

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.29 Other operating income

Item	2002.1-6			2001.1-6		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	72,534,816.82	57,822,580.94	14,712,235.88	64,813,841.68	53,787,890.95	11,025,950.73
Manage for vessels	4,437,401.71	1,589,742.51	2,847,659.20	10,096,498.00	-	10,096,498.00
Sales of coals	13,643,794.99	13,576,667.79	67,127.20			
Agency commission	2,262,574.64	2,489,742.06	-227,167.42			
Others	95,000.00	41,457.18	53,542.82	197,115.30	340,177.90	-143,062.60
Total	92,973,588.16	75,520,190.48	17,453,397.68	75,107,454.98	54,128,068.85	20,979,386.13

6.30 Finance expense

Item	2002.1-6	2001.1-6
Interest expense	76,660,536.43	90,672,551.31
Interest income	(3,375,053.75)	(3,494,062.55)
Exchange gain and loss	19,536,443.73	(14,481,758.29)
Othe	236,118.43	2,746,435.35
Total	93,058,044.84	75,443,165.82

The expense increased 23.35% compared to that of the same period of last year. It was due to the increase of EUR exchange rate and the exchange loss of long-term payables was RMB 19,536,443.73 accordingly.

6.31 Investment income

Item	2002.1-6	2001.1-6
Equity investment income	-126,348,343.85	-47,453,604.23
Debt investment income	360.00	-
Stock investment income	2,642,956.01	241,727.98
Total	-123,705,027.84	-47,211,876.25

The investment loss increased was due to the net loss of CSCL for the period from January to June of year 2002.

Notes to condensed consolidated financial statements (Continued)

6. Notes to Financial Statements (Continued)

6.32 Non-operating income

Item	2002.1-6	2001.1-6
Sales of vessels	-	3,995,214.16
Sales of other assets	552.00	-
Penalty income	100,000.00	232.86
Other	-	-
Total	100,552.00	3,995,447.02

6.33 Non-operating expense

Item	2002.1-6	2001.1-6
Sales of other assets	662,451.04	15,817.45
Penalty expense	122,964.12	102,000.00
Other	38,940.00	5,880.00
Total	824,355.16	123,697.45

7. Brief notes to financial statements of holding company

7.1 Long-term investment

Item	Beginning balance		Addition Amount	Decrease Amount	Ending balance	
	Amount	Impairment			Amount	Impairment
Long-term equity investment	227,051,408.68	-	6,839,336.64	129,248,402.28	104,642,343.04	-
Long-term debt investment	67,813.64	-	-	2,000.00	65,813.64	-
Total	227,119,222.32	-	6,839,336.64	129,250,402.28	104,708,156.68	-

(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 Company	Non-trading	92,000.00	<5%	364,200.00

Notes to condensed consolidated financial statements (Continued)

7. Brief notes to financial statements of holding company (Continued)

b. Other 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
Zuhai 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
China Shipping Development (Hongkong) Marine Co., Ltd.	Long-term	99%	4,140,000.00	4,140,000.00	-	-54,182.08	-54,182.08	4,085,817.92
Haina Haixiang Shipping Industry Co., Ltd.	Long-term	95%	50,518,350.00	50,518,350.00	-	4,104,690.96	-	54,623,040.96
Equity investment difference			-	-1,149,650.00	57,482.50	-	-	-1,092,167.50
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			<u>548,918,350.00</u>	<u>226,687,208.68</u>	<u>57,482.50</u>	<u>-122,466,548.14</u>	<u>-447,652,730.42</u>	<u>104,278,143.04</u>

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.

(2) Long-term debt investment

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>

8. Segmental Information

Industry	Revenue		Cost		Profit	
	2002.1-6	2001.1-6	2002.1-6	2001.1-6	2002.1-6	2001.1-6
Cargo shipment	<u>2,145,987,690.77</u>	<u>1,794,545,972.05</u>	<u>1,494,340,564.60</u>	<u>1,323,428,387.82</u>	<u>597,522,906.84</u>	<u>427,493,713.26</u>

Notes to condensed consolidated financial statements(Continued)

9. The Difference between Chinese Accounting Standards and HK GAAP

(Unit: RMB '000)

