

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

項 目	Item	2003.12.31	2002.12.31
現 金	Cash in hand	1,214,439.96	2,764,905.26
銀行存款	Cash in bank	1,135,868,336.30	625,863,711.58
其他貨幣資金	Cash equivalent	1,366,780.60	86,375,646.50
合 計	Total	1,138,449,556.86	715,004,263.34
其中：美元		86,727,275.32	折合匯率 8.2767
港幣		219,141.49	折合匯率 1.0657
歐元		41,970.75	折合匯率 10.3383
日元		164,581.00	折合匯率 0.0773

6.2 Notes Receivable

票據種類	Category of notes	2003.12.31	2002.12.31
銀行承兌匯票	Bank draft	17,407,779.65	16,723,216.00
商業承兌匯票	Trade acceptance	5,890,462.40	28,060,292.81
合 計	Total	23,298,242.05	44,783,508.81

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

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.3 Accounts Receivable

Aging	2003.12.31	占%	壞帳準備 Provision for bad debts	2002.12.31	占%	壞帳準備 Provision for bad debts
< 1 year	207,441,120.42	85.97	6,223,233.62	208,461,979.99	83.96	6,253,859.40
1-2 years	275,399.11	0.11	27,539.91	7,721,638.74	3.11	772,163.87
2-3 years	-	-	-	3,246,938.01	1.31	811,734.50
>3 years	33,581,071.91	13.92	28,004,039.74	28,851,740.11	11.62	21,448,122.69
Total	241,297,591.44	100.00	34,254,813.27	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	期末余額 Amount	欠款內容 Description	欠款時間 Aging
Ning'bo Oil Shipping Co., Ltd.	18,916,000.00	運費 Freight	一年以內 <1 year
Sinopec Corp. Shanghai	15,595,000.00	運費 Freight	一年以內 <1 year
GLASFORD	13,350,200.00	運費 Freight	一年以內 <1 year
Shanghai Beihai Shipping Co.,Ltd	11,450,800.00	運費 Freight	一年以內 <1 year
Shanghai Electrical Power Co., Ltd.	9,937,826.70	運費 Freight	一年以內 <1 year

6.4 Other Receivables

Aging	2003.12.31	占 %	壞帳準備 Provision for bad debts	2002.12.31	占 %	壞帳準備 Provision for bad debts
< 1 year	32,262,133.52	87.65	322,621.34	129,389,126.13	79.85	1,293,891.26
1-2 years	1,342,169.26	3.65	13,421.69	25,514,000.46	15.75	255,140.01
2-3 years	1,378,490.29	3.75	13,784.90	1,517,407.89	0.94	15,174.08
>3 years	1,822,756.29	4.95	18,227.56	5,610,357.30	3.46	56,103.57
Total	36,805,549.36	100.00	368,055.49	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 77% compared with the relevant amount on 31st Dec 2002, which is caused by improving the recoverability and the reclassification between receivables and payables.

The top five of other receivables:

Customer name	期末余額 Amount	欠款內容 Description	欠款時間 Aging
China Shipping (Hong'kong) Co., Ltd.	8,313,497.42	松林灣輪各項墊 付費用 Advance payment for fees of "Songlinwan"	一年以內 <1 year
Guangzhou Shipping (Group) Company	1,018,785.21	大廈押金等 Deposit fee for office lease	一年以內 <1 year
China Shipping Container Lines Co., Ltd.	804,182.68	船舶租金 Vessel chartering income	三年以上 >3 year

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.5 Advance to suppliers

Aging	2003.12.31	占%	2002.12.31	占%
< 1 year	227,953,669.46	95.60	179,493,657.28	92.61
1-2 years	970,743.00	0.40	2,420,926.15	1.25
2-3 years	1,277,392.11	0.54	11,887,810.00	6.13
>3 years	8,243,791.30	3.46	5,481.30	0.01
Total	<u>238,445,595.87</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 23% compared with the relevant amount on 31st Dec 2002, due to the reclassification between receivables and payables.

