net	2,518	13,736
Gain on liquidation of a subsidiary	-	1,125
	<u>35,579</u>	<u>27,360</u>
Total	<u>199,740</u>	<u>190,498</u>

## 6. PROFIT FROM OPERATING ACTIVITIES

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

	<b>Group</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	<b>1,134,902</b>	1,025,367
Depreciation:	<b>784,286</b>	689,035
Operating lease rentals:		
Land and buildings	<b>26,502</b>	23,515
Vessels	<b>47,118</b>	29,730
	<b>73,620</b>	53,245
Auditors' remuneration	<b>2,314</b>	2,097
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries and hiring of sea crew	<b>395,250</b>	359,386
Pension contributions	<b>52,790</b>	41,729
	<b>448,040</b>	401,115
Dry -docking and repairs	<b>302,419</b>	246,669

## 7. FINANCE COSTS

	<b>Group</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Interest on bank loans and other loans wholly repayable within five years	<b>146,110</b>	134,798
Interest on finance leases	<b>47,344</b>	78,944
Total interest	<b>193,454</b>	213,742
Less: Interest capitalised	<b>(14,397)</b>	-
	<b>179,057</b>	213,742

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

### 8. DIRECTORS' REMUNERATION

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

	<b>Group</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,435</b>	674
Pension scheme contributions	<b>72</b>	118
	<b><u>1,507</u></b>	<u>792</u>

Two of the Company's directors are non-executive directors. During the year, the non-executive directors did not receive any remuneration (2000: Nil) for their services rendered to the Company.

The number of directors whose remuneration fell within the following bands is as follows:

	<b>Number of directors</b>	
	<b>2001</b>	2000
Nil to HK\$1,000,000	<b>11</b>	12

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include three (2000: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Salaries, allowances and benefits in kind	<b>435</b>	348
Pension scheme contributions	<b>18</b>	56
	<b><u>453</u></b>	<u>404</u>

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

	<b>Number of employees</b>	
	<b>2001</b>	2000
Nil to HK\$1,000,000	<b><u>2</u></b>	<u>2</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

### 10. TAX

Pursuant to a directive 1998 (250) jointly issued by the Shanghai State Tax Bureau and the Shanghai Bureau 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% (2000: 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 (2000: 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, in respect thereof.

	<b>Group</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Group:		
Hong Kong	-	-
PRC	<b>113,055</b>	43,047
Share of tax attributable to:		
Jointly-controlled entities	-	-
Associate	-	-
Tax charge for the year	<b><u>113,055</u></b>	<u>43,047</u>

There was no material amount of unprovided deferred tax in respect of the year (2000: Nil).

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is Rmb602,980,000 (2000: Rmb262,716,000).

## 12. DIVIDEND

	2001	2000
	Rmb'000	Rmb'000
Proposed final - Rmb0.05 (2000: Rmb0.05) per ordinary share	<b>148,800</b>	148,800

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of Rmb 148,800,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by Rmb148,800,000.

The effect of this change in accounting policy as at 31 December 2001 is that the current year's proposed final dividend of Rmb148,800,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

### 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of Rmb325,258,000 (2000: Rmb281,967,000), and the 2,976,000,000 (2000: 2,976,000,000) shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2000 and 2001 have not been presented as no diluting events existed during these years.

### 14. FIXED ASSETS

	<b>Group</b>						Total
	Vessels	Machinery and equipment	Motor vehicles	Buildings	Leasehold improvements	Construction in progress	
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
<b>Cost or Valuation</b>							
At beginning of year	9,847,879	31,902	10,242	6,695	3,770	125,149	10,025,637
Transfers	365,572	-	-	-	-	(365,572)	-
Additions	1,040,020	2,569	1,881	93	-	702,421	1,746,984
Disposals	(80,221)	(458)	(432)	(393)	(3,770)	(5,200)	(90,474)
At 31 December 2001	11,173,250	34,013	11,691	6,395	-	456,798	11,682,147
<b>Accumulated depreciation</b>							
At beginning of year	3,583,267	12,072	5,181	287	2,092	-	3,602,899
Provided during the year	777,861	4,951	1,310	164	-	-	784,286
Disposals	(62,800)	(458)	(345)	(13)	(2,092)	-	(65,708)
At 31 December 2001	4,298,328	16,565	6,146	438	-	-	4,321,477
<b>Net book value</b>							
At 31 December 2001	<u>6,874,922</u>	<u>17,448</u>	<u>5,545</u>	<u>5,957</u>	<u>-</u>	<u>456,798</u>	<u>7,360,670</u>
At 31 December 2000	<u>6,264,612</u>	<u>19,830</u>	<u>5,061</u>	<u>6,408</u>	<u>1,678</u>	<u>125,149</u>	<u>6,422,738</u>



