

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 issued 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 Chinese mainland investors and the paid-in capital was increased to RMB 3,326 million. The business scope involves oil and cargo shipment (along the sea, ocean, the Chang'jiang 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., Hai'nan Hai'xiang Shipping Industry Co., Ltd. and associates, namely Zhu'hai New Century Shipping Co., Ltd., Shanghai Friendship Shipping Co., Ltd., 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, i.e. 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

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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
< 1 Year	3%
1-2 Years	10%
2-3 Years	25%
> 3 Years	50%

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.

Based on 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. The provision of devaluation inventory is made on the individual item.

2.9 Short-term investment

Short-term investments are initially recorded at the actual cost (including taxes, handling charges) . It 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 stated 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.

Notes to condensed consolidated financial statements

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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 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.

Notes to condensed consolidated financial statements

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2.11 Fixed assets and depreciation

The fixed assets include buildings, ships, vehicles with useful life exceed 1 year and other equipments or tools related to operation with unit price over RMB 2000 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.

The company has changed useful life and scalp rate on Vessels, seeing details in 2.20. The contrast sheet of useful life and annual depreciated rate on fixed assets is listed as following:

	Before change		After change	
	Useful life	Annual depreciated rate	Useful life	Annual depreciated rate
Vessels	8-19 years	4%-4.81%	17-22years	4%
Buildings	30 years	4.6%	30 years	4.6%
Vehicles	5-8 years	4%	5-8 years	4%
Other equipments	5-8 years	4%	5-8 years	4%

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.

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 ceased 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.

Notes to condensed consolidated financial statements

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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.

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.

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.

Notes to condensed consolidated financial statements

(continued)

2.15 Borrowing costs (Continued)

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

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 occurred 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.

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 affiliation, the consolidated financial statements adopts proportion method for consolidation.

Notes to condensed consolidated financial statements

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2.20 Accounting Estimation Alteration

According to the resolution of Board of Directors on 12th Aug 2003, the company has changed useful life and scalp rate on Vessels since 1st Jan 2003:

- (1) The useful life is changed to 17-22 years for oil vessels and 22 years for cargo vessels and the useful life for second-hand vessels is considered as remaining life subject to above policy, when the vessels were purchased.
- (2) Scalp rate 4%
According to the change on the accounting estimation above, the accumulated depreciation this period decreases by RMB 39,050,271.90, and net profit this period increases by RMB 34,795,541.06 as well.

3. Tax rates

- 3.1 The rate of business tax is 3% or 5%.
- 3.2 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.
- 3.3 According to the tax regulations of PRC, other taxes are provided periodically.

4. Subsidiaries and Associated Companies

4.1 Subsidiaries and Associated Companies

Company name	Registered capital	Engaged business	% of registered capital
Hai'nan Hai'xiang Shipping Industry Co., Ltd.	RMB 101 million	Oil and cargo shipment	95
Zhu'hai 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 Development (Hong Kong) Marine Co., Ltd. (Note 1)	USD 500,000	Cargo shipment	100

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 Development (Hong Kong) Marine Co., Ltd to the Company, so the Company in reality owns 100% ownership of that company.

Note 2: The total assets, revenue and net profit in the financial statements of Zhu'hai New Century Shipping Co., Ltd. and Shanghai Friendship Shipping Co., Ltd. is less than 10% of the relevant amount in the consolidation financial statements, so the financial statements of those two companies haven't been consolidated.

Notes to condensed consolidated financial statements

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4.1 Subsidiaries and Associated Companies (Continued)

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

Name of enterprise	Total assets	Revenue	Net profit
Zhuhai New Century Shipping Co., Ltd.	183,068,518.09	23,842,471.86	186,315.65
Shanghai Friendship Shipping Co., Ltd.	38,794,656.67	33,921,229.20	2,345,159.96

4.2 The consolidated companies are described as follows:

The financial statements of China Shipping Development (Hong Kong) Marine Co., Ltd., Hai'nan Hai'xiang Shipping Industry Co., Ltd. have been consolidated.

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.

