
Notes to condensed consolidated financial statements

1. Corporate Information

China Shipping Development Company Limited (the Group) was reformed from Shanghai Shipping (Group) Company in May 1994 and the former name of the Group was Shanghai Haixing Shipping Company Limited. The Group was listed on the Hong Kong Stock Exchange in Nov. 1994. In 1997, Shanghai Shipping (Group) Company transferred its ownership of Shanghai Haixing Shipping Company Limited to China Shipping (Group) Company, thus Shanghai Haixing Shipping Company Limited was renamed China Shipping Development Company Limited. At the end of June 1998, the Group issue 496 million new shares to its shareholders, and total shares value of the Group increased to RMB 2,976 million. In May 2002, the Group issued 350 million A shares to mainland China investors and the paid-in capital was increased to RMB 3,326 million. The Group engaged its business in oil and cargo shipment (along the sea, ocean, the Changjiang River), passenger shipping, ship leasing and service of cargo agency.

2. Basis of Accounting

2.1 Accounting policies

The financial statements are prepared in accordance with Chinese Accounting Standards and the financial statements of subsidiaries, namely China Shipping (Hong Kong) Marine Co., Ltd., Hannan Haixiang Shipping Industry Co., Ltd and affiliates, namely China Shipping Container Lines Co., Ltd. (“CSCL”) are prepared in accordance with the respective industry accounting system. In the consolidated financial statements, the necessary adjustments have been made in accordance with Chinese Accounting Standards.

2.2 Accounting period

The accounting period is calendar year, ie from January to December.

2.3 Function currency

The function currency is RMB.

2.4 Accounting principles and basis of valuation

The accounting principles are the accrue basis. The basis of valuation is historical cost except special explanation.

2.5 Foreign currency transactions

Foreign currency transactions during the accounting period are translated into RMB at the exchange rates for the occurred date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the market rates of exchange ruling at that date. The exchange difference due to the fixed assets are considered as the cost of fixed assets before the fixed assets are put into use, other exchange differences are dealt with in the income statement.

2.6 Cash and cash equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents including the short-term debt investment whose maturity date is within 3 months

Notes to condensed consolidated financial statements (Continued)

2. Basis of Accounting (Continued)

2.7 Provision for bad debts

Based on the analysis of collectible possibility, special provision for bad debts is provided on the specific items of accounts receivable without considering the aging. Then a general provision is provided upon the aging analysis of the outstanding balances, and the details of rate of provision are as follows:

Aging	Rates	CSCL Rates
< 1 Years	3%	1%
1-2 Years	10%	3%
2-3 Years	25%	10%
> 3 Years	50%	30%

The risk of unrecoverable of accounts receivables of China Shipping Container Lines was low because most of its clients were the related parties, so necessary adjustments have been made just upon the provision rate.

The provision of other receivables is calculated on 1% of the ending balances.

Recognition criteria for bad debts

- ① The debtors are bankruptcy or dead and the legacy can't pay off.
- ② The debtors haven't fulfilled the obligation and the aging of the accounts receivables is over 3 years.

The upon the above two criteria, balances of accounts receivables would be considered as the bad debts subject to the approval of Board of Directors.

2.8 Inventories

Inventories are mainly consists of bunker oil.

Inventories are initially recorded at acquisition costs. Cost of inventories is determined on the weighted average basis. The acquisition costs of low value spare parts are charged to the costs when the low value spare parts are put into use.

At the end of accounting period, inventories are stated at the lower of cost and net realizable value and the provision of devaluation inventory is made on the specific item. In current accounting period, there was no such provision of inventory.

2.9 Short-term investment

Short-term investments are initially recorded at the actual cost (including taxes, handling charges) which is not consists of cash dividends which have been declared but unpaid (or the due bond interest that unpaid). The difference between disposal of income and the carrying amount is recognized as investment income/loss for current accounting period. Short-term investment is carried at the lower of cost and market value and the difference between the carrying amount and the lower of cost and market value is recognized as impairment.

2. Basis of Accounting (Continued)

2.10 Long-term investment

Long-term debt investments

Premium or discount on investment in bonds is amortized using straight-line method over the period between the acquisition date and the maturity date in which the relevant bond interest is recognized. Interest receivables from investment in bonds are computed periodically. The computed interest revenue from investments in bonds, after adjustments for the amortization of premium or discounts on investment in bonds, is recognized as investment income in the current period.

