

Notes to condensed consolidated financial statements

(continued)

6.27 Revenue

Item	2004.1-6	2003.1-6
Coal shipment	924,458,351.66	593,957,334.65
Oil shipment	1,820,925,768.70	1,615,049,807.57
Dry bulk shipment	379,315,384.05	282,771,491.38
Total	<u>3,124,699,504.41</u>	<u>2,491,778,633.60</u>

6.28 Sales tax and surtax

Item	2004.1-6	2003.1-6
Sales tax	64,049,126.15	51,051,007.85
Tax of city construction	4,483,438.82	3,573,570.55
Education affixation	1,921,473.79	1,531,530.23
Maintenance for river way	608,823.51	510,510.08
Total	<u>71,062,862.27</u>	<u>56,666,618.71</u>

6.29 Other operating income

Item	2004.1-6			2003.1-6		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	37,013,393.03	28,547,473.31	8,465,919.72	52,950,247.46	42,637,632.10	10,312,615.36
Manage for vessels	7,741,818.00	5,579,019.08	2,162,798.92	1,225,440.00	72,387.27	1,153,052.73
Agency commission	-	-	-	5,538,993.68	3,883,695.52	1,655,298.16
Sales of Coals	23,661,405.97	22,565,220.88	1,096,185.09	16,960,310.59	16,828,854.04	131,456.55
Others	1,125,153.30	514,642.40	610,510.90	6,635,880.37	5,819,854.11	816,026.26
Total	<u>69,541,770.30</u>	<u>57,206,355.67</u>	<u>12,335,414.63</u>	<u>83,310,872.10</u>	<u>69,242,423.04</u>	<u>14,068,449.06</u>

6.30 Finance expense

Item	2004.1-6	2003.1-6
Interest expense	47,044,388.35	45,869,258.16
Less: Interest income	3,632,765.50	2,895,519.13
Exchange gain and loss	-3,461,446.68	14,908,046.06
Other	171,398.62	875,089.33
Total	<u>40,121,574.79</u>	<u>58,756,874.42</u>

Notes to condensed consolidated financial statements

(continued)

6.31 Investment income

Item	2004.1-6	2003.1-6
Other Equity investment income	12,478,864.04	1,641,412.82
Debt investment income	-	-
Stock investment income	-	-
Total	12,478,864.04	1,641,412.82

6.32 Subsidy Income

Item	2004.1-6	2003.1-6
Government Subsidiary	712,000.00	990,000.00

6.33 Non-operating income

Item	2004.1-6	2003.1-6
Sales of vessels	-	11,419,065.61
Penalty income	-	149,016.95
Other	92,700.00	-
Total	92,700.00	11,568,082.56

6.34 Non-operating expense

Item	2004.1-6	2003.1-6
Sales of vessels	18,360,296.79	-
Sales of other assets	30,594.76	302,663.94
Penalty expense	25,000.00	88,800.00
Other	44,476.00	80,833.40
Total	18,460,367.55	472,297.34

6.35 Nonrecurring Gain or Loss

Item	2004.1-6	2003.1-6
Gains on disposal of fixed assets/(losses)	-18,390,891.55	11,116,401.67
Government subsidiary	712,000.00	990,000.00
Other	23,224.00	-20,616.45
Total	-17,655,667.55	12,085,785.22

Notes to condensed consolidated financial statements (continued)

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

Item	Beginning Balance		Addition Amt.	Decrease Amt.	Ending Balance	
	Amt.	Provision			Amt.	Provision
Long-term equity investment	203,818,778.77	-	71,267,878.98	252,550.90	274,834,106.85	-
Long-term debt investment	-	-	-	-	-	-
Total	203,818,778.77	-	71,267,878.98	252,550.90	274,834,106.85	-

(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 equity investment

Investee	Term of investment	Ownership %	Cost of investment	Beginning balance	Addition of investment	Profit/loss of current period	Dividends distribution	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	46,624,415.08	-	9,251,535.32	1,380,321.55	9,495,628.85	54,495,628.85
China Shipping Development (Hong Kong) Marine Co., Ltd.	Long-term	100%	4,140,000.00	18,297,164.81	-	37,814,743.74	-	51,971,908.55	56,111,908.55
Hai'nan Hai'xiang Investment Co., Ltd.	Long-term	95%	98,018,350.00	116,601,456.09	-	10,524,438.97	-	29,107,545.06	127,125,895.06
Equity investment difference									
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	-1,149,650.00	-919,720.00	-	57,482.50	-	287,412.50	-862,237.50
			<u>25,000,000.00</u>	<u>18,851,262.79</u>	<u>15,000,000.00</u>	<u>2,747,449.10</u>	<u>3,000,000.00</u>	<u>8,598,711.89</u>	<u>33,598,711.89</u>
Total			<u>175,008,700.00</u>	<u>203,454,578.77</u>	<u>15,000,000.00</u>	<u>60,395,649.63</u>	<u>4,380,321.55</u>	<u>99,461,206.85</u>	<u>274,469,906.85</u>

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 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.

Notes to condensed consolidated financial statements (continued)

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

7.2 Fixed Assets and Accumulated depreciation

(1)Costs

	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	2,156,021.80	-	-	2,156,021.80
Vessels	11,217,