The top five of prepayments:

Customer name	Amount	Description	Aging
SUPER DRAGON LTD.	126,358,296.10	Deposit	<1 year
JADE QUEEN NAVIGATION INC.	61,429,200.03	Deposit	<1 year
Shanghai Shipping (Group) Company	14,857,853.00	Advance payment for fees of sailors	<1 year
China Shipping Services Co., Ltd.	5,409,249.05 3,050,000.00	Deposit Long term Deposit	<1 year >3 year
Guangzhou Shipping (Group) Company	4,903,600.00	Advance payment for fees of sailors	<1 year

6.6 Inventories

Item	2003.12.31	2002.12.31
Bunker oil	115,820,335.89	115,819,073.84
Others	-	54,716.20
Total	<u>115,820,335.89</u>	<u>115,873,790.04</u>

6.7 Prepayments

Item	2003.01.01	Additions	Disposal	2003.12.31
Vehicle insurance	20,160.96	153,128.83	49,061.05	124,228.74
Road toll	-	115,000.00	-	115,000.00
Others	265,319.25	44,443.30	265,319.25	44,443.30
Total	285,480.21	312,572.13	314,380.30	283,672.04

6.8 Long-term investments

Item	2003.01.01		Additions		Disposals		2003.12.31	
	Amount	Impairment	Amount	Amount	Amount	Amount	Impairment	Impairment
Long-term equity investments	49,982,768.75	-	18,937,389.12	-	68,920,157.87	-	-	-
Long-term debt investments	65,813.64	-	-	65,813.64	-	-	-	-
Total	<u>50,048,582.39</u>	-	<u>18,937,389.12</u>	<u>65,813.64</u>	<u>68,920,157.87</u>	-	-	-

(1) Stock investment

Investee	Nature of stock	Stock Quantity	% of investee's paid-in capital	Amount of investment
Shanghai Yuan'shui Company	Non-public	101,200	<5%	364,200.00

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(2) Other long-term equity investment

Investee	母公司持		投資成本 Cost of investment	期初數 Beginning balance	增加投資額 Addition of investment	本期損益調整 Profit/loss of current period	累計損益調整 Accumulated profit/loss	期末余額 Ending balance
	投資期限	股比例						
	Term of investment	Ownership %						
Shanghai Baojiang Shipping Co., Ltd.	長期 Long-term	10%	4,000,000.00	4,000,000.00	-	-	-	4,000,000.00
Zhu'hai New Century Shipping Co., Ltd.	長期 Long-term	50%	45,000,000.00	30,492,612.12	15,000,000	1,131,802.96	2,256,429.86	46,624,415.08
Shanghai Friendship Shipping Co., Ltd.	長期 Long-term	50%	10,000,000.00	16,160,641.63	-	2,690,621.16	8,851,262.79	18,851,262.79
Total			59,000,000.00	50,653,253.75	15,000,000	3,822,424.12	11,107,692.65	69,475,677.87

(3) Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hai'nan Hai'xiang Shipping Industry Co., Ltd.	-1,034,685.00	114,965	-919,720.00

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.

6.9 Fixed Assets and Accumulated depreciation

(1) Costs

	2003.01.01	Additions	Disposal	2003.12.31
Buildings	6,422,298.95	3,800,000.00	—	10,222,298.95
Vessels	12,405,759,762.90	931,586,075.69	56,701,127.12	13,280,644,711.47
Vehicles	9,652,299.69	2,601,970.13	385,950.00	11,868,319.82
Others	36,914,203.87	6,666,047.21	1,470,261.07	42,109,990.01
Total	12,458,748,565.41	944,654,093.03	58,557,338.19	13,344,845,320.25