Long-term equity investment

The long-term equity investment consists of stock investment and equity investment. Long-term equity investment is initially at the actual payment.

A long-term equity investment is accounted for using the costs method or the equity method as appropriate to the circumstances.

The long-term equity investment consists of stock investment and equity investment. The cost of long-term investment is stated at the actual payment of the investment.

The equity method is used to account for long-term equity investments when the Company can control, joint control or has significant influence over the investee enterprise.

Cost method is used to account for a long-term equity investment when the Company doesn't have control, joint control or significant influence over the investee enterprise.

When a long-term equity investment is accounted for using the equity method, the difference between the investment cost and the Company's share of owners' equity of the investee enterprise is amortized over the remaining business years of the investee enterprise, otherwise is amortized over 10 years.

The Group reviews the carrying amount of long-term investments on individual item basis at the end of accounting period. If the recoverable amount of any investment is lower than the carrying amount of that investment as a result of a continuing decline in market value or change in operating conditions of the investee enterprise, the difference between the recoverable amount and the carrying amount of the investment will be initially offset against any capital surplus reserve relating to that investment and then go to the profit and loss account.

In current accounting period, there was no provision for the devaluation of long-term investment.

Notes to condensed consolidated financial statements (Continued)

2. Basis of Accounting (Continued)

2.11 Fixed assets and depreciation

The fixed assets include buildings, ships, vehicles and other equipments or tools related to operations with unit price over RMB 2,000 and useful life exceed 2 years. The fixed assets are stated at the acquisition cost and depreciation is applied so as to write off the cost of the assets less their estimated residual value in equal annual installments over the estimated useful lives as follows:

	Useful life	Annual depreciated rate
Buildings	30years	3.18%
Ships	8~19years	5.01%~12%
Vehicles	5~8years	12%~19.2%
Other equipments	5~8years	12%~19.2%

An assessment is made at each balance sheet date of whether there is any indication of impairment of any fixed assets. If the recoverable amount of any fixed assets is lower than the book value of that fixed assets as a result of a continuing decline in market value or technology lagged and other circumstances, the differences between the recoverable amount and the book value of that fixed assets will be considered as the impairment of fixed assets. In current accounting period, there was no provision for the impairment of fixed assets.

2.12 Construction in progress

Construction in progress is stated at actual cost that includes the construction cost and related interest of loans before it put into use. The costs of construction in progress are transferred to the cost of fixed assets when the project is put into use.

The Group makes a full examination of the construction in progress at the end of accounting period. If evidence exists showing the cost of project devalued, a provision for the impairment should be made. At the same time, if the following evidence exists, a provision also should be made:

- ① the construction stops for a long time and is estimated not to be constructed in the next three years;
- ② the construction is out of time either of capability or of technology and it is quite uncertain that the construction can bring economic benefit to the Company;
- ③ other circumstance sufficiently indicate that the provision of impairment should be made.

In current accounting period, there was no provision for impairment of CIP.

2.13 Intangible assets

Intangible assets are stated at actual cost, and amortized over the beneficial period.

At the ending of the accounting period, the Group makes sure that the intangible assets can bring the economic benefit to the Group. If the recoverable value is under the book value, a provision should be made for the impairment.

2. Basis of Accounting (Continued)

If any or several of the following circumstance are discovered, the Company writes off the carrying amount:

- ① the intangible asset is replaced by other new technologies so that it is worthless for using and dealing;
- ② the intangible asset is no longer protected by law and is not able to generate economic benefit;
- ③ other circumstance sufficiently indicate that the intangible asset is worthless for using and dealing.

At the ending of accounting period, if any one or several of the following circumstance is discovered, the Company estimates the recoverable amount of the asset and recognizes the excess of the carrying amount of the asset over its recoverable amount as provision for impairment:

- ① the intangible asset is replaced by other new technologies that adversely affect its ability to generate economic benefit;
- ② the market value of the intangible asset decreased rapidly in current period and it can't get back in the left period;
- ③ the intangible asset is no longer protected by law but it still worth using;
- ④ other circumstance sufficiently indicate that the intangible asset has the impairment.