6. Notes to financial statements (Expressed in RMB)

6.1 Cash and cash equivalents

Item	2003.6.30	2002.12.31
Cash on hand	1,542,040.42	2,764,905.26
Cash in bank	561,944,280.45	625,863,711.58
Cash equivalent	58,125.76	86,375,646.50
Total	<u>563,544,446.63</u>	<u>715,004,263.34</u>

Including: USD	49,390,406.89	Exchange rate	8.2774
HKD	123,879.49	Exchange rate	1.0612
JPY	164,581.00	Exchange rate	0.06928
EUR	41,928.24	Exchange rate	9.4649

6.2 Notes Receivable

Category of notes	2003.6.30	2002.12.31
Bank draft	29,160,651.53	16,723,216.00
Trade acceptance	5,736,251.10	28,060,292.81
Total	<u>34,896,902.63</u>	<u>44,783,508.81</u>

No material pledged and impaired notes receivable that required to be disclosed in the financial statement up to the report dates.

Notes to condensed consolidated financial statements (continued)

6.3 Accounts Receivable

Aging	2003.6.30	%	Provision for bad debts	2002.12.31	%	Provision for bad debts
< 1 year	254,695,637.59	87.30	7,640,869.13	208,461,979.99	83.96	6,253,859.40
1-2 years	40,000.00	0.01	4,000.00	7,721,638.74	3.11	772,163.87
2-3 years	85,000.00	0.03	21,250.00	3,246,938.01	1.31	811,734.50
>3 years	36,925,141.01	12.66	29,017,829.90	28,851,740.11	11.62	21,448,122.69
Total	291,745,778.60	100.00	36,683,949.03	248,282,296.85	100.00	29,285,880.46

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

The top five of accounts receivable:

Customer name	Amount	Description	Ageing
Ning'bo Oil Shipping Co., Ltd.	23,771,000.00	Freight	<1 year
Beijing Jing'sheng Oil Shipping Co., Ltd.	17,242,000.00	Freight	<1 year
Shanghai Gui'long Co., Ltd.	17,089,000.00	Freight	<1 year
GLASFORD	17,006,000.00	Freight	<1 year
Ning'bo Ja'li Ship Services Co., Ltd.	7,757,000.00	Freight	<1 year

6.4 Other Receivables

Aging	2003.6.30	%	Provision for bad debts	2002.12.31	%	Provision for bad debts
< 1 year	69,976,572.96	71.22	699,765.73	129,389,126.13	79.85	1,293,891.26
1-2 years	22,570,544.23	22.98	225,705.44	25,514,000.46	15.75	255,140.01
2-3 years	591,296.58	0.60	5,912.97	1,517,407.89	0.94	15,174.08
>3 years	5,111,107.30	5.20	51,111.07	5,610,357.30	3.46	56,103.57
Total	98,249,521.07	100.00	982,495.21	162,030,891.78	100.00	1,620,308.92

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

The ending balance of other receivables decreases by 39% compared with the relevant amount on 31st Dec 2002, which is caused by the reclassification between receivables and payables.

The top five of other receivables:

Customername	Amount	Description	Ageing
Zhu'hai New Century Shipping Co., Ltd.	19,700,000.00	Sale of Vessels	< 1 year
China Shipping (Hong Kong) Marine Co., Ltd.	17,431,168.70	Vessel chartering income	< 1 year
Guangzhou Maritime (Group) Company	13,007,862.64	Substitutive miscellaneous fee	< 1 year
Shanghai Shipping (Group) Company	9,244,406.78	Advance payment for fees of sailors	< 1 year
China Shipping Agency Co., Ltd.	3,050,000.00	Deposit	< 3 year

Notes to condensed consolidated financial statements (continued)

6.5 Advance to suppliers

Aging	2003.6.30	%	2002.12.31	%
< 1 year	324,190,291.21	97.50	179,493,657.28	92.61
1-2 years	1,681,262.92	0.51	2,420,926.15	1.25
2-3 years	290,061.41	0.09	11,887,810.00	6.13
>3 years	6,330,991.30	1.90	5,481.30	0.01
Total	<u>332,492,606.84</u>	<u>100.00</u>	<u>193,807,874.73</u>	<u>100.00</u>

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

The ending balance of advance to suppliers rises by 72% compared with the relevant amount on 31st Dec 2002, due to the operation increased with the agency named Super Dragon Ltd.