	2002.1-6	2001.1-6
Net profit under Chinese Accounting Standards	250,242	206,909
Adjustments for depreciation, income of vessels sales, deferred staff expense and others	11,976	(28,709)
Net profit under HK GAAP	262,218	178,200
	2002.6.30	2001.12.31
Owners' equity under Chinese Accounting Standards	6,160,019	5,084,481
Dividend distributed	-	148,800
Adjustments for housing fund	102,863	109,255
Adjustments for revaluation surplus, depreciation, income of vessels sales and others	30,636	12,268
Owners' equity under HK GAAP	6,293,518	5,354,804

10. Related Party Transactions and Outstanding Balances

10.1 The related parties that the Group controls

Name of related party	Registered address	Engaged business	Relationship	Economic type	Corporate delegate
China Shipping (Group) Company	700 Dongdaming Road, Shanghai	Cargo shipment along sea, ocean, domestic transportation for goods	Holding company	State	Li Keiling
Shanghai Friendship Shipping Co., Ltd.	Room 520, Jilong Road, Waigaoqiao free trade zone, Shanghai	Transportation for goods along sea and Changjiang River, National trading, Transit trading, Trading in free trade zone	Subsidiaries	State	Huang Youfeng
Zhuahai New Century Shipping Co., Ltd.	Room 502, No 2 building, Linggang industry area, Zhuhai	Transportation for goods along sea and Changjiang River, International transportation seaborne, Ship leasing, service	Subsidiaries	State	Han Jianguo

Notes to condensed consolidated financial statements (Continued)

10. Related Party Transactions and Outstanding Balances (Continued)

10.2 The change in registered capital of the related parties that the Group controls (unit: RMB '000)

Name of related party	Beginning balance	Addition	Decrease	Ending balance
China Shipping (Group) Company	6,611,950	-	-	6,611,950
Shanghai Friendship Shipping Co., Ltd.	20,000	-	-	20,000
Zhuahai New Century Shipping Co., Ltd.	60,000	-	-	60,000
	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>

10.3 The change in ownership of the related parties that the Group controls

(unit: RMB '000)

Name of related party	Beginning balance		Addition		Decrease		Ending balance	
	Amount	%	Amount	%	Amount	%	Amount	%
China Shipping (Group) Company	1,680,000.00	56.45	-	-	-	-	1,680,000.00	50.51
Shanghai Friendship Shipping Co., Ltd.	10,000.00	50.00	-	-	-	-	10,000.00	50.00
Zhuahai New Century Shipping Co., Ltd.	30,000.00	50.00	-	-	-	-	30,000.00	50.00
	<u>30,000.00</u>	<u>50.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000.00</u>	<u>50.00</u>

10.4 The nature of the related parties that the Group has no control

Name of related party	Relationship
China Shipping Container Lines Co., Ltd.	affiliated
China Shipping Passenger Liner Co., Ltd.	be controlled by the same holding company
China Shipping Industry Co., Ltd.	be controlled by the same holding company
China Shipping Ship-Service Agency Co., Ltd.	be controlled by the same holding company
China Shipping International Trading Co., Ltd.	be controlled by the same holding company
China Shipping Supplies Co., Ltd.	be controlled by the same holding company
Shanghai Shipping (Group) Company	be controlled by the same holding company
Guangzhou Maritime (Group) Co., Ltd.	be controlled by the same holding company
Dalian Shipping (Group) Co., Ltd.	be controlled by the same holding company
China Shipping Tele-communication Co., Ltd.	be controlled by the same holding company
China Shipping (Hong Kong) Marine Co., Ltd.	be controlled by the same holding company
JADE QUEEN NAVIGATION INC.	be controlled by the same holding company
SUPER DRAGON LTD.	be controlled by the same holding company
Shanghai Puhai shipping Co., Ltd.	be controlled by the same holding company

Notes to condensed consolidated financial statements(Continued)

10. Related Party Transactions and Outstanding Balances (Continued)

10.5 Related party transactions

The detailed information of related party transaction

Lease of vessels

Name of related party	Pricing basis	2002.1-6	2001.1-6
China Shipping Container Lines Co., Ltd.	Agreement prices	30,043	30,044
Shanghai Puhai Shipping Co., Ltd.	Agreement prices	600	600
China Shipping (Hongkong) Marine Co., Ltd.	Agreement prices	34,170	34,170
Shanghai Friend Shipping Co., Ltd.	Agreement prices	2,322	-

(2) Sales of vessels

Name of related party	Pricing basis	2002.1-6	2001.1-6
China Shipping Industry Co., Ltd.	Agreement prices	-	2,800

(3) Vessel management fees

On 17 November 1999, the Company entered into a supplementary agreement of vessels management with Guangzhou Shipping (Group) Company and Dalian Shipping (Group) Company for the management of 21 oil tanker of Guangzhou Shipping, 31 goods vessels and 7 vessels of Dalian Shipping.