In current accounting period, there was no provision for intangible asset.

2.14 Deferred expense

Deferred expense is stated at actual cost and amortized over the beneficial period.

2.15 Borrowing costs

The principle of capitalization of borrowing costs:

The capitalization of interest incurred in connection with the specific borrowings, and amortization of discounts or premium relating to and exchange difference arising from those specific borrowings, should commence when the following conditions are fulfilled: expenditure for the assets are being incurred; borrowing costs are being incurred; and activity that are necessary to prepare the asset for intended use have been commenced.

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally, and the interruption period is more than 3 months. Those costs should be recognized as expense for the current period until the acquisition or construction is resumed. However, capitalization of borrowing costs should continue when the interruption is a necessary part of the process of preparing that asset to its expected usable condition.

Determination of the capitalization amount

In each capitalization period, the amount of interest costs to be capitalized should be determined in accordance with the following formula:

The capitalization amount of interest for each accounting period = the weighted average amount of accumulated expenditure incurred for the acquisition or construction of a fixed asset up to the end of the current period × the capitalization rate

Notes to condensed consolidated financial statements (Continued)

2. Basis of Accounting (Continued)

2.16 Revenue recognition

Revenue is recognized when it is probable the economic benefits will flow to the group and when the revenue can be measured reliably, on the following bases:

- (a) from shipping operation, when a voyage is completed;
- (b) from vessel chartering, in the period in which the vessels are let out and on the straight-line basis over the lease terms;
- (c) from vessel management, in the period in which the vessels are managed in accordance with the management agreements;
- (d) other revenue are recognized until three criteria are met: the ownership of goods are transferred to customers, and the relative risk/rewards on goods are also transferred to customers, the Company has the rights to collect the sales revenue.

2.17 Cost and expense recognition

The relevant cargo costs are recognized when the revenue recognized. The G&A expense and financial expense occur during the accounting period are charged to profit and loss of current period.

2.18 Income tax

According to the regulation of Ministry Finance, the accounting treatment of income tax is payable method. Deferred tax is only provided to the appreciation of fixed assets that has been used to invest.

2.19 Consolidated financial statements

According to the regulation (1995) 11 of Ministry of Finance, the financial statements of the subsidiaries should be consolidated if the Group takes over 50% of the subsidiaries' owners' equity. The internal transactions have been eliminated in the consolidated financial statements. Concerning to the consolidated affiliates, the consolidated financial statements adopts proportion method for consolidation.

3. Tax rates

The rate of business tax is 3%-5%.

Pursuant to a directive 1998 (250) jointly issued by Shanghai Tax Bureau and Shanghai Bureau of Finance on 8 October 1998, the Company is entitled to a preferential income tax rate of 15% effective. Accordingly, the income tax of the Company has been provided at the rate of 15% (six months ended 30 June 2001: 15%) on the estimated assessable profits for the period.

According to the tax regulations of PRC, other taxes are provided periodically.

Notes to condensed consolidated financial statements (Continued)

4. Subsidiaries and Associated Companies

4.1 Subsidiaries and Associated Companies

Company name	Registered capital	Engaged business	% of registered capital
Hainan Haixiang Shipping Industry Co., Ltd.	RMB 51 million	Oil and cargo shipment	95
Zhuhai New Century Shipping Co., Ltd. (Note 2)	RMB 60 million	Cargo shipment	50
Shanghai Friendship Shipping Co., Ltd. (Note 2)	RMB 20 million	Shipment, business in free-trade zone	50
China Shipping (Hongkong) Marine Co., Ltd. (Note 1)	USD 500,000	Cargo shipment	99
China Shipping Container Lines Co. Ltd.	RMB 1,801.05 million	Transportation of containers	25

Note 1: On 31 December 2001, the Company entered an agreement with China Shipping (Hong Kong) Holding Co., Ltd. In that agreement, China Shipping (Hong Kong.) Holding Co., Ltd. entrusted 1% ownership of China Shipping (Hong Kong) Marine Co., Ltd to the Company, so the Company in reality owns 100% ownership of that company.

Note 2: As the financial statements of Zhuhai New Century Shipping Co., Ltd. and Shanghai Friendship Shipping Co., Ltd. have immaterial influence on the consolidation financial statements, so the financial statements of those two companies haven't been consolidated.

