

6.23 Deferred revenue

	2003.01.01	2003.12.31
	7,114,402.69	3,562,067.53

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.

6.24 Share capital

	2002.12.31	Quantity: 10 thousand				Par Value: 1 2003.12.31
1. Non-trading shares						
Including : State-owned legal				Addition	Others	Sub-total
person shares	168,000	-	-	-	-	-
2. Trading shares						
H shares	129,600	-	-	-	-	-
A shares	35,000	-	-	-	-	-
3. Total	332,600	-	-	-	-	-

6.25 Capital surplus

Item	2002.12.31	Increase	Decrease	2003.12.31
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	2,053,720,693.55	-	-	2,053,720,693.55

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.26 General reserves

Item	2003.01.01	Increase	Decrease	2003.12.31
Statutory surplus Reserve	187,269,998.83	100,230,080.40	—	287,500,079.23
Statutory public welfare reserve	58,081,254.35	99,113,520.98	—	157,194,775.33
Other reserve	3,155,728.78	—	—	3,155,728.78
Total	248,506,981.96	199,343,601.38	—	447,850,583.34

6.27 Retained Earning

	Amount
2003.01.01	853,467,538.79
Net profit for the period	982,048,792.51
Distributable profit	1,835,516,331.30
Transfer to statutory surplus reserve	100,230,080.40
Transfer to statutory public welfare reserve	99,113,520.98
Distribute Dividends	332,600,000.00
2003.12.31	<u>1,303,572,729.92</u>

According to the resolution of Board of Directors, the proposed dividend distribution for 2003 is Rmb 0.15 (include taxes) per share.

6.28 Other operating income

Item	2003年			2002年		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	107,632,254.65	100,154,296.06	7,477,958.59	127,727,645.22	117,622,253.94	10,105,391.28
Manage for vessels	13,172,192.38	—	13,172,192.38	13,432,888.71	—	13,432,888.71
Agency commission	22,934,807.68	20,572,058.85	2,362,748.83	7,967,389.30	7,016,561.68	950,827.62
Sales of coals	19,609,458.86	19,457,451.71	152,007.15	32,406,451.52	31,929,741.39	476,710.13
Others	1,842,306.47	1,330,138.19	512,168.28	784,622.96	370,601.84	414,021.12
Total	165,191,020.04	141,513,944.81	23,677,075.23	182,318,997.71	156,939,158.85	25,379,838.86

6.29 Finance expense

Item	2003	2002
Interest expense	95,887,264.50	127,692,412.20
Less: Interest income	7,684,156.20	6,642,751.92
Exchange gain and loss	28,674,448.43	30,151,714.89
Other	1,046,198.22	4,978,370.74
Total	117,923,754.95	156,179,745.91

6.30 Investment income

Item	2003	2002
Equity investment income	5,204,981.48	-119,996,292.23
Debt investment income	125,000.00	360.00
Stock investment income	-	2,663,965.21
Total	5,329,981.48	-117,331,967.02

The amount of investment income in first half of 2003 jumps rapidly compared with the relevant amount in first half of 2002, which is caused by the great investment loss on China Shipping Container Lines Co., Ltd. - old associated company in 2002.

6.31 Non-operating income

Item	2003	2002
Sales of vessels	10,903,983.47	715,623.09
Sales of other assets	-	275,261.14
Penalty income	-	150,000.00
Other	1,095,194.81	99,712.70
Total	11,999,178.28	1,240,596.93

The amount of Non-operating income of 2003 increase sharply compared with the relevant amount of 2002, which is caused by the sales of three tankers.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.32 Non-operating expense

Item	2003	2002
Sales of vessels	–	1,653,878.67
Sales of other assets	337,792.94	814,551.71
Penalty expense	112,116.40	125,514.12
The loss of debt restruction	–	1,088,637.00
Impairment of fixed assets	936,268.00	–
Other	153,257.00	48,328.61
Total	1,539,434.34	3,730,910.11