Name of related party	Pricing basis	2002.1-6	2001.1-6
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	4,680	9,055
Dalian Shipping (Group) Co., Ltd.	Agreement prices	1,041	1,041
Shanghai Friendship Shipping Co., Ltd.	Agreement prices	714	-
Zhuhai New Century Shipping Co., Ltd.	Agreement prices	137	-

Notes to condensed consolidated financial statements (Continued)

10. Related Party Transactions and Outstanding Balances (Continued)

(4) A services Agreement dated 19 March 1998 between the Company and China Shipping became effective subsequent to an approval by the independent shareholder at an extraordinary general meeting held on 26 May 1998. Pursuant to the Services Agreement China Shipping (or its subsidiaries) will provide to the Company the necessary supporting shipping materials and services for the on-going operations of dry-docking and repairs services, lubricating oil, fresh water supplies ,raw material, bunker oil, as well as other services. The Services Agreement is effective for a period of ten years.

(a) Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for life boats

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	7,429	1.78%	716
Shanghai Shipping (Group) Company	Market price	5,558	1.33%	903
China Shipping Supplies Co., Ltd.	Market price	252,140	60.43%	219,741

(b) Whitewashing and oily water treatment for vessels:

Company	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
China Shipping Supplies Co., Ltd.	State-fixed prices or market prices	3,429	70.80%	3,046

(c) Installation, repairs and maintenance of telecommunication and navigational services:

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
China Shipping Tele-communication Co., Ltd.	State-fixed prices	6,616	56.61%	6,825

(d) Dry-docking and repairs:

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
China Shipping Supplies Co., Ltd.	State-fixed prices	12,565	10.35%	8,324
China Shipping Industry Co., Ltd.	State-fixed prices	49,434	40.73%	70,836
Guangzhou Maritime (Group) Co., Ltd.	Market price	5,540	4.56%	4,424
Shanghai Shipping (Group) Company	Market price	8,275	6.82%	9,025
China Shipping International Trading Co., Ltd.	Market price	9,094	7.49%	1,454
China Shipping Tele-communication Co., Ltd.	Market price	372	0.31%	

(e) Hiring of sea crew

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	64,186	64.80%	34,790
Dalian Shipping (Group) Co., Ltd.	Market price	1,414	1.43%	1,177

Notes to condensed consolidated financial statements (Continued)

10. Related Party Transactions and Outstanding Balances (Continued)

(f) Accommodation, lodging and transportation for employees

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
Shanghai Shipping (Group) Company	Market price	2,720	100%	2,720

(g) Medical services (for existing employees)

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
Shanghai Shipping (Group) Company	State-fixed prices	-		8,231

(h) Miscellaneous management services

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
Guangzhou Maritime (Group) Co., Ltd.	Agreement price	12,414	49.17%	7,441
China Shipping (Group) Company	Agreement price	6,000	23.77%	9,000
Shanghai Shipping (Group) Company	Agreement price	3,215	12.74%	6,409
China Shipping Supplies Co., Ltd.	Market price	273	1.08%	-

(i) Agency commissions

Name of related party	Pricing basis	2002.1-6	Proportion of the same business	2001.1-6
China Shipping Agency Co., Ltd.	Market prices	15,854	63.10%	12,661
Shanghai Shipping (Group) Company	Market prices	5,085	20.24%	890
Guangzhou Maritime (Group) Co., Ltd.	Market prices	664	2.64%	-
China Shipping Supplies Co., Ltd.	Market prices	180	0.72%	-

(5) Interest Paid

Name of related party	Pricing basis	2002.1-6	2001.1-6
China Shipping (Group) Company	Market prices	18,627	8,802

(6) Vessel chartering charges paid

Name of related party	Pricing basis	2002.1-6	2001.1-6
Shanghai Shipping (Group) Company	Agreement price	13,338	14,298
Zhuhai New Century Shipping Co., Ltd.	Agreement price	1,810	-

(7) Purchase of Vessels

Name of related party	Pricing basis	2002.1-6	2001.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market prices	-	1,035,020