The top five of prepayments:

Customer name	Amounts	Description	Aging
SUPERDRAGONLTD.	262,713,490.31	Deposit	<1 year
JADEQUEEN NAVIGATION INC.	23,978,718.21	Deposit	< 1 year
Shanghai Shipping (Group) Company	22,640,775.84	Advance payment for fees of sailors	< 1 year
PARAKOU Shipping Ltd.	11,333,381.06	Advance for Finance lease & Deposit	< 1 year
China Shipping Agency Co., Ltd.	6,395,713.71	Deposit	< 1 year

6.6 Inventories

Item	2003.06.30	2002.12.31
Bunker oil	109,624,808.34	115,819,073.84
Others	54,716.20	54,716.20
Total	<u>109,679,524.54</u>	<u>115,873,790.04</u>

6.7 Prepayments

Item	2003.01.01	Additions	Disposal	2003.06.30
Vehicle insurance	20,160.96	689,194.54	374,738.23	334,617.27
Housing Rental	-	299,306.40	187,066.50	112,239.90
Others	265,319.25	16,000.00	10,000.00	271,319.25
Total	<u>285,480.21</u>	<u>1,004,500.94</u>	<u>571,804.73</u>	<u>718,176.42</u>

6.8 Long-term investments

Item	2003.01.01		Additions	Disposals	2003.06.30	
	Amount	Impairment			Amount	Amount
Long-term equity investment	49,982,768.75	-	1,323,220.31	-	51,305,989.06	-
Long-term debt investment	65,813.64	-	-	-	65,813.64	-
Total	<u>50,048,582.39</u>	<u>-</u>	<u>1,323,220.31</u>	<u>-</u>	<u>51,371,802.70</u>	<u>-</u>

Notes to condensed consolidated financial statements (continued)

6.8 Long-term investments (Continued)

(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	101,200	< 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
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	-	93,157.83	585,769.95	30,585,769.95
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	10,000,000.00	10,000,000.00	-	1,172,579.98	7,333,221.61	17,333,221.61
Total			<u>44,000,000.00</u>	<u>50,653,253.75</u>	<u>-</u>	<u>1,265,737.81</u>	<u>7,918,991.56</u>	<u>51,918,991.56</u>

c. Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hai'nan Hai'xiang Shipping Industry Co., Ltd.	-1,034,685.00	57,482.50	- 977,202.50

On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang 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 Hai'nan Hai'xiang 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	<u>58,920.00</u>	3.6%	<u>58,920.00</u>	2003.09	<u>6,893.64</u>	<u>65,813.64</u>

6.9 Fixed Assets and Accumulated depreciation

Initial costs	2003.1.1			Disposals	2003.6.30
	Value	Additions	Disposals		
Buildings	6,422,298.95	-	-	-	6,422,298.95
Vessels	12,405,759,762.90	456,537,529.37	-	51,870,034.64	12,810,427,257.63
Vehicles	9,652,299.69	1,430,546.00	-	808,000.00	10,274,845.69
Others	36,914,203.87	1,999,318.47	-	1,974,663.83	36,938,858.51
Total	<u>12,458,748,565.41</u>	<u>459,967,393.84</u>	<u>-</u>	<u>54,652,698.47</u>	<u>12,864,063,260.78</u>

Notes to condensed consolidated financial statements (continued)

6.9 Fixed Assets and Accumulated depreciation (Continued)

Accumulated depreciation	2003.1.1	Additions	Disposals	2003.6.30
Buildings	388,281.27	84,946.05	-	473,227.32
Vessels	5,619,907,481.83	393,767,967.87	45,432,028.76	5,968,243,420.94
Vehicles	4,194,289.05	600,803.07	500,960.00	4,294,132.12
Others	22,724,744.03	2,051,303.30	622,057.13	24,153,990.20
Total	<u>5,647,214,796.18</u>	<u>396,505,020.29</u>	<u>46,555,045.89</u>	<u>5,997,164,770.58</u>
Net value	<u>6,811,533,769.23</u>			<u>6,866,898,490.20</u>

There were 33 vessels mortgaged and the net value of these vessels was RMB 2,093.76 million.

The original costs of vessels by financial lease were RMB 453.22million and the net value of those vessels was RMB 250.69 million.

