

NOTES TO FINANCIAL STATEMENTS

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31 December 2002

14. FIXED ASSETS

	Group					
	Vessels	Machinery and equipment	Motorvehicles	Buildings	Construction in progress	Total
	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000
Cost or Valuation						
At beginning of year	11,173,250	34,013	11,691	6,395	456,798	11,682,147
Transfers	723,095	-	-	-	(723,095)	-
Additions	6,781	2,735	1,414	-	952,462	963,392
Disposals	(39,898)	(5,467)	(5,047)	-	-	(50,412)
At 31 December 2002	11,863,228	31,281	8,058	6,395	686,165	12,595,127
Accumulated depreciation						
At beginning of year	4,298,328	16,565	6,146	438	-	4,321,477
Provided during the year	841,594	5,165	1,730	171	-	848,660
Disposals	(21,668)	(5,184)	(3,545)	-	-	(30,397)
At 31 December 2002	5,118,254	16,546	4,331	609	-	5,139,740
Net book value						
At 31 December 2002	<u>6,744,974</u>	<u>14,735</u>	<u>3,727</u>	<u>5,786</u>	<u>686,165</u>	<u>7,455,387</u>
At 31 December 2001	<u>6,874,922</u>	<u>17,448</u>	<u>5,545</u>	<u>5,957</u>	<u>456,798</u>	<u>7,360,670</u>

	Company					
	Vessels	Machinery and equipment	Motorvehicles	Buildings	Construction in progress	Total
	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000	Rmb000
Cost or Valuation						
At beginning of year	11,327,698	34,013	11,691	6,395	456,798	11,836,595
Transfers	723,095	-	-	-	(723,095)	-
Additions	6,781	2,735	1,414	-	952,462	963,392
Disposals	(1,320,117)	(5,467)	(5,047)	-	-	(1,330,631)
At 31 December 2002	10,737,457	31,281	8,058	6,395	686,165	11,469,356
Accumulated depreciation						
At beginning of year	4,378,657	16,565	6,146	438	-	4,401,806
Provided during the year	855,800	5,165	1,730	171	-	862,866
Disposals	(489,748)	(5,184)	(3,545)	-	-	(498,477)
At 31 December 2002	4,744,709	16,546	4,331	609	-	4,766,195
Net book value						
At 31 December 2002	<u>5,992,748</u>	<u>14,735</u>	<u>3,727</u>	<u>5,786</u>	<u>686,165</u>	<u>6,703,161</u>
At 31 December 2001	<u>6,949,041</u>	<u>17,448</u>	<u>5,545</u>	<u>5,957</u>	<u>456,798</u>	<u>7,434,789</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 2002 amounted to Rmb737,912,000 (2001: Rmb1,718,155,000). The depreciation charge for the year in respect of such assets amounted to Rmb67,048,000(2001: Rmb150,120,000).

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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:

	Group and Company	
	2002	2001
	Rmb'000	Rmb'000
Vessels		
Cost at 31 December	2,039,503	2,084,553
Accumulated depreciation at 31 December	830,867	739,982

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 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 Rmb6,559,521,000(2001:Rmb6,763,055,000).

Details of the cost and/or valuation of fixed assets as at 31 December 2002 were as follows:

Group			
	Cost	Valuation	Total
	Rmb'000	Rmb'000	Rmb'000
Vessels	8,053,830	3,809,398	11,863,228
Machinery and equipment	31,281	-	31,281
Motor vehicles	8,058	-	8,058
Buildings	6,395	-	6,395
	<u>8,099,564</u>	<u>3,809,398</u>	<u>11,908,962</u>
Company			
	Cost	Valuation	Total
	Rmb'000	Rmb'000	Rmb'000
Vessels	7,214,215	3,523,242	10,737,457
Machinery and equipment	31,281	-	31,281
Motor vehicles	8,058	-	8,058
Buildings	6,395	-	6,395
	<u>7,259,949</u>	<u>3,523,242</u>	<u>10,783,191</u>

Prior to its transfer to vessels, the carrying amount of construction in progress included capitalised interest of Rmb33,254,000(2001:14,397,000).