The financial position of the companies that haven't been consolidated are as follows:

Name of enterprise	Total assets	Equity	Net profit
Zhuhai New Century Shipping Co., Ltd.	156,293,977.07	60,051,246.27	82,669.30
Shanghai Friendship Shipping Co., Ltd.	30,752,985.13	25,271,657.05	5,271,657.05

4.2 The consolidated companies are described as follows:

The financial statements of China Shipping (Hong Kong) Marine Co., Ltd., Hainan Haixiang Shipping Industry Co., Ltd. have been consolidated.

Due to the fact that those two companies became the subsidiaries of the Group on 30 December 2001, so there was no consolidated income statement of the same period of last year.

5. Sub-Organizations

The Company has two sub-organizations, namely Tanker Company and Cargo Company.. Tanker Company has set up a sub-unit in Guangzhou, namely Tanker Company Guangzhou Branch.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Expressed in RMB yuan)

6.1 Cash and cash equivalent

Item	2002.6.30	2001.12.31
Cash in hand	3,258,593.52	3,241,485.28
Cash in bank	479,891,839.02	428,362,308.98
Cash equivalent	47,241,472.70	10,588,718.49
Total	<u>530,391,905.24</u>	<u>442,192,512.75</u>

Including: USD	1,017,132.15	Exchange rate	8.2771
HK\$	78,080,915.31	Exchange rate	1.0606
JP ¥	198,518.00	Exchange rate	0.0689
EUR	41,847.18	Exchange rate	8.1537

6.2 Notes receivables

Category of notes	2002.6.30	2001.12.31
Bank note	28,052,212.24	5,484,347.32
Business note	5,642,890.40	58,354,498.16
Total	<u>33,695,102.64</u>	<u>63,838,845.48</u>

6.3 Accounts receivables

Aging	2002.6.30	%	Provision for bad debts	2001.12.31	%	Provision for bad debts
<1 year	268,699,597.21	85.96	8,060,987.92	163,232,846.01	77.94	4,896,985.38
1-2 years	3,589,153.31	1.15	358,915.33	3,192,976.25	1.52	319,297.63
2-3 years	2,617,528.85	0.84	654,382.21	4,172,040.62	1.99	1,043,010.16
>3 years	37,663,050.94	12.05	27,441,367.77	38,821,630.16	18.55	26,723,067.71
Total	<u>312,569,330.31</u>	<u>100.00</u>	<u>36,515,653.23</u>	<u>209,419,493.04</u>	<u>100.00</u>	<u>32,982,360.88</u>

There are no receivables due from the shareholders who have the ownership over 5%.

The top five of accounts receivables:

Customer name	Amount	Description	Ageing
DAXIN	22,500,000.00	Freight	<1 year
China Union Petro Co., Ltd.	21,400,000.00	Freight	<1 year
CNOOC Ningbo Shipping Co., Ltd.	16,790,000.00	Freight	<1 year
China Union Petroleum & Chemical Co., Ltd.	15,700,000.00	Freight	<1 year
Beijing Jingsheng Oil Shipping Co., Ltd.	13,820,629.83	Freight	<1 year

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.4 Other Receivables

Aging	2002.6.30	%	Provision for bad debts	2001.12.31	%	Provision for bad debts
<1 year	111,659,900.71	92.59	1,116,599.01	105,985,632.37	92.35	1,059,856.32
1-2 years	878,328.66	0.72	8,783.29	2,188,535.03	1.92	21,885.35
2-3 years	1,939,929.28	1.61	19,399.29	2,530,000.00	2.20	25,300.00
>3 years	6,120,690.10	5.08	61,206.90	4,055,074.63	3.53	40,550.75
Total	<u>120,598,848.75</u>	<u>100.00</u>	<u>1,205,988.49</u>	<u>14,759,242.03</u>	<u>100.00</u>	<u>1,147,592.42</u>

There are no receivables due from the shareholders who have the ownership over 5%.

