

17. LONG TERM INVESTMENT

	Group and Company	
	2003	2002
	Rmb'000	Rmb'000
Unlisted equity investment	<u>4,000</u>	<u>4,000</u>

18. DEFERRED STAFF EXPENDITURE

	Group and Company
	Rmb'000
Cost	
At beginning of year and 31 December 2003	<u>127,845</u>
Accumulated amortisation	
At beginning of year	31,374
Amortisation provided during the year	<u>12,785</u>
At 31 December 2003	<u>44,159</u>
Net book value	
At 31 December 2003	<u>83,686</u>
At 31 December 2002	<u>96,471</u>

財務報告附注(續)

二零零三年十二月三十一日

NOTES TO FINANCIAL STATEMENTS

(continued)

31 December 2003

19. NEGATIVE GOODWILL

The amount of the negative goodwill recognised in the balance sheet, arising from the acquisition of a subsidiary, is as follows:

	Group
	Rmb'000
Cost	
At beginning of year and 31 December 2003	1,980
Accumulated amortisation	
At beginning of year	198
Amortisation provided during the year	198
At 31 December 2003	396
Net book value	
At 31 December 2003	<u>1,584</u>
At 31 December 2002	<u>1,782</u>

20. TRADE AND BILLS RECEIVABLES

	Notes	Group		Company	
		2003	2002	2003	2002
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade and bills receivables		248,127	269,376	244,107	269,376
Due from an associate	27	2,465	2,465	2,465	2,465
Due from fellow subsidiaries	27	-	12,851	-	12,851
Provision for doubtful debts		(30,856)	(28,202)	(30,856)	(28,202)
Trade and bills receivables, net		<u>219,736</u>	<u>256,490</u>	<u>215,716</u>	<u>256,490</u>

The aged analysis of trade and bills receivables as at the balance sheet date is as follows:

20. TRADE AND BILLS RECEIVABLES(continued)

	Group			
	2003		2002	
	Balance	Percentage	Balance	Percentage
	Rmb'000	%	Rmb'000	%
Within one year	220,736	88	257,995	91
One to two years	4,309	2	-	-
Beyond two years	25,547	10	26,697	9
	250,592	100	284,692	100
Provision for doubtful debts	(30,856)		(28,202)	
Trade and bills receivables, net	219,736		256,490	

	Company			
	2003		2002	
	Balance	Percentage	Balance	Percentage
	Rmb'000	%	Rmb'000	%
Within one year	216,716	88	257,995	91
One to two years	4,309	2	-	-
Beyond two years	25,547	10	26,697	9
	246,572	100	284,692	100
Provision for doubtful debts	(30,856)		(28,202)	
Trade and bills receivables, net	215,716		256,490	

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

財務報告附注(續)

二零零三年十二月三十一日

NOTES TO FINANCIAL STATEMENTS

(continued)

31 December 2003

21. OTHER RECEIVABLES

	Notes	Group		Company	
		2003	2002	2003	2002
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Prepayments		345	42,247	345	42,247
Deposits and other debtors		19,428	19,512	19,079	19,312
Due from jointly-controlled entities	27	3,650	20,800	3,650	20,800
Due from fellow subsidiaries	27	256,695	249,498	256,695	249,498
		280,118	332,057	279,769	331,857

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	2003	2002
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash and bank balances	462,242	264,824	452,694	261,004
Time deposits	664,942	442,438	161,396	152,773
Cash and cash equivalents	1,127,184	707,262	614,090	413,777

23. TRADE PAYABLES

	Notes	Group and Company	
		2003	2002
		Rmb'000	Rmb'000
Trade payables		110,473	150,337
Due to fellow subsidiaries	27	27,672	31,826
		<u>138,145</u>	<u>182,163</u>

The aged analysis of trade payables as at the balance sheet date is as follows:

	Group and company			
	2003		2002	
	Balance	Percentage	Balance	Percentage
	Rmb'000	%	Rmb'000	%
Within one year	127,060	92	159,171	87
One to two years	1,587	1	8,667	5
Beyond two years	9,498	7	14,325	8
	<u>138,145</u>	100	<u>182,163</u>	<u>100</u>

財務報告附注(續)

NOTES TO FINANCIAL STATEMENTS

(continued)

二零零三年十二月三十一日

31 December 2003

24. OTHER PAYABLES AND ACCRUALS

	Notes	Group		Company	
		2003	2002	2003	2002
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Accruals		147,439	127,524	147,429	127,494
Other liabilities		144,478	123,156	143,970	122,932
Due to fellow subsidiaries	27	3,386	12,045	3,386	12,045
Deferred income - current portion	30	705	705	-	11,950
		296,008	263,430	294,785	274,421