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	Rmb'000	Rmb'000
Unlisted shares, at cost	101,009	54,045
Due from subsidiaries(note 28)	<u>1,021,617</u>	<u>-</u>
	<u>1,122,626</u>	<u>54,045</u>

Particulars of the Group's subsidiaries as at 31 December 2002 were as follows:

Name	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
China Shipping Development (Hong Kong) Marine Co., Limited	HongKong	US\$500,000	Ordinary	100% -	Investment holding
Hainan Haixiang Shipping Co., Ltd.	People's Republic of China	Rmb101,000,000	Ordinary	95% -	Investment holding

The above subsidiaries, other than China Shipping Development (Hong Kong) Marine Co., Limited are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Shanghai Hai Xing Shipping (Hong Kong) Co., Ltd., a dormant subsidiary wholly owned by the Group, was liquidated during the year.

Herman International S.A. and Marisburg S.A., two vessel-holding subsidiaries wholly owned by the Group, were liquidated after transferring their vessels to the Company during the year.

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.INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted shares, at cost	-	-	40,000	40,000
Share of the net assets other than goodwill	106,787	68,069	-	-
	<u>106,787</u>	<u>68,069</u>	<u>40,000</u>	<u>40,000</u>

Particulars of the jointly-controlled entities as at 31 December 2002 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
Zhuhai New Century Marine Co., Ltd.	Corporate	People's Republic of China	50%	Provision of shipping services

NOTES TO FINANCIAL STATEMENTS

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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
<hr/>				
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.

17. INTEREST/INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted shares, at cost	-	-	-	442,981
Share of the net assets other than goodwill	-	100,101	-	-
	<u>-</u>	<u>100,101</u>	<u>-</u>	<u>442,981</u>

Pursuant to the share transfer agreement entered into between the Company and China Shipping on 9 September 2002, the Company transferred its 25% equity interests in China Shipping Container Liners Co., Ltd. ("CSC") to China Shipping at a consideration of Rmb1. The Company is entitled to an option to buy back from China Shipping all or part of the disposed interests in CSC at terms and consideration to be agreed between the two parties.

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
			25%	
CSC	Corporate	People's Republic of China	25%	Provision of Container shipping services

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The directors consider that the Company had significant influence in CSC before the Company's interest in CSC was transferred to China Shipping as mentioned above. The other investors of CSC before the share transfer were China Shipping (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.

The directors consider that CSC was material in the context of the prior year financial statements and in accordance with SSAP 10 "Accounting for investments in associates", the following information was disclosed in the prior year.

	2001
	Rmb'000
Non-current assets	2,932,757
Current assets	2,726,968
Current liabilities	4,071,582
Non-current liabilities	1,187,739
Turnover	7,782,338
loss before tax	<u>(1,123,147)</u>

18. LONG TERM VESTMENT

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unlisted equity investment	4,000	4,000	4,000	4,000

19. DEFERRED STAFF EXPENDITURE

Group and Company	
	Rmb'000
Cost	
At beginning of year and 31 December 2002	127,845
Accumulated amortisation	
At beginning of year	18,590
Amortisation provided during the year	12,784
At 31 December 2002	31,374
Net book value	
At 31 December 2002	<u>96,471</u>
At 31 December 2001	<u>109,255</u>

20. NEGATIVE GOODWILL

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

Group and Company	
	Rmb'000
Cost	
At beginning of year and 31 December 2002	1, 980
Accumulated amortisation	
At beginning of year	—
Amortisation provided during the year	198
At 31 December 2002	198
Net book value	
At 31 December 2002	<u>1, 782</u>
At 31 December 2001	<u>1, 980</u>

NOTES TO FINANCIAL STATEMENTS

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31 December 2002

21. TRADE AND BILLS RECEIVABLES

		Group and Company	
		2002	2001
	Notes	Rmb'000	Rmb'000
Trade and bills receivables		269,376	243,242
Due from an associate	28	-	17,887
Due from related companies	28	2,465	8,965
Due from fellow subsidiaries	28	12,851	-
Provision for doubtful debts		(28,202)	(34,252)
Trade and bills receivables, net		256,490	235,842