6.10 Construction in progress

Name of construction	2002.1.1	Additions	Transfer to fix assets	Transfer to long term deferred assets	Transfer to other receivable	2002.06.30	Complete schedule	Origin fund
Vessels purchase	683,482,867.64	499,521,988.28	456,312,555.77	26,661,600.00	4,083,085.63	695,947,614.52	10%-90%	Self-financing/loans
Improvement of vessels	1,240,235.12	3,704,090.45	170,577.00	-	-	4,773,748.57	10%-60%	Self-financing
Others	1,412,335.21	289,470.00	22,200.00	-	-	1,679,605.21	50%	Self-financing
Total	<u>686,135,437.97</u>	<u>503,515,548.73</u>	<u>456,505,332.77</u>	<u>26,661,600.00</u>	<u>4,083,085.63</u>	<u>702,400,968.30</u>		

The capitalization of borrowing costs was RMB 9,225,888.00.

6.11 Intangible Assets

Item	Costs	2003.01.01	Additions	Depreciation this year	Accumulated depreciation	2003.06.30	Left period
Housing use right	2,302,464.00	1,650,181.22	-	115,123.18	767,405.96	3,744,963.35	7 years
Land use right	4,145,716.00	3,786,420.53	-	41,457.18	400,752.65	1,535,058.04	44.5 years
software	147,915.00	84,700.02	59,915.00	9,798.56	13,098.54	134,816.46	4.5 years
Total	<u>6,596,095.00</u>	<u>5,521,301.77</u>	<u>59,915.00</u>	<u>166,378.92</u>	<u>1,181,257.15</u>	<u>5,414,837.85</u>	

6.12 Long-term Deferred Assets

Item	Costs	2002.12.31	Additions	Amortization this year	Accumulated amortization	2003.06.30	Left period
Special Painting	26,661,600.00	-	26,661,600.00	1,110,900.00	1,110,900.00	25,550,700.00	9.5 years

Notes to condensed consolidated financial statements (continued)

6.13 Short-term Loans

Bank	2003.01.01 (RMB)	2003.06.30 (RMB)	Maturity	Rate	Currency	Notes
CCB Shanghai Branch	27,500,000.00	17,500,000.00	2003-11-26	4.779%	RMB	Credit
Total	<u>27,500,000.00</u>	<u>17,500,000.00</u>				

6.14 Account Payable

	2003.06.30	2002.12.31
Fuel and ports charges	<u>195,146,821.20</u>	<u>193,160,948.52</u>

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

The aging of ending balances:

Aging	2003.06.30	2002.12.31
< 1 year	171,044,244.03	165,012,609.69
1-2 years	3,345,426.65	13,783,734.86
2-3 years	11,615,911.17	7,108,238.00
> 3 years	9,141,239.35	7,256,365.97
Total	<u>195,146,821.20</u>	<u>193,160,948.52</u>

6.15 Advance from customers

Aging	2003.06.30	2002.12.31
< 1 year	11,864,081.40	11,262,603.37
1-2 years	1,359,379.29	5,856,000.00
2-3 years	65,805.54	-
> 3 years	6,287,807.59	6,287,807.59
Total	<u>19,577,073.82</u>	<u>23,406,410.96</u>

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

6.16 Dividends payable

2003.01.01	Additions	Payment	2003.06.30
332,600,000.00	-	332,600,000.00	-

According to the resolution of Board of Directors, the distributed dividend of year 2002 was RMB 0.10 per share.

Notes to condensed consolidated financial statements

(continued)

6.17 Taxes payable

	2003.06.30	2002.12.31
Income Tax	18,472,030.85	9,997,864.13
Sales Tax	9,355,133.02	11,150,871.47
Tax of city construction	654,911.58	784,068.12
Value Added Tax	746.79	50,101.62
Vehicle & Vessel Tax	1,170,000.00	1,914,000.00
Total	<u>29,652,822.24</u>	<u>23,896,905.34</u>

6.18 Other tax payable

	2003.06.30	2002.12.31
Education affixation	280,676.37	336,029.18
Maintenance for riverway	93,558.79	112,009.74
Stamp tax	8,694.53	12,045.17
Vehicle & Vessel Tax	124,076.70	98,855.08
Freight affixation	8,676.66	8,676.67
Total	<u>515,683.05</u>	<u>567,615.84</u>

6.19 Other payables

	2003.06.30	2002.12.31
	<u>93,618,590.41</u>	<u>152,371,182.37</u>

The ending balance of other payables decreases by 39% compared with the relevant amount on 31st Dec 2002, which is caused by the reclassification between receivables and payables.