The top five of other receivables:

Customer name	Amount	Description	Ageing
Zhuhai New Century Shipping Co., Ltd.	21,083,185.45	Sale of Vessels	< 1 year
China Shipping (Hongkong) Co., Ltd.	17,179,344.00	Vessel chartering income	< 1 year
China Shipping Container Lines Co., Ltd.	9,646,882.29	Vessel chartering income	< 1 year
Shanghai Shipping (Group) Company	9,403,307.04	Prepayment hiring fee of sailors	< 1 year
Guangzhou Shipping (Group) Company	8,941,329.56	Prepayment hiring fee of sailors	< 1 year

6.5 Prepayments

Aging	2002.6.30	%	2001.12.31	%
< 1 year	238,579,739.00	81.56	284,027,815.62	70.34
1-2 years	384,616.61	0.13	113,541,975.18	28.12
2-3 years	51,773,155.09	17.70	45,421.52	
>3 years	1,792,911.58	0.61	6,186,652.88	1.54
Total	<u>292,530,422.28</u>	<u>100.00</u>	<u>403,801,865.20</u>	<u>100.00</u>

There are no receivables due from the shareholders who have the ownership over 5%.

The top four of prepayments:

Customer name	Amounts	Description	Ageing
SUPER DRAGON LTD.	194,495,491.44	Deposit	<1 year
PARAKOU SHIPPING LTD.	51,773,155.09	Finance lease payment	1-2 year
JADE QUEEN AVIGATION INC.	33,941,309.64	Deposit	< 1 year
CHINASHIPPINGSHIP-SERVICES CO., LTD.	6,539,690.80	Deposit	< 1 year

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.6 Inventories

Item	2002.06.30	2001.12.31
Bunker oil	110,316,969.43	107,962,452.42
Others	54,716.20	54,716.20
Total	110,371,685.63	108,017,168.62

6.7 Prepaid Expenses

Item	2002.01.01	Additions	Disposal	2002.06.30
Costs of unfinished voyages	6,895,226.00		6,895,226.00	0.00
Vehicle insurance	16,080.73		11,586.04	4,494.69
Vessel rent	-	265,319.25	-	265,319.25
Total	6,911,306.73	265,319.25	6,906,812.04	269,813.94

6.8 Long-term investments

Item	2002.01.01		Additions	Disposals	2002.06.30	
	Amount	Impairment			Amount	Amount
Long-term equity investment	172,393,058.68	-	-	126,459,574.52	45,933,484.16	-
Long-term debt investment	67,813.64	-	-	2,000.00	65,813.64	-
Total	172,460,872.32	-	-	126,461,574.52	45,999,297.80	-

(1) Long-term equity investment

a. Stock investment

Investee enterprise	Nature of stock	Stock Quantity	% of investee's registered capital	Amount of investment
Shanghai Yuanshui	Non-trading	92,000.00	< 5%	364,200.00

b. Other long-term equity investment

Investee	Term of investment	Ownership %	Cost of investment	Beginning balance	Addition of investment	Profit/loss of current period	Accumulated profit/loss	Ending balance
China Shipping Container Lines Co., Ltd.	Long-term	25%	450,260,000.00	129,194,220.20	-	-129,194,220.20	-450,260,000.00	-
Shanghai Baojiang Shipping Co., Ltd.	Long-term	10%	4,000,000.00	4,000,000.00	-	-	-	4,000,000.00
Zhuhai New Century Shipping Co., Ltd.	Long-term	50%	30,000,000.00	29,984,288.48	-	41,334.65	25,623.13	30,025,623.13
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	10,000,000.00	10,000,000.00	-	2,635,828.53	2,635,828.53	12,635,828.53
Total			494,260,000.00	173,178,508.68	-	-126,517,057.02	-447,598,548.34	46,661,451.66

For current period, the investment loss of China Shipping Container Lines Co., Ltd. was exceeded the carrying amount of long-term investment. According to Chinese Accounting Standards net loss incurred by the investee enterprise is generally recognized to the extent that reduces the carrying amount of the investment to zero. At the end of 30 June 2002, the carrying amount of that long-term investment has been adjusted to zero accordingly.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

c. Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hainan haixiang Shipping Industry Co., Ltd.	-1,149,650.00	57,482.50	- 1,092,167.50

On 31 December 2001, the Company purchased 95% equity of Hainan Haixiang Shipping Industry Co., Ltd. from Shanghai Shipping (Group) Company paying RMB 49,368,700.00. At the end of 31 December 2001, the equity of Hainan Haixiang Shipping Industry Co., Ltd. was RMB 53,177,210.53, so the short-fall of the equity investment difference was RMB 1,149,650.00 and the amortization period was 10 years.