25. CURRENT PORTION OF INTERESTBEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

	Notes	Group and Company	
		2003	2002
		Rmb'000	Rmb'000
Current portion of bank and other borrowings	26	228,075	94,985
Current portion of finance lease payables	28	40,071	82,421
		268,146	177,406

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	本集團本公司	
	Group and Company 2003	2002
	人民幣千元 Rmb'000	人民幣千元 Rmb'000
Bank loans:		
Secured	1,660,757	1,773,502
Unsecured	139,220	-
	<u>1,799,977</u>	<u>1,773,502</u>
Bank loans repayable:		
Within one year	228,075	94,985
In the second year	266,975	280,125
In the third to fifth years, inclusive	788,342	692,675
Beyond five years	516,585	705,717
	<u>1,799,977</u>	<u>1,773,502</u>
Portion classified as current liabilities - note 25	<u>(228,075)</u>	<u>(94,985)</u>
Long term portion	<u>1,571,902</u>	<u>1,678,517</u>

Bank loans of Rmb1,008,160,000 (2002: Rmb917,905,000) are secured by guarantees from China Shipping. The remaining loans are secured by pledges on 33 vessels (2002: 33 vessels) with an aggregate net book value at 31 December 2003 of Rmb2,046,789,000 (2002: Rmb2,260,242,000) and bear interest at a rate of 5.184% or 5.76% per annum (2002: 5.76% or 6.21% per annum).

27. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES, AND RELATED COMPANIES

The balances are unsecured, interest-free and have no fixed terms of repayments.

28. FINANCE LEASE PAYABLES

As at 31 December 2003, the Group and the Company had non-cancellable finance leases for the purchase of vessels. The terms of such leases are for 11 years commencing from the respective dates of delivery of the vessels. The Company has the option to purchase the leased vessels at the end of the lease term. Such leases bear interest at the rate of 3.25% per annum. At 31 December 2003, the total future minimum lease payments under finance leases and their present values were as follows:

29. DEFERRED TAX

Deferred tax assets

	Deductible tax depreciation			
	Group		Company	
	2003	2002	2003	2002
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January	-	-	-	-
Deferred tax credited to the income statement during the year	17,451	-	15,773	-
Gross deferred tax assets at 31 December	<u>17,451</u>	<u>-</u>	<u>15,773</u>	<u>-</u>

At 31 December 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. DEFERRED INCOME

This represents the deferred portion of the gain on the disposal of a vessel under a sale and lease-back arrangement with a jointly-controlled entity constituting an operating lease (the portion of the gain deferred represents the equity interests in the jointly-controlled entity not held by the Group) which will be recognised over the depreciation period of the vessel sold.

財務報告附注(續)

二零零三年十二月三十一日

NOTES TO FINANCIAL STATEMENTS

(continued)

31 December 2003

31. ISSUED CAPITAL

	Group and Company			
	2003	2003	2002	2002
	Number of shares	Rmb'000	Number of shares	Rmb'000
Registered, issued and fully paid State-owned legal person shares of Rmb1.00 each	1,680,000,000	1,680,000	1,680,000,000	1,680,000
"H" shares of Rmb 1.00 each	1,296,000,000	1,296,000	1,296,000,000	1,296,000
"A" shares of Rmb 1.00 each	350,000,000	350,000	350,000,000	350,000
	3,326,000,000	3,326,000	3,326,000	3,326,000

The State-owned legal person shares are not currently listed on any stock exchange.

The "H" shares in issue comprise 1,080,000,000 shares which were listed on the Hong Kong Stock Exchange on 11 November 1994, and an additional 216,000,000 shares which were listed on the Hong Kong Stock Exchange on 2 April 1998.

The "A" shares in issue comprise 350,000,000 shares which were listed on the Shanghai Stock Exchange on 17 May 2002.

