

**21 Bank and other loans** (cont'd)

Details of bank and other loans with original maturity over one year are as follows:

	Interest rate and final maturity	The Group		The Company	
		2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
RMB denominated loans:					
Loans for construction projects	Floating interest rates ranging from 5.1% to 9.5% per annum as at 31 December, 2000, with maturities through 2009	19,410	20,496	—	—
	Fixed interest rate at 3.6% per annum as at 31 December, 2000, repayable in 2004	—	1,883	—	1,883
	Non-interest bearing loans from a municipal government authority, repayable in 2002	6,000	6,000	—	—
U.S. dollar denominated loans:					
Loans for the purchase of aircraft	Fixed interest rates ranging from 5% to 8.33% per annum as at 31 December, 2000, with maturities through 2009	4,395,458	5,008,075	2,485,563	2,853,002
Loan for the purchase of flight equipment	Fixed interest rate of 8.35% per annum as at 31 December, 2000, with maturity through 2004	21,190	—	—	—
		<b>4,442,058</b>	5,036,454	<b>2,485,563</b>	2,854,885
Less: loans due within one year classified as current liabilities		<b>(653,360)</b>	(612,251)	<b>(392,567)</b>	(367,079)
		<b>3,788,698</b>	4,424,203	<b>2,092,996</b>	2,487,806

In December 2000, the Group obtained a loan facility from a PRC commercial bank for providing long term loan finance up to an amount of RMB1,000,000,000 between 2001 and 2003 to the Group. As at 31 December, 2000, the loan facility was not yet utilised.

(Expressed in Renminbi)

**22 Obligations under finance leases**

The Group and the Company has commitments under finance lease agreements in respect of aircraft and related equipment expiring during the years 2001 to 2010. At 31 December, 2000, the future payments under these finance leases, which were 78% and 22% respectively (1999: 76% and 24% respectively) denominated in United States dollars and Japanese yen, are as follows:

	2000			1999		
	Payments RMB'000	Interest RMB'000	Obligations RMB'000	Payments RMB'000	Interest RMB'000	Obligations RMB'000
<b>The Group</b>						
Balance due:						
Within one year	<b>2,408,764</b>	<b>632,608</b>	<b>1,776,156</b>	2,764,126	764,438	1,999,688
In the second year	<b>2,010,726</b>	<b>514,118</b>	<b>1,496,608</b>	2,477,376	638,115	1,839,261
In the third to fifth year, inclusive	<b>4,749,361</b>	<b>1,025,997</b>	<b>3,723,364</b>	5,599,420	1,274,717	4,324,703
After the fifth year	<b>4,712,555</b>	<b>516,242</b>	<b>4,196,313</b>	6,172,920	845,953	5,326,967
	<b>13,881,406</b>	<b>2,688,965</b>	<b>11,192,441</b>	17,013,842	3,523,223	13,490,619
Less: Balance due within one year classified as current liabilities			<b>(1,776,156)</b>			(1,999,688)
			<b>9,416,285</b>			11,490,931
<b>The Company</b>						
Balance due:						
Within one year	<b>2,408,764</b>	<b>632,608</b>	<b>1,776,156</b>	2,727,034	761,767	1,965,267
In the second year	<b>2,010,726</b>	<b>514,118</b>	<b>1,496,608</b>	2,477,376	638,115	1,839,261
In the third to fifth year, inclusive	<b>4,749,361</b>	<b>1,025,997</b>	<b>3,723,364</b>	5,599,420	1,274,717	4,324,703
After the fifth year	<b>4,712,555</b>	<b>516,242</b>	<b>4,196,313</b>	6,172,920	845,953	5,326,967
	<b>13,881,406</b>	<b>2,688,965</b>	<b>11,192,441</b>	16,976,750	3,520,552	13,456,198
Less: Balance due within one year classified as current liabilities			<b>(1,776,156)</b>			(1,965,267)
			<b>9,416,285</b>			11,490,931

**22 Obligations under finance leases** (cont'd)

Several of the lease financing arrangements included finance leases between the Company and its subsidiaries, and several borrowings between certain subsidiaries and banks. The Company has guaranteed the subsidiaries' obligations under the bank borrowings, and accordingly, the relevant leased assets and obligations are recorded in the balance sheet to reflect the substance of the transactions. The future payments under these leases have therefore been presented by the Company and the Group in amounts that reflect the payments under the bank borrowings between the subsidiaries and banks.

Under the terms of the leases, the Group has the option to purchase, at or near the end of the lease term, certain aircraft at fair market value and others at either fair market value or a percentage of the respective lessor's defined cost of the aircraft.

Security, including charges over the assets concerned and relevant insurance policies, is provided to the lessors.

As at 31 December, 2000, in addition to the assets pledged as security under certain loan agreements, certain of the Group's and the Company's aircraft with carrying amounts of RMB10,232,534,000 and RMB10,232,534,000 respectively (1999: RMB11,406,511,000 and RMB11,385,696,000 respectively) were pledged to secure facilities with financial institutions granted to lessors totalling RMB11,192,441,000 and RMB11,192,441,000 respectively (1999: RMB13,490,619,000 and RMB13,456,198,000 respectively).