(2) Long-term debt investments

Bond	Value	Annual rate	Holding amount	Maturity date	Accumulated interest	Ending balance
Housing bond	58,920.00	3.6%	58,920.00	2003.1	6,893.64	65,813.64
	<u>58,920.00</u>		<u>58,920.00</u>		<u>6,893.64</u>	<u>65,813.64</u>

6.9 Fixed Assets and Accumulated depreciation

Initial costs

	2002.1.1	Additions	Disposals	2002.6.30
Buildings	6,077,298.95	-	-	6,077,298.95
Vessels	11,668,468,757.97	341,917,226.08	21,079,972.85	11,989,306,011.20
Vehicles	9,147,232.09	-	1,180,259.47	7,966,972.62
Others	43,390,617.81	592,141.78	5,928,631.58	38,054,128.01
Total	<u>11,727,083,906.82</u>	<u>342,509,367.86</u>	<u>28,188,863.90</u>	<u>12,041,404,410.78</u>

Accumulated depreciation

	2002.1.1	Additions	Disposals	2002.6.30
Buildings	223,168.88	80,849.16	-	304,018.04
Vessels	4,809,546,995.20	421,355,467.98	2,025,266.20	5,228,877,196.98
Vehicles	3,813,933.32	751,777.63	901,957.00	3,663,753.95
Others	24,797,943.21	2,111,654.47	4,577,238.01	22,332,359.67
Total	<u>4,838,382,040.61</u>	<u>424,299,749.24</u>	<u>7,504,461.21</u>	<u>5,255,177,328.64</u>
Net value	<u>6,888,701,866.21</u>			<u>6,786,227,082.14</u>

There were 34 vessels in pledge and the net value of these vessels was RMB 2,313.41 million.

The initial book value of finance lease was RMB 2,137.45 million and the net value of those vessels was RMB 1,282.14 million.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.10 Construction in progress

Name of construction	Budget	2002.1.1	Additions	Transfer to fix assets	2002.06.30	Complete	Origin fund
Vessels purchase	189.22M(USD)	451,350,567.29	737,810,814.84	681,135,608.43	508,025,773.70	schedule	Self-financing/
Improvement vessels	127.96M(RMB)	3,358,607.87	22,987,815.17	-1,506,458.636	27,852,881.67	10%~80%	loans
Total		<u>454,709,175.16</u>	<u>760,798,630.01</u>	<u>679,629,149.80</u>	<u>535,878,655.37</u>	10%~60%	Self-financing

The capitalization of borrowing costs was RMB 9,227,570.35.

6.11 Intangible Assets

Item	Original Value	2002.01.01	Additions	Depreciation this year	Accumulated depreciation	2002.06.30	Left period
Housing use right	2,302,464.00	1,880,427.58	-	115,123.18	537,159.60	1,765,304.40	8 years
Land use right	4,145,716.00	3,869,334.89	-	41,457.18	317,838.29	3,827,877.71	46 years
Total	<u>6,448,180.00</u>	<u>5,749,762.47</u>	<u>-</u>	<u>156,580.36</u>	<u>854,997.89</u>	<u>5,593,182.11</u>	

6.12 Account Payable

	2002.06.30	2001.12.31
Fuel and use charges of ports	<u>224,864,814.08</u>	<u>283,868,843.74</u>

There are no payables due to the shareholders who have the ownership over 5%.

The aging of ending balances

Aging	2002.06.30	2001.12.31
< 1 year	170,033,072.69	229,452,399.52
1-2 years	11,056,002.19	8,864,590.00
2-3 years	7,018,038.00	2,674,982.76
> 3 years	36,757,701.20	42,876,871.46
Total	<u>224,864,814.08</u>	<u>283,868,843.74</u>

6.13 Advances from customers

Aging	2002.06.30	2001.12.31
< 1 year	6,541,023.06	15,876,308.35
1-2 years	2,616,707.54	1,815,257.61
2-3 years	1,717,581.25	-
> 3 years	3,389,923.57	3,765,364.98
Total	<u>14,265,235.42</u>	<u>21,456,930.94</u>