(2) Accumulated depreciation

	2003.01.01	Additions	Disposal	2003.12.31
Buildings	388,281.27	230,503.16	—	618,784.43
Vessels	5,619,907,481.83	783,675,224.92	44,196,881.85	6,359,385,824.90
Vehicles	4,194,289.05	1,226,751.96	351,239.00	5,069,802.01
Others	22,724,744.03	5,219,209.11	1,136,649.13	26,807,304.01
Total	5,647,214,796.18	790,351,689.15	45,684,769.98	6,391,881,715.35

(3) Impairment of fixed assets

	2003.01.01	Additions	Disposal	2003.12.31
	—	936,268.00	—	936,268.00
Net value	6,811,533,769.23			6,952,027,336.90

There were 33 vessels mortgaged and the net value of these vessels was RMB 1,982.83million.

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6.10 Construction in progress

Name of construction	期初數 2003.01.01	本期增加 Additions	本期轉入固定資產 Transferred to fixed assets	本期轉入長期待攤費用 Transferred to long term deferred assets	本期轉入其他應收款 Transferred to other receivable	期末數 2003.12.31	完工進度 Completion percentage	資金來源 Source of funds
Vessels purchase	683,482,867.64	987,314,644.25	870,448,251.05	26,661,600.00	4,089,139.14	769,598,521.70	10%-90%	自籌/貸款 Self-financing/loans
Improvement of vessels	1,240,235.12	9,039,486.72	10,279,721.84	-	-	-	10%-60%	自籌 Self-financing
Other purchase	1,412,335.21	4,953,565.20	1,814,671.42	-	-	4,551,228.99	50%	自籌 Self-financing
Total	686,135,437.97	1,001,307,696.17	882,542,644.31	26,661,600.00	4,089,139.14	774,149,750.69		

The capitalization of borrowing costs was RMB 15,347,568.00.

6.11 Intangible Assets

Item	Costs	2003.01.01	Additions	Amortization this year	Accumulated amortization	2003.12.31	Period left
House use right	2,302,464.00	1,650,181.22	-	230,246.36	882,529.14	1,419,934.86	6.5 years
Land use right	4,145,716.00	3,786,420.53	-	82,914.38	442,209.85	3,703,506.15	44 years
Software	372,915.00	84,700.02	284,915.00	39,590.12	42,890.10	330,024.90	4 years
Total	6,821,095.00	5,521,301.77	284,915.00	352,750.86	1,367,629.09	5,453,465.91	

6.12 Long-term Deferred Assets

Item	Costs	2003.01.01	Additions	Amortization this year	Accumulated amortization	2003.12.31	Period left
Special Painting	26,661,600.00	-	26,661,600.00	2,443,980.00	2,443,980.00	24,217,620.00	9 years

Pursuant to the agreement "Song Ling Wan Vessel Time Charter Party Contract" in Dec 2002, the relevant Special Painting cost is amortized in 10 years.

6.13 Short-term Loans

Bank	2003.01.01 (RMB)	2003.12.31 (RMB)	Maturity	Rate	Currency	Notes
China Construction Bank	20,000,000.00	—	2003.11	4.779%	RMB	Credit
Shanghai Bank	5,000,000.00	—	2003.5	4.535%	RMB	Credit
Guangdong Development Bank	2,500,000.00	—	2003.11	4.536%	RMB	Credit
China Minsheng Banking Shanghai Branch	—	3,000,000.00	2004.6	4.536%	RMB	Credit
Total	27,500,000.00	3,000,000.00				

6.14 Accounts Payable

	2003.12.31	2002.12.31
Fuel and port charges	152,157,503.69	193,160,948.52

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

The aging of ending balances:

Aging	2003.12.31	2002.12.31
< 1 year	141,445,796.80	165,012,609.69
1-2 years	46,103.89	13,783,734.86
2-3 years	5,188,424.00	7,108,238.00
>3 years	5,477,179.00	7,256,365.97
Total	152,157,503.69	193,160,948.52

會計報表附注(續)