The main items of ending balance is listed as following:

Description	2003.6.30	2002.12.31
Staff benefit etc	43,125,920.46	51,309,304.50
Guangzhou Maritime (Group) Company	5,801,663.60	8,455,251.59
Zhu'hai New Century Shipping Co., Ltd	5,460,000.00	3,650,000.00
Accident Loss for Suspended litigations	2,142,706.91	2,142,706.91

6.20 Accrued expenses

	2003.06.30	2002.12.31
Loan interest	4,698,873.54	5,166,368.75
Repair charges	15,184,922.53	-
Insurance charges	413,304.24	-
Education charges	1,256,030.44	-
Lubricant	2,013,029.93	-
Consumption	772,175.83	-
Others	2,188,000.00	-
Rents	-	1,200,000.00
Total	<u>26,526,336.51</u>	<u>6,366,368.75</u>

Notes to condensed consolidated financial statements

(continued)

6.21 Long-term liabilities due within 1 year

Loan sort	2003.06.30	2002.12.31	Aging	Interest Rate	Notes
Bank loans	58,590,000.00	94,985,000.00	< 1 year	5.94%~6.21% LIBOR+1%	Vessels pledge
Non-bank institution loans	45,671,274.86	75,013,039.39	< 1 year	LIBOR+1.35%~1.65%	Vessels pledge
Total	104,261,274.86	169,998,039.39			

6.22 Long-term loans

Bank	2002.12.01 (Equivalent RMB)	2003.06.30 (Equivalent RMB)	Maturity	Interest rate	Notes
ICBC	1,678,517,300.00	1,699,687,300.00	2004-2013	5.94-6.21%	Vessels pledge

The aging of long-term loans:

Aging	RMB loans
1-2 years	290,125,000.00
2-3 years	321,065,000.00
3-5 years	401,050,000.00
> 5 years	687,447,300.00
Total	1,699,687,300.00

6.23 Long-term payables

	2003.06.30	2002.12.31
Finance lease payables	119,229,023.40	125,523,937.37

The details of ending balance:

Enterprise	Term	Original amount	Interest rate	Payment	Ending balance
China Import& Export Bank	1995.5.23-2007.5.23	41,694,300(DEM)	3.25%	EUR6,782,982.16	EUR5,813,983.83
China Import& Export Bank	1995.10.5-2007.10.5	41,694,300(DEM)	3.25%	EUR7,751,980.49	EUR6,782,892.51
Total				EUR14,534,962.65	EUR12,596,876.34
				RMB125,523,937.37	RMB119,229,023.40

6.24 Deferred revenue

	2002.12.31	2003.06.30
	7,114,402.69	5,352,833.75

In current period, the Company dealt the lease back transaction with Zhu'hai New Century Shipping Co., Ltd. The outstanding amount was due to that transaction.

Notes to condensed consolidated financial statements (continued)

6.25 Share capital

	2002.12.31	Quantity: 10 thousand	Par Value: 1	2003.06.30
		Increase	Decrease	
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
3. Total	332,600	-	-	332,600

6.26 Capital surplus

Item	2002.12.31	Increase	Decrease	2003.6.30
Share premium	2,023,877,878.95	-	-	2,023,877,878.95
Provided from equity investment	-	-	-	-
Other	29,842,814.60	-	-	29,842,814.60
Total	<u>2,053,720,693.55</u>	<u>-</u>	<u>-</u>	<u>2,053,720,693.55</u>

6.27 General reserves

Item	2002.12.31	Increase	Decrease	2003.06.30
Statutory surplus Reserve	187,269,998.83	-	-	187,269,998.83
Statutory public welfare reserve	58,081,254.35	-	-	58,081,254.35
Other reserve	3,155,728.78	-	-	3,155,728.78
Total	<u>248,506,981.96</u>	<u>-</u>	<u>-</u>	<u>248,506,981.96</u>

6.28 Retained earnings

	Amount
2002.12.31	520,867,538.79
Net profit for the period	458,088,573.14
Distributable profit	978,956,111.93
Transfer to Statutory surplus reserve	-
Transfer to Statutory public welfare reserve	-
Distribute Dividends	-
2003.06.30	<u>978,956,111.93</u>