There are no payables due to the shareholders who have the ownership over 5%.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.14 Dividends payable

2002.01.01	Additions	Payment	2002.06.30
148,800,000.00	0.00	148,800,000.00	0.00

6.15 Tax payables

	2002.06.30	2001.12.31
Income Tax	10,565,549.37	17,106,496.33
Sales Tax	8,539,548.15	8,919,673.95
Tax of city construction	597,768.38	624,377.17
Total	19,702,865.90	26,650,547.45

6.16 Other tax payable

	2002.06.30	2001.12.31
Education affixation	256,186.44	267,590.22
Dike charges	85,395.48	87,639.53
Escuage charges	25,618.62	28,316.24
Maintenance for riverway	21,348.84	22,299.15
Stamp tax	4,920.61	3,301.49
Management fee for shipping	78,730.77	52,823.67
Freight affixation	8,676.67	8,676.67
Total	480,877.43	470,646.97

6.17 Other payable

	2002.06.30	2001.12.31
Total	128,307,118.27	268,785,790.27

There are no payables due to the shareholders who have the ownership over 5%.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

The top five of ending balances:

Description	2002.6.30	2001.12.31
Staff benefit etc	55,551,657.14	56,865,218.02
Indemnity of fell back	20,790,063.97	15,338,696.80
Guangzhou Shipping (Group) Company	-	25,401,529.44
China Shipping (Group) Company	-	133,341,626.60
Other borrowings for vessels	13,451,095.81	-

6.18 Accrued expenses

	2002.06.30	2001.12.31
Loan interest	4,097,872.88	5,954,460.60
Repair charges	51,285,286.79	1,524,380.79
Accrued fuels	1,792,797.07	-
Education charges	1,218,786.31	-
Insurance	481,928.83	-
Rent	-	380,000.00
Others	363,500.00	-
Total	59,240,171.88	7,858,841.39

6.19 Long-term loans

Bank	2002.01.01 (Equivalent RMB)	2002.06.30 (Equivalent RMB)	Maturity	Interest rate	Notes
ICBC	1,349,771,300.00	1,548,584,300.00	2004-2012	5.94-6.21%	Vessels pledge
Indosuez Asia Shipfinance Services Ltd.	122,597,137.50	-			
	1,472,368,437.50	1,548,584,300.00			

The aging of long-term loans:

Aging	RMB loans
1-2 years	266,856,000.00
2-3 years	275,606,000.00
3-5 years	393,062,000.00
> 5 years	613,060,300.00
Total	1,548,584,300.00

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.20 Long-term liabilities due within 1 year

Loan sort	2002.06.30	2001.12.31	Aging	Interest Rate	Notes
Bank loans	197,123,000.00	242,673,250.00	< 1 year	5.94%~6.21%	Vessels pledged
Non-bank institution loans	119,021,181.65	205,597,671.13	< 1 year	3.25%, LIBOR+1.25%~1.4%	Vessels pledged
Total	316,144,181.65	448,270,921.13			

6.21 Long-term payables

	2002.06.30	2001.12.31
Finance lease payables	147,493,922.23	241,827,148.67
	147,493,922.23	241,827,148.67

The details of ending balance:

