

## 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 from vessel chartering services are both subject to business tax at 3%. Business taxes charged to the income statement for the year amounted to Rmb112,626,000 (2002: Rmb104,471,000).

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

	2003	Group 2002
	Rmb'000	Rmb'000
Turnover		
Crude oil and refined oil shipments	3,239,613	2,717,862
Coal shipments	1,067,073	988,462
Dry bulk shipments	578,809	389,694
	<u>4,885,495</u>	<u>4,096,018</u>
Other revenue		
Interest income	13,330	6,627
Rental income from leased vessels	111,871	132,548
Service income from vessel management	14,894	14,078
Others	9,618	11,069
	<u>149,713</u>	<u>164,322</u>
Gains		
Gains on disposal of fixed assets, net	8,188	27,123
Exchange losses, net	(28,594)	(30,110)
Negative goodwill recognised	198	198
Other	1,095	250
	<u>(19,113)</u>	<u>(2,539)</u>
Other revenue and gains	<u>130,600</u>	<u>161,783</u>

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### 6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2003	2002
	Rmb'000	Rmb'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,472,062	1,166,123
Others	1,951,433	1,844,396
Depreciation	750,091	848,660
Operating lease rentals:		
Land and buildings	26,978	30,849
Vessels	108,695	66,112
	<u>135,673</u>	<u>96,961</u>
Auditors' remuneration	2,719	2,699
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries and hiring of sea crew	496,115	434,132
Pension contributions	60,223	54,161
	<u>556,338</u>	<u>488,293</u>
Dry -docking and repairs	<u>323,961</u>	<u>258,726</u>

### 7. FINANCE COSTS

	Group	
	2003	2002
	Rmb'000	Rmb'000
Interest on bank loans and other loans wholly repayable within five years	102,996	130,181
Interest on finance leases	8,041	27,049
Total interest	111,037	157,230
Less: Interest capitalised	(15,348)	(25,208)
	<u>95,689</u>	<u>132,022</u>

## 8. DIRECTORS' REMUNERATION

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

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,776</b>	1,646
Pension scheme contributions	<b>77</b>	78
	<b><u>2,853</u></b>	<b><u>1,724</u></b>

Five of the Company's directors are independent non-executive directors. During the year, the independent non-executive directors received remuneration which amounted to RMB 75,000 (2002: 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>2003</b>	<b>2002</b>
Nil to HK\$1,000,000	<b>14</b>	11

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

**9. FIVE HIGHEST PAID EMPLOYEES**

All of the five highest paid employees during the year are directors (2002: four), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining non-director, highest paid employee for the year ended 31 December 2002 are as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>Rmb'000</b>	Rmb'000
Salaries, allowances and benefits in kind	-	289
Pension scheme contributions	-	10
	<u>-</u>	<u>308</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>2003</b>	2002
Nil to HK\$1,000,000	<u>-</u>	<u>1</u>

## 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% (2002: 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 (2002: 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.

	<b>Group</b>	
	<b>2003</b>	2002
	<b>Rmb'000</b>	Rmb'000
Group:		
Current-Hong Kong	-	-
Current-PRC		
Charge for the year	<b>169,009</b>	118,905
Over provision in prior years	-	(8,433)
Deferred (note 29)	<b>(17,451)</b>	-
	<b>151,558</b>	110,472
Share of tax attributable to:		
Jointly-controlled entities	<b>2,971</b>	777
Total tax charge for the year	<b><u>154,529</u></b>	<u>111,249</u>

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### 10. TAX(continued)

A reconciliation of tax expense 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 expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	PRC		2002	
	2003			
	Rmb'000	%	Rmb'000	%
Profit before tax	1,178,832		702,780	
Tax at the statutory tax rate	176,825	15.0	105,417	15.0
Lower tax rate for jointly -controlled entities	(226)	-	(1,053)	(0.1)
Share of losses of an associate not deductible for tax	-	-	15,015	2.1
Adjustment in respect to current tax of previous periods	-	-	(8,433)	(1.2)
Expenses not deductible for tax	-	-	303	-
Income not subject to tax	(4,619)	(0.4)	-	-
Deferred tax	(17,451)	(1.5)	-	-
Tax charge at the Group's effective rate	<u>154,529</u>	<u>13.1</u>	<u>111,249</u>	<u>15.8</u>

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

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company is Rmb1,005,329,000 (2002: Rmb240,768,000) (note 32).

## 12. DIVIDEND

	2003	2002
	Rmb'000	Rmb'000
Proposed final - Rmb0.15(2002: Rmb0.10) per ordinary share	<b>498,900</b>	332,600

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

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of Rmb1,023,640,000 (2002: Rmb591,196,000), and 3,326,000,000 (2002: weighted average number of share of 3,194,630,000) shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2002 and 2003 have not been presented as no diluting events existed during these years.