6.33 Nonrecurring Gain or Loss

Item	2003
Gains on disposal of fixed assets/(losses)	10,566,190.53
Government subsidiary	4,161,500.00
Short term investment profit	125,000.00
Other	-106,446.59
Total	14,746,243.94

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

Item	Beginning Balance	Addition	Decrease	Ending Balance
Long-term equity investment	157,546,865.98	– 46,271,912.79	–	203,818,778.77
Long-term debt investment	65,813.64	–	65,813.64	–
Total	157,612,679.62	– 46,271,912.79	65,813.64	203,818,778.77

(1). Stock investment

Investee

	Nature of stock	Stock Quantity	% of investee's pain-in capital	Amount of investment
Shanghai Yuanshui Company	法人股 Non-public	101,200	5% 以下 < 5%	364,200.00

(2). 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
Shanghai Bao'jiang Shipping Co., Ltd.	Long-term	10%	4,000,000.00	4,000,000.00	-	-	-	4,000,000.00
Zhu'hai New Century Shipping Co., Ltd.	Long-term	50%	45,000,000.00	30,492,612.12	15,000,000.00	1,131,802.96	2,256,429.86	46,624,415.08
China Shipping Development (Hongkong) Marine Co., Ltd.	Long-term	100%	4,140,000.00	3,553,038.48	-	14,744,126.33	14,157,164.81	18,297,164.81
Hai'nan Haixiang Investment Co., Ltd.	Long-term	95%	98,018,360.00	104,011,058.75	-	12,590,397.34	18,583,106.09	116,601,456.09
Equity investment difference			-1,149,660.00	-1,034,685.00	114,965.00	-	-	-919,720.00
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	10,000,000.00	16,160,641.63	-	2,690,621.16	8,851,262.79	18,851,262.79
Total			145,008,700.00	157,182,665.98	15,114,965.00	31,156,947.79	43,847,963.55	203,454,578.77

Note 1: On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang Investment Co., Ltd. (old name 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 Investment 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.

8. Segment Information

Industry	Revenue		Cost		Taxes		Profit	
	2003	2002	2003	2002	2003	2002	2003	2002
Cargo shipment	5,176,639	4,325,796	3,603,867	3,098,506	118,512	108,606	1,454,260	1,118,684

Unit:RMB '000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. The Difference between Chinese Accounting Standards and HK GAAP (Unit: RMB'000)

	2003年	2002年
Net profit under Chinese Accounting Standards	982,049	571,919
Adjustments for depreciation, income of vessels sales, deferred staff expense and others	41,591	19,277
Net profit under HKGAAP	1,023,640	591,196
	2003.12.31	2002.12.31
Owners' equity under Chinese Accounting Standards	7,131,158	6,481,694
Adjustments for housing fund	87,390	112,538
Adjustments for revaluation surplus, depreciation, income of vessels sales and others	95,047	28,261
Owners' equity under HKGAAP	7,313,595	6,622,493

The international audit report of the company for 2003 is prepared by Ernst & Young.

10. Related Party Transactions and Balances

10.1 The related parties that the Group controls

Name of related party	Registered address	Business Scope	Relationship	Economic type	Corporate delegate
China Shipping (Group) Company	700 Dong'da'ming Road, Shang- hai	Cargo shipment along sea, ocean, domestic transportation for goods	Holding company	State owned	Li Keling

10.2 The change in registered capital of the Holding Company (unit: RMB '000)

Name of related party	Beginning balance	Addition	Decrease	Ending balance
China Shipping (Group) Company	6,611,950	-	-	6,611,950

10.3 The change in ownership of the Holding Company
(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	50.51	-	-	-	-	1,680,000.00	50.51

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.	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
Da'lian 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) Holding 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 Pu'hai Shipping Co., Ltd.	be controlled by the same holding company
Zhu'hai New Century Shipping Co., Ltd.	Associated Company
Shanghai Friendship Shipping Co., Ltd.	Associated Company