Enterprise	Term	Original amount	Interest rate	Original balance	Payment	Ending balance
NISSHOIWAIHONGKONGASSOCIATION LONGCHAMPIONSHIPPINGLTD.	1995.9.13-2003.9.13	10,850,000(USD)	LIBOR+1.5%	USD 1,406,160.00	USD 703,080.00	USD 703,080.00
NISSHOIWAIHONGKONGASSOCIATION LONGCHAMPIONSHIPPINGLTD.	1995.10.30-2003.10.30	10,850,000(USD)	LIBOR+1.5%	USD 1,563,880.00	USD 781,940.00	USD 781,940.00
AVESMARITIMES.A.PANMA	1995.1.20-2003.1.20	14,040,000(USD)	LIBOR+1.4%	USD 124,750.00	USD 124,750.00	
BLUEJAYMARITIMES.A.PANMA	1995.3.6-2003.3.6	14,040,000(USD)	LIBOR+1.4%	USD 438,750.00	USD 438,750.00	
CANARYMARITIMES.A.PANMA	1995.4.27-2003.4.27	14,040,000(USD)	LIBOR+1.4%	USD 580,500.00	USD 580,500.00	
DUCKHAWKSHIPPINGS.A.PANMA	1995.6.13-2003.6.13	14,040,000(USD)	LIBOR+1.4%	USD 877,500.00	USD 877,500.00	
THECHASEMANHATTANBANK						
MASTERHARVESTMARITIMEINC.PANMA	1996.12.18-2004.8.18	25,000,000(USD)	LIBOR+1.25%(1-4)/LIBOR+1.5%(5~11年)	USD 214,253.38	USD 107,127.11	USD 107,126.27
INDOSUEZASIASHIPFINANCESERVICESLIMITED	1996.11.12-2004.11.12	18,000,000(USD)	LIBOR+1.25%	USD 7,734,375.00	USD 7,734,375.00	
Total		<u>120,860,000.00</u>				<u>USD 1,592,146.27</u>
						Equivalent
						<u>RMB 13,178,353.89</u>
China Import& Export Bank	1995.5.23-2007.5.23	41,694,300(DEM)	3.25%	DEM 17,056,752.00	DEM 1,895,196.00	<u>DEM 15,161,556.00</u>
China Import& Export Bank	1995.10.5-2007.10.5	41,694,300(DEM)	3.25%	DEM 18,951,948.00	DEM 1,895,196.00	<u>DEM 17,056,752.00</u>
Total						<u>DEM 32,218,308.00</u>
						Equivalent
						<u>RMB 134,315,568.34</u>

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.22 Other Long-term loans

2001.12.31	Additions	Disposals	2002.06.30
724,514,000.00	-	724,514,000.00	-

The amount was due to China Shipping (Group) Company for purchasing vessels and was cleared before 30 June 2002.

6.23 Deferred tax credits

2002.06.30	2001.12.31
2,794,573.52	2,794,573.52

The amount was due to tax upon the increment of evaluation that the Company invested to CSCL by investing vessels in year 1997.

6.24 Deferred revenue

2002.06.30	2001.12.31
8,905,168.91	10,666,737.85

In current period, the Company dealt the lease back transaction with Zhuhai New Century Shipping Co., Ltd. The outstanding amount was due to that transaction. The initial cost of those vessels was RMB 27,257,875.24, the accumulated depreciation was RMB 18,224,613.09, and the sales price was RMB 19,700,000.00. The Company amortized the deferred revenue on the proportion of payment from 2002.

6.25 Share capital

Quantity: 10 thousand Par Value: 1

	2001.12.31	Addition	Others	Sub-total	2002.6.30
1, Non-trading shares					
Including : State-owned legal person shares	168,000				168,000
2. Trading shares					
H shares	129,600				129,600
A shares		35,000		35,000	35,000
3. Total	297,600				332,600

The Company has issued 350 million A shares which are listed on Shanghai Stock Exchange with par value of RMB 1 to mainland Chinese investors.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.26 Capital surplus

Item	2001.12.31	Increase	Decrease	2002.6.30
Share premium	1,548,581,979.43	475,295,899.52	-	2,023,877,878.95
Provided from equity investment	15,835,916.60	-	-	15,835,916.60
Other	14,006,898.00	-	-	14,006,898.00
Total	1,578,424,794.03	475,295,899.52	-	2,053,720,693.55

In May 2002, the Group issued 350 million A shares. The total issuing amount was RMB826,000,000, the frozen interest was RMB24,227,437.52, the issuing fee was RMB 24,931,838, and the actual amount received by the Company was RMB 825,295,899.52. The amount of RMB350,000,000 was recorded in share capital and the amount of RMB 475,295,899.52 was recorded in capital surplus.

6.27 General reserves

Item	2002.1.1	Increase	Decrease	2002.6.30
Statutory surplus reserve	128,846,135.30	-	-	128,846,135.30
Statutory public welfare reserve	289,052.59	-	-	289,052.59
Other reserve	3,155,728.78	-	-	3,155,728.78
Total	132,290,916.67	-	-	132,290,916.67

6.28 Retained earnings

	Amount
2002.1.1	397,765,020.31
Net profit for the year	250,242,189.85
Distributable profit	648,007,210.16
Transfer to general reserves	-
2002.6.30	648,007,210.16