**Company**

	Vessels	Machinery and equipment	Motor vehicles	Buildings	Leasehold improve- ments	Construction in progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
<b>Cost or Valuation</b>							
At beginning of year	10,002,327	31,902	10,242	6,695	3,770	125,149	10,180,085
Transfers	365,572	-	-	-	-	(365,572)	-
Additions	1,040,020	2,569	1,881	98	-	702,421	1,746,984
Disposals	(80,221)	(458)	(432)	(393)	(3,770)	(5,200)	(90,474)
At 31 December 2001	11,327,698	34,013	11,691	6,395	-	456,798	11,836,595
<b>Accumulated depreciation</b>							
At beginning of year	3,631,583	12,072	5,181	287	2,092	-	3,651,215
Provided during the year	809,874	4,951	1,310	164	-	-	816,299
Disposals	(62,800)	(458)	(345)	(13)	(2,092)	-	(65,708)
At 31 December 2001	4,378,657	16,565	6,146	438	-	-	4,401,806
<b>Net book value</b>							
At 31 December 2001	<u>6,949,041</u>	<u>17,448</u>	<u>5,545</u>	<u>5,957</u>	<u>-</u>	<u>456,798</u>	<u>7,434,789</u>
At 31 December 2000	<u>6,370,744</u>	<u>19,830</u>	<u>5,061</u>	<u>6,408</u>	<u>1,678</u>	<u>125,149</u>	<u>6,528,870</u>

The net book value of the Group's vessels held under finance leases included in the total amount of fixed assets at 31 December 2001 amounted to Rmb1,718,155,000 (2000: Rmb1,868,275,000). The depreciation charge for the year in respect of such assets amounted to Rmb150,120,000 (2000: Rmb150,120,000).

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

Certain of the Group's and Company's fixed assets are leased to other parties under operating leases. Further details of the assets under the operating lease arrangements are as follows:

	<b>Group and Company</b>	
	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Vessels		
Cost at 31 December	<b>2,084,553</b>	1,944,003
Accumulated depreciation at 31 December	<b>739,982</b>	561,898

Certain vessels of the Group existing as at 31 August 1994 were revalued at that date by Colliers Jardine Appraisals Limited, independent professionally qualified valuers; on an open market existing use basis.

The Group has adopted the transitional relief provided by paragraph 80 of HKSSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants for the requirement to make revaluations on a regular basis of the vessels, and accordingly, no further revaluation of these vessels has been carried out. Had the vessels of the Company been carried at historical cost less accumulated depreciation, that is, the effect of this revaluation was excluded, the total historical carrying values of all vessels would have been approximately Rmb6,763,055,000 (2000: Rmb6,180,288,000).

Details of the cost and/or valuation of fixed assets as at 31 December 2001 were as follows:

	<b>Group</b>		
	Cost	Valuation	Total
	Rmb'000	Rmb'000	Rmb'000
Vessels	7,357,452	3,815,798	11,173,250
Machinery and equipment	34,013	-	34,013
Motor vehicles	11,691	-	11,691
Buildings	6,395	-	6,395
	<u>7,409,551</u>	<u>3,815,798</u>	<u>11,225,349</u>

	<b>Company</b>		
	Cost	Valuation	Total
	Rmb'000	Rmb'000	Rmb'000
Vessels	7,738,700	3,588,998	11,327,698
Machinery and equipment	34,013	-	34,013
Motor vehicles	11,691	-	11,691
Buildings	6,395	-	6,395
	<u>7,790,799</u>	<u>3,588,998</u>	<u>11,379,797</u>