Notes to condensed consolidated financial statements (Continued)

10. Related Party Transactions and Outstanding Balances (Continued)

10.6 The outstanding balances of related party (RMB '000)

Item	Amount		%	
	2002.06.30	2001.12.31	2002.06.30	2001.12.31
Accountsreceivables:				
Shanghai Shipping (Group) Company	5,600	6,500	2.03%	3.68%
Guangzhou Maritime (Group) Co., Ltd.	-	487	-	0.28%
China Shipping Agency Co., Ltd.	206	-	0.01%	-
Otherreceivables:				
Shanghai Shipping (Group) Company	9,403	32,863	7.88%	28.93%
Dalian Shipping (Group) Company	3,136	2,095	2.63%	1.84%
Guangzhou Maritime (Group) Co., Ltd.	8,941	3,589	7.49%	3.16%
China Shipping (Hongkong) Marine Co., Ltd.	17,179	11,484	14.39%	10.11%
China Shipping Container Lines Co., Ltd.	9,647	8,235	8.08%	7.25%
China Shipping Agency Co., Ltd.	3,050	3,050	2.55%	2.68%
China Shipping Tele-communication Co., Ltd.	500	500	0.01%	0.44%
China Shipping International Trading Co., Ltd.	-	5,999	-	5.28%
China Shipping Supplies Co., Ltd.	1,000	1,000	0.84%	0.88%
Zhuhai New Century Shipping Co., Ltd.	21,083	-	17.66%	-
Shanghai Friendship Shipping Co., Ltd.	714	-	0.60%	-
Puhai Marine Co., Ltd.	550	-	0.46%	-
Prepayments:				
China Shipping Agency Co., Ltd.	6,540	4,030	2.24%	1.00%
JADEQUEEN NAVIGATION INC.	33,941	59,684	11.60%	14.78%
SUPER DRAGON LTD.	194,495	214,458	66.49%	53.11%
Accounts Payable:				
China Shipping Industry Co., Ltd.	27,294	17,762	12.14%	6.26%
China Shipping Supplies Co., Ltd.	20,714	25,244	9.21%	8.89%
Guangzhou Maritime (Group) Co., Ltd.	37	624	0.01%	0.22%
Dalian Shipping (Group) Company	592	551	0.26%	0.19%
China Shipping Agency Co., Ltd.	636	-	0.28%	-
Shanghai Shipping (Group) Company	601	-	0.27%	-
Other Payable:				
Guangzhou Maritime (Group) Co., Ltd.	7,404	25,402	5.77%	9.45%
Dalian Shipping (Group) Company	931	680	0.73%	0.25%
Shanghai Shipping (Group) Company	-	267	-	0.10%
China Shipping (Group) Company	4,600	133,341	3.59%	42.16%
Shanghai New Century Marine Co., Ltd.	1,810	-	1.41%	-
Other long-term liabilities				
China Shipping (Group) Company	-	724,514	-	100%

11. Contingency

1. Approved by the Board of Directors held in Oct.2001, the Company plans to offer guaranty to Baojiang, a related company in which the Company holds 10% ownership, for its shipping finance with amount of RMB 8 million. By the end of 30th June 2002, the amount of loan agreement, which entered into between Baojiang with the lenders, was 66 million. The company accordingly guaranteed with amount of 6.6 million.
2. Approved by the Board of Directors held in Oct.2001, the Company plans to offer guaranty to New Century with amount of RMB 42 million, a subsidiary company in which the Company holds 50% ownership. By the end of 30th June 2002, the Company has given guaranty for the loan agreement with amount of 27 million, which was entered into by New Century with China Merchant Bank Guangzhou Branch. The outstanding loan balance of New Century was 54 million as of 2002.6.30.

12. Post balance sheet events

Based on the resolution of Board of Directors on 2 August 2002, the Company will inject additional capital of RMB 47.5 million to Hainan Haixiang Marine Industry Co., Ltd.

The Company plans to start the constructions of 2 vessels and the estimated total costs will be USD 46.96 million. The constructions plan to complete in March and July 2004.

The Company will financing from ICBC by providing vessels pledge. The amount will be up to RMB 299 million that accounted for 77% of the investment.

13. Non-monetary transaction

The Group has no material non-monetary transactions that need to be disclosed.

14. Debt restructuring

The Group has no material debt restructuring that needs to be disclosed.