**23 Accounts payable**

The aging analysis of accounts payable is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Due within 1 month or on demand	<b>180,227</b>	285,912	<b>147,920</b>	224,674
Due after 1 month but within 3 months	<b>248,691</b>	259,844	<b>189,129</b>	156,305
Due after 3 months but within 6 months	<b>329,381</b>	349,876	<b>283,693</b>	234,457
	<b>758,299</b>	895,632	<b>620,742</b>	615,436

All of the accounts payable are expected to be settled within one year.

*(Expressed in Renminbi)***24 Provision for major overhauls**

Details of provision for major overhauls in respect of aircraft held under operating leases are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2000</b> <b>RMB'000</b>	1999 RMB'000	<b>2000</b> <b>RMB'000</b>	1999 RMB'000
Balance at 1 January	<b>289,228</b>	281,640	<b>108,845</b>	107,913
Additional amount provided	<b>15,267</b>	18,217	<b>5,504</b>	11,561
Amount utilised	<b>(62,600)</b>	(10,629)	<b>(34,432)</b>	(10,629)
Balance at 31 December	<b>241,895</b>	289,228	<b>79,917</b>	108,845
The balance of provision for major overhauls at 31 December comprised:				
Current portion (included in accrued expenses)	<b>75,812</b>	16,199	<b>52,000</b>	—
Non-current portion	<b>166,083</b>	273,029	<b>27,917</b>	108,845
	<b>241,895</b>	289,228	<b>79,917</b>	108,845

In 1999, the Group changed its accounting policy with respect to the recognition of aircraft overhaul expenses. Previously, the cost of scheduled overhauls in respect of owned aircraft and aircraft held under finance leases was accrued to expense over the estimated overhaul cycle of the relevant aircraft. Under the new policy of the Group which complies with IAS 37 "Provision, Contingent Liabilities and Contingent Assets", the cost of scheduled overhauls is expensed to the profit and loss account as and when incurred. Such new accounting policy was adopted on a retrospective basis.

The effect of the above change in accounting policy was a decrease in the maintenance expense for 1999 of RMB40,114,000 and an increase in the consolidated profit attributable to shareholders for 1999 of RMB22,224,000. The retained profits balance at 1 January, 1999 was increased by RMB163,773,000 which represented the aggregate amount of such adjustment in respect of periods prior to 1999.

**25 Share capital**

	<b>2000</b>	1999
	<b>RMB'000</b>	RMB'000
Registered capital :		
2,200,000,000 domestic shares of RMB1.00 each	<b>2,200,000</b>	2,200,000
1,174,178,000 H shares of RMB1.00 each	<b>1,174,178</b>	1,174,178
	<b>3,374,178</b>	3,374,178
Issued and paid up capital :		
2,200,000,000 domestic shares of RMB1.00 each	<b>2,200,000</b>	2,200,000
1,174,178,000 H shares of RMB1.00 each	<b>1,174,178</b>	1,174,178
	<b>3,374,178</b>	3,374,178

All the domestic and H shares rank pari passu in all material respects.

(Expressed in Renminbi)

**26 Reserves**

Movements on reserves during the year comprise:

	The Group		The Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Share premium	<b>3,813,659</b>	3,813,659	<b>3,813,659</b>	3,813,659
Statutory surplus reserve (Note (a))				
Balance at 1 January,	<b>367,767</b>	346,241	<b>121,943</b>	121,943
Transfer from profit and loss account	<b>13,449</b>	21,526	—	—
Balance at 31 December,	<b>381,216</b>	367,767	<b>121,943</b>	121,943
Statutory public welfare fund (Note (b))				
Balance at 1 January,	<b>213,960</b>	200,998	<b>114,558</b>	114,558
Transfer from profit and loss account	<b>5,917</b>	12,962	—	—
Balance at 31 December,	<b>219,877</b>	213,960	<b>114,558</b>	114,558
Discretionary surplus reserve (Note (c))				
Balance at 1 January,	<b>58,157</b>	44,318	—	—
Transfer from profit and loss account	<b>5,695</b>	13,839	—	—
Balance at 31 December,	<b>63,852</b>	58,157	—	—
Retained profits/(accumulated losses)				
Balance at 1 January,				
As previously reported	<b>551,946</b>	354,102	<b>(24,852)</b>	(215,635)
Effect of adopting IAS 37 (Note 24)	—	163,773	—	143,345
As adjusted	<b>551,946</b>	517,875	<b>(24,852)</b>	(72,290)
Profit for the year	<b>501,771</b>	82,398	<b>380,434</b>	47,438
Appropriations to reserves	<b>(25,061)</b>	(48,327)	—	—
Balance at 31 December,	<b>1,028,656</b>	551,946	<b>355,582</b>	(24,852)
Total	<b>5,507,260</b>	5,005,489	<b>4,405,742</b>	4,025,308