32. RESERVES

	Group							
	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Exchange fluctuation reserve	Retained profits	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2002	1,562,588	185,986	128,571	35,263	93,158	(8)	224,446	2,230,004
Share premium from issue of "A" shares	475,296	-	-	-	-	-	-	475,296
Net profit for the year	-	-	-	-	-	-	591,196	591,196
Transfers from/(to) reserves	-	-	58,424	57,791	-	-	(116,215)	-
Exchange realignment	-	-	-	-	-	(3)	-	(3)
Release on disposal of fixed assets	-	(533)	-	-	-	-	533	-
Proposed final dividend - note 12	-	-	-	-	-	-	(332,600)	(332,600)
At 31 December 2002 and beginning of year	2,037,884	185,453	186,995	93,054	93,158	(11)	367,360	2,963,893
Net profit for the year	-	-	-	-	-	-	1,023,640	1,023,640
Transfers from/(to) reserves	-	-	100,800	99,436	-	-	(200,236)	-
Exchange realignment	-	-	-	-	-	62	-	62
Release on disposal of fixed assets	-	(1,333)	-	-	-	-	1,333	-
Proposed final dividend - note 12	-	-	-	-	-	-	(498,900)	(498,900)
At 31 December 2003	<u>2,037,884</u>	<u>184,120</u>	<u>287,795</u>	<u>192,490</u>	<u>93,158</u>	<u>51</u>	<u>693,197</u>	<u>3,488,695</u>
Reserves retained by:								
Company and subsidiaries	2,037,884	184,120	285,385	191,150	93,158	51	666,654	3,458,402
Jointly-controlled entities	-	-	2,410	1,340	-	-	26,543	30,293
At 31 December 2003	<u>2,037,884</u>	<u>184,120</u>	<u>287,795</u>	<u>192,490</u>	<u>93,158</u>	<u>51</u>	<u>693,197</u>	<u>3,488,695</u>
Company and subsidiaries	2,037,884	185,453	186,327	92,720	93,158	(11)	354,644	2,950,175
Jointly-controlled entities	-	-	668	334	-	-	12,716	13,718
At 31 December 2002	<u>2,037,884</u>	<u>185,453</u>	<u>186,995</u>	<u>95,054</u>	<u>93,158</u>	<u>(11)</u>	<u>367,360</u>	<u>2,963,893</u>

財務報告附注(續)

NOTES TO FINANCIAL STATEMENTS

(continued)

二零零三年十二月三十一日

31 December 2003

32. RESERVES(continued)

	Company						
	Share premium account	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Retained profits	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2002	1,562,588	185,986	128,268	35,110	93,158	564,895	2,570,005
Share premium from issue of "A" shares	475,296	-	-	-	-	-	475,296
Net profit for the year	-	-	-	-	-	240,768	240,768
Transfers from/(to) reserves	-	-	57,161	57,161	-	(114,322)	-
Release on disposal of fixed assets	-	(3,697)	-	-	-	3,697	-
Proposed final dividend - note 12	-	-	-	-	-	(332,600)	(332,600)
At 31 December 2002 and beginning of year	2,037,884	182,289	185,429	92,271	93,158	362,438	2,953,469
Net profit for the year	-	-	-	-	-	1,005,329	1,005,329
Transfers from/(to) reserves	-	-	97,800	97,800	-	(195,600)	-
Release on disposal of fixed assets	-	(1,333)	-	-	-	1,333	-
Proposed final dividend - note 12	-	-	-	-	-	(498,900)	(498,900)
At 31 December 2003	<u>2,037,884</u>	<u>180,956</u>	<u>283,229</u>	<u>190,071</u>	<u>93,158</u>	<u>674,600</u>	<u>3,459,898</u>

32. RESERVES (continued)

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC and the Company's articles of association, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

In accordance with the Company Law of the PRC, the Company is required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to its statutory public welfare fund ("PWF") which is a non-distributable reserve other than in the event of the liquidation of the Company. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain as property of the Company unless subsequently transferred or disposed of.

財務報告附注(續)

二零零三年十二月三十一日

NOTES TO FINANCIAL STATEMENTS

(continued)

31 December 2003

When the PWF is utilised, an amount equal to the lower of either the cost of the assets or the balance of the PWF is transferred from the PWF to the general surplus reserve. This reserve is non-distributable other than in liquidation. The original transfers from the PWF are reversed upon disposal of the relevant assets and satisfying other relevant requirements. During the year, there was no transfer from the PWF to the general surplus reserve (2002: Nil).

The directors have proposed to transfer Rmb97,800,000 (2002: Rmb57,161,000) to each of the SSR and the PWF, respectively. Each transfer represents 10% (2002: 10%) of the Company's profit after tax of Rmb977,999,000 (2002: Rmb571,605,000), determined in accordance with PRC GAAP. The transfers to the SSR and the PWF are subject to shareholders' approval at the forthcoming annual general meeting.

According to the relevant regulations in the PRC, the reserve available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under accounting principles generally accepted in Hong Kong ("HK GAAP"). On this basis, as at 31 December 2003, before the proposed final dividend the Company had a reserve of Rmb1,173,500,000 (2002: Rmb695,038,000) available for distribution as dividends.

In addition, in accordance with the Company Law of the PRC, an amount of approximately Rmb2,037,884,000 (2002: 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.