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

Group and Company				
	2002		2001	
	Balance	Percentage	Balance	Percentage
		%		%
	Rmb'000		Rmb'000	
Within one year	257,995	91	231,913	86
One to two years	-	-	1,193	-
Beyond two years	26,697	9	36,988	14
	284,692	100	270,094	100
Provision for doubtful debts	(28,202)		(34,252)	
Trade and bills receivables, net	256,490		235,842	

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

22. OTHER RECEIVABLES

		Group		Company	
		2002	2001	2002	2001
	Notes	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Prepayments		42,247	170,260	42,247	170,260
Deposits and other debtors		19,512	11,454	19,312	11,454
Due from an associate	28	-	8,235	-	8,235
Due from jointly-controlled entities	28	20,800	20,369	20,800	20,369
Due from fellow subsidiaries	28	249,498	392,138	249,498	390,942
		332,057	602,456	331,857	601,260

23. CASH AND CASH EQUIVALENTS

		Group		Company	
		2002	2001	2002	2001
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash and bank balances		264,824	281,716	261,004	275,496
Time deposits		442,438	140,000	152,773	140,000
Cash and cash equivalents		707,262	421,716	413,777	415,496

NOTES TO FINANCIAL STATEMENTS

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31 December 2002

24. TRADE PAYABLES

		Group		Company	
		2002	2001	2002	2001
	Notes	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade payables		150,337	199,463	150,337	199,290
Due to fellow subsidiaries	28	31,826	39,780	31,826	39,780
		<u>182,163</u>	<u>239,243</u>	<u>182,163</u>	<u>239,070</u>

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

		Group		2001	
		2002			
		Balance	Percentage	Balance	Percentage
		Rmb'000	%	Rmb'000	%
Within one year		159,171	87	195,027	82
One to two years		8,667	5	8,115	3
Beyond two years		14,325	8	36,101	15
		182,163	100	239,243	100

25. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2002	2001	2002	2001
	Notes	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Accruals	28	127,524	144,496	127,494	144,496
Other liabilities		123,156	153,846	122,932	153,833
Due to fellow subsidiaries	30	12,045	25,346	12,045	25,346
Deferred income - current portion		705	12,212	11,950	34,643
		<u>263,430</u>	<u>335,900</u>	<u>274,421</u>	<u>358,318</u>

26. CURRENT PORTION OF INTEREST-BEARING BANK AND OTHER BORROWINGS, AND FINANCE LEASE PAYABLES

		Group		Company	
		2002	2001	2002	2001
	Notes	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Current portion of bank and other borrowings	27	94,985	346,175	94,985	315,138
Current portion of finance lease payables	29	82,421	238,712	82,421	287,662
		<u>177,406</u>	<u>584,887</u>	<u>177,406</u>	<u>602,800</u>

NOTES TO FINANCIAL STATEMENTS

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31 December 2002

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Bankloans:	1,773,502	1,715,071	1,773,502	1,561,407
Secured				
Other borrowings:	-	828,016	-	828,016
Unsecured				
	<u>1,773,502</u>	<u>2,543,087</u>	<u>1,773,502</u>	<u>2,389,423</u>
Bank loans repayable:				
Within one year	94,985	242,673	94,985	211,636
In the second year	280,125	247,673	280,125	216,636
In the third to fifth years, inclusive	692,675	712,398	692,675	620,808
Beyond five years	705,717	512,327	705,717	512,327
	<u>1,773,502</u>	<u>1,715,071</u>	<u>1,773,502</u>	<u>1,561,407</u>
Other borrowings repayable:				
Within one year	-	103,502	-	103,502
In the second year	-	724,514	-	724,514
	<u>-</u>	<u>828,016</u>	<u>-</u>	<u>828,016</u>
	1,773,502	2,543,087	1,773,502	2,389,423
Portion classified as current liabilities - note 26	(94,985)	(346,175)	(94,985)	(315,138)
Long term portion	<u>1,678,517</u>	<u>2,196,912</u>	<u>1,678,517</u>	<u>2,074,285</u>

27.INTEREST-BEARING BANK AND OTHER BORROWINGS(continued)

Bank loans of Rmb917,905,000(2001: Rmb 354,410,000) are secured by guarantees from China Shipping. The remaining loans are secured by pledges on 33 vessels (2001: 36 vessels) with an aggregate net book value at 31 December 2002 of Rmb2,260,242,000 (2001: Rmb2,377,415,000) and bear interest at a rate of 5.76% or 6.21% per annum (2001: LIBOR plus 1% per annum, or 6.21% per annum).

28. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES, AN ASSOCIATE, AND RELATED COMPANIES

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

29. FINANCE LEASE PAYABLES

As at 31 December 2002, the Group and the Company had non-cancellable finance leases for the purchase of vessels. The terms of such leases are for eight years or 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 rates ranging from LIBOR plus 1.125% to 1.65% per annum, or at 3.25% per annum. At 31 December 2002, the total future minimum lease payments under finance leases and their present values were as follows:

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Group				
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Amounts payable				
Within one year	88,673	259,499	82,421	238,712
In the second year	37,281	101,540	33,473	91,276
In the third to fifth years, inclusive	96,761	146,348	91,866	136,303
After five years	-	21,844	-	21,383
Total minimum finance lease payments	222,715	529,231	207,760	487,674
Future finance charges	(14,955)	(41,557)		
Total net finance lease payables	207,760	487,674		
Portion classified as current liabilities - note 26	(82,421)	(238,712)		
Long term portion	125,339	248,962		

Company				
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Amounts payable				
Within one year	88,673	317,350	82,421	287,662
In the second year	37,281	159,391	33,473	142,800
In the third to fifth years, inclusive	96,761	245,567	91,866	231,069
After five years	-	21,844	-	21,383
Total minimum finance lease payments	222,715	744,152	207,760	682,914
Future finance charges	(14,955)	(61,238)		
Total net finance lease payables	207,760	682,914		
Portion classified as current liabilities - note 26	(82,421)	(287,662)		
Long term portion	125,339	395,252		

30. DEFERRED INCOME

This represents the deferred portion of 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 equity interests in the jointly-controlled entity not held by the Group) which will be recognised over the depreciation period of the vessel sold.

31. ISSUED CAPITAL

	Group and Company			
	2002	2002	2001	2001
	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	-	-
	<u>3,326,000,000</u>	<u>3,326,000</u>	<u>2,976,000,000</u>	<u>2,976,000</u>

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31. ISSUED CAPITAL (continued)

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 Stock Exchange on 11 November 1994, and an additional 216,000,000 shares which were listed on the Stock Exchange on 2 April 1998.

During the year, the Company issued 350,000,000 “A” shares with a par value of Rmb1 each to institutional investors and the general public in the PRC on 17 May 2002. The “A” shares are listed on the Shanghai Stock Exchange.

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 2001	1,562,588	190,456	93,158	-	93,158	5	114,194	2,053,559
Net profit for the year	-	-	-	-	-	-	325,258	325,258
Transfers from/(to) reserves	-	-	35,413	35,263	-	-	(70,676)	-
Exchange realignment	-	-	-	-	-	(13)	-	(13)
Release on disposal of fixed assets	-	(4,470)	-	-	-	-	4,470	-
Proposed final dividend - note 12	-	-	-	-	-	-	(148,800)	(148,800)
At 31 December 2001 and beginning of year	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	<u>2,037,884</u>	<u>185,453</u>	<u>186,995</u>	<u>93,054</u>	<u>93,158</u>	<u>(11)</u>	<u>367,360</u>	<u>2,963,893</u>
Reserves retained by:								
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>93,054</u>	<u>93,158</u>	<u>(11)</u>	<u>367,360</u>	<u>2,963,893</u>
Company and subsidiaries	1,562,588	185,986	128,571	35,263	93,158	(8)	566,285	2,571,843
Jointly-controlled entities	-	-	-	-	-	-	-	-
Associate	-	-	-	-	-	-	(341,839)	(341,839)
At 31 December 2001	<u>1,562,588</u>	<u>185,986</u>	<u>128,571</u>	<u>35,263</u>	<u>93,158</u>	<u>(8)</u>	<u>224,446</u>	<u>2,230,004</u>