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14. FIXED ASSETS

	Group						
	Leasehold improvements	Vessels	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000
<b>Cost or valuation</b>							
At beginning of year	-	11,863,228	31,281	8,058	6,395	686,165	12,595,127
Transfers	26,662	894,128	2,542	-	-	(923,332)	-
Additions	-	37,813	3,247	2,945	330	1,016,643	1,060,978
Disposals	-	(41,616)	(662)	(1,194)	-	(5,296)	(48,768)
At 31 December 2003	26,662	12,753,553	36,408	9,809	6,725	774,180	13,607,337
<b>Accumulated depreciation</b>							
At beginning of year	-	5,118,254	16,546	4,331	609	-	5,139,740
Provided during the year	2,444	741,246	5,083	1,147	171	-	750,091
Disposals	-	(26,028)	(636)	(852)	-	-	(27,516)
At 31 December 2003	2,444	5,833,472	20,993	4,626	780	-	5,862,315
<b>Impairment loss</b>							
At 31 December 2003	-	-	-	936	-	-	936
At 31 December 2002	-	-	-	-	-	-	-
<b>Net book value</b>							
At 31 December 2003	24,218	6,920,081	15,415	4,247	5,945	774,180	7,744,086
At 31 December 2002	-	6,744,974	14,735	3,727	5,786	686,165	7,455,387



## 14. FIXED ASSETS *(continued)*

	<b>Company</b>						
	Leasehold improvements	Vessels	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000
<b>Cost or valuation</b>							
At beginning of year	-	10,737,457	31,281	8,058	6,395	686,165	11,469,356
Transfers	26,662	894,128	2,542	-	-	(923,332)	-
Additions	-	37,813	3,235	2,945	330	1,016,643	1,060,966
Disposals	-	(749,418)	(662)	(1,194)	-	(5,296)	(756,570)
At 31 December 2003	26,662	10,919,980	36,396	9,809	6,725	774,180	11,773,752
<b>Accumulated depreciation</b>							
At beginning of year	-	4,744,709	16,546	4,331	609	-	4,766,195
Provided during the year	2,444	682,589	5,082	1,147	171	-	691,433
Disposals	-	(339,055)	(636)	(852)	-	-	(340,543)
At 31 December 2003	2,444	5,088,243	20,992	4,626	780	-	5,117,085
<b>Impairment loss</b>							
At 31 December 2003	-	-	-	936	-	-	936
At 31 December 2002	-	-	-	-	-	-	-
<b>Net book value</b>							
At 31 December 2003	24,218	5,831,737	15,404	4,247	5,945	774,180	6,655,731
At 31 December 2002	-	5,992,748	14,735	3,727	5,786	686,165	6,703,161

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**14. FIXED ASSETS***(continued)*

The net book value of the Group's vessels held under finance leases included in the total amount of fixed assets at 31 December 2003 amounted to Rmb306,920,000 (2002: Rmb737,912,000). The depreciation charge for the year in respect of such assets amounted to Rmb20,950,000 (2002: Rmb67,048,000).

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

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>Rmb'000</b>	Rmb'000	<b>Rmb'000</b>	Rmb'000
Vessels				
Cost at 31 December	<b>2,049,253</b>	2,039,503	<b>790,083</b>	2,039,503
Accumulated depreciation at 31 December	<b>920,724</b>	830,867	<b>413,852</b>	830,867

Certain of the Group's vessels 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 since then. Had the vessels of the Group been carried at historical cost less accumulated depreciation, (i.e., the effect of this revaluation was excluded), the total historical carrying values of all vessels would have been approximately Rmb6,735,961,000 (2002: Rmb6,559,521,000).

#### 14. FIXED ASSETS *(continued)*

Details of the cost and/or valuation of fixed assets as at 31 December 2003 were as follows:

	<b>Group</b>		
	Cost	Valuation	Total
	Rmb'000	Rmb'000	Rmb'000
Vessels	9,051,617	3,701,936	12,753,553
Machinery and equipment	36,408	-	36,408
Leasehold improvement	26,662	-	26,662
Motor vehicles	9,809	-	9,809
Buildings	6,725	-	6,725
	<u>9,131,221</u>	<u>3,701,936</u>	<u>12,833,157</u>

Prior to its transfer to vessels during the year, the carrying amount of construction in progress included capitalised interest of Rmb48,602,000 (2002: Rmb33,254,000). The amounts of interest capitalised were calculated with reference to the respective interest rates of bank borrowings at 5.184% and 5.76% per annum.

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15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	Rmb'000	Rmb'000
Unlisted shares, at cost	101,009	101,009
Due from subsidiaries	<u>1,549,058</u>	<u>1,021,617</u>
	<u>1,650,067</u>	<u>1,122,626</u>

Particulars of the Group's principal subsidiaries as at 31 December 2003 were as follows:

	Place of incorporation/ registration and operations	Nominal value of 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., Limited	HongKong	500,000 元 US\$500,000	Ordinary	100%	-	Investment holding
Hainan Haixiang Investment Co., Ltd.	People's Republic of China	101,000,000 元 Rmb101,000,000	Ordinary	95%	-	Investment holding

Hainan Haixiang Investment Co., Ltd. is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2003	2002	2003	2002
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted shares, at cost	-	-	55,000	40,000
Share of the net assets other than goodwill	138,902	106,787	-	-
	<b>138,902</b>	<b>106,787</b>	<b>55,000</b>	<b>40,000</b>

Particulars of the jointly-controlled entities as at 31 December 2003 were as follows:

Directly held by the Company:

Name	Business Structure	Place of incorporation/ registration 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
Zuhai New Century Marine Co., Ltd.	Corporate	People's Republic of China	50%	Provision of shipping services

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Indirectly held by the Company:

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

The above jointly-controlled entities 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.