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6.15 Advance from customers

Aging	2003.12.31	2002.12.31
< 1 year	15,876,957.96	11,262,603.37
1-2 years	1,424,874.61	5,856,000.00
2-3 years	-	-
>3 years	3,832,949.81	6,287,807.59
Total	21,134,782.38	23,406,410.96

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

6.16 Taxes payable

	2003.12.31	2002.12.31
Income Tax	19,599,528.79	9,994,793.88
Sales Tax	11,050,577.92	11,150,871.47
Tax of city construction	773,540.49	784,068.12
Value Added Tax	-	50,101.62
Individual Income Tax	2,968.53	3,070.25
Vehicle & Vessel Tax	1,160,000.00	1,914,000.00
Total	32,586,615.73	23,896,905.34

6.17 Other tax payable

	2003.12.31	2002.12.31
Education affixation	331,517.30	336,029.18
Maintenance for riverway	110,505.76	112,009.74
Stamp tax	9,868.95	12,045.17
Vehicle & Vessel tax affixation	122,577.62	98,855.08
Freight affixation	8,676.67	8,676.67
Total	583,146.30	567,615.84

6.18 Other payables

	2003.12.31	2002.12.31
	143,459,559.66	152,371,182.37

The main items of ending balance is listed as following:

Description	2003.12.31	2002.12.31
Staff benefit etc	49,851,955.15	51,309,304.50
The remaining payables related to construction	42,975,463.98	-
Foreign currency loans of ship	12,652,344.91	12,440,321.68
Accident Loss for Suspended litigations	9,013,938.00	2,142,706.91
Guangzhou Shipping (Group) Company	1,977,567.43	8,455,251.59
Zhu'hai New Century Shipping Co., Ltd	-	3,650,000.00

6.19 Accrued expenses

	2003.12.31	2002.12.31
Loan interest	4,959,391.83	5,166,368.75
Others	10,657.00	-
Rents	-	1,200,000.00
Total	4,970,048.83	6,366,368.75

6.20 Long-term liabilities due within 1 year

Loan sort	2003.12.31	2002.12.31	Aging	Interest rate	Notes
Bank loans	228,075,000.00	94,985,000.00	< 1 year	5.184% ~ 5.76%	Vessels pledge
Non-bank institution loans	40,071,250.80	75,013,039.39	< 1 year	3.25%	Vessels pledge
Total	268,146,250.80	169,998,039.39			

會計報表附注(續)

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6.21 Long-term loans

Bank	2003.01.01 (RMB)	2003.12.31 (RMB)	Maturity	Interestrate	Currency	Notes
ICBC	1,678,517,300.00	1,432,382,300.00	2005-2013	5.76%	RMB	Vessels pledge
Bank of CHINA	-	139,220,000.00	2005-2006	5.184%	RMB	Vessels pledge
Total	1,678,517,300.00	1,571,902,300.00				

The aging of long-term loans:

歸還期限	Aging	RMB loans
1 ~ 2 年	1-2 years	266,975,000.00
2 ~ 3 年	2-3 years	304,095,000.00
3 ~ 5 年	3-5 years	484,247,300.00
5 年以上	> 5 years	516,585,000.00
合計	Total	1,571,902,300.00

6.22 Long-term payables

	2003.12.31	2002.12.31
Financial lease payables	125,523,937.37	241,827,148.67

The details of ending balance:

Enterprise	2003.01.01 (EquivalentRMB)	2003.12.31 (EquivalentRMB)	Interestrate	Beginning balance	Ending balance
China Import & Export Bank	1995.5.23- 2007.5.23	41,694,300 (DEM)	3.25%	EUR6,782,982.16	EUR4,844,982.17
China Import & Export Bank	1995.10.5- 2007.10.5	41,694,300 (DEM)	3.25%	EUR7,751,980.49	EUR5,813,980.05
Total				EUR14,534,962.65 折RMB125,523,937.37	EUR10,658,962.22 折RMB110,195,553.56