Prior to its transfer to vessels, the carrying amount of construction in progress included capitalised interest of Rmb14,397,000 (2000: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

### 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	Rmb'000	Rmb'000
Unlisted shares, at cost	<u>54,045</u>	<u>562</u>

Particulars of the Group's subsidiaries as at 31 December 2001 were as follows:

Name	Place of incorporation/ registration and operations	Capital issued/ registered capital	Class of shares in issue	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Shipping Development (Hong Kong) Marine Co., Ltd.	HongKong	US\$500,000	Ordinary	100%		Investment holding
Hainan Haixiang Shipping Co., Ltd.	People's Republic of China	Rmb51,000,000	Ordinary	95%		Investment holding
Shanghai Hai Xing Shipping (Hong Kong) Co., Ltd.*	HongKong	HK\$500,000	Ordinary	100%		Dormant
Herman International S.A.	Republic of Panama	US\$1,000	Ordinary		100%	Provision of shipping services
Marisburg S.A.	Republic of Panama	US\$1,000	Ordinary		100%	Provision of shipping services
Meison Holdings Corp.	Republic of Panama	US\$1,000	Ordinary		100%	Provision of shipping services

The above subsidiaries are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\* Shanghai Hai Xing Shipping (Hong Kong) Co., Ltd. was in the process of liquidation as at 31 December 2001.

## 16. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2001	2000	2001	2000
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted shares, at cost	-	-	40,000	-
Share of the net assets other than goodwill	68,069	-	-	-
	<b>68,069</b>	<b>-</b>	<b>40,000</b>	<b>-</b>

Particulars of the jointly-controlled entities as at 31 December 2001 were as follows:

Directly held by the Company:

Name	Business Structure	Place of incorporation and operations	Percentage of ownership interest, voting power and profit sharing attributable to the Company	Principal activities
Shanghai Friendship Marine Co., Ltd.	Corporate	People's Republic of China	50%	Provision of shipping services
Zhuhai New Century Marine Co., Ltd.	Corporate	People's Republic of China	50%	Provision of shipping services

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

Indirectly held by the Company:

Name	Business Structure	Place of incorporation and operations	Percentage of ownership interest, voting power and profit sharing attributable to the Group	Principal activities
			47.5%	
Shanghai Times Shipping Co., Ltd.	Corporate	People's Republic of China		Provision of shipping services

The above jointly-controlled entities were established/acquired in December 2001. Their results attributable to the Group during the year was immaterial. These companies are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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

## 17. INTEREST/INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2001	2000	2001	2000
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted shares, at cost	-	-	<b>442,981</b>	442,981
Share of the net assets other than goodwill	<b>100,101</b>	380,887	-	-
	<b>100,101</b>	380,887	<b>442,981</b>	442,981

Particulars of the associate are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of equity attributable to the Group and the Company	Principal activity
China Shipping Container Lines Co., Ltd. ("CSC")	Corporate	People's Republic of China	25%	Container shipping services

The directors consider that the Company has significant influence in CSC. The other investors of CSC are the Company's holding company (40%) and two fellow subsidiaries (35%).

The financial statements of the above associate are coterminous with those of the Group. The consolidated financial statements have been adjusted for material transactions between the associate and the Group companies.

Details of the net assets and the results of CSC and its subsidiaries as at 31 December 2001 and 31

## NOTES TO FINANCIAL STATEMENTS

31 December 2001

December 2000, and for the years then ended, are as follows:

	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000
Non-current assets	<b>2,932,757</b>	2,456,365
Current assets	<b>2,726,968</b>	2,570,102
Current liabilities	<b>4,071,582</b>	3,321,919
Non-current liabilities	<b>1,187,739</b>	181,000
Turnover	<b>7,782,338</b>	7,041,257
Profit /(loss) before tax	<b><u>(1,123,147)</u></b>	<u>11,042</u>

### 18. LONG TERM INVESTMENT

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>Rmb'000</b>	Rmb'000	<b>Rmb'000</b>	Rmb'000
Unlisted equity investment	<b>4,000</b>	2,500	<b>4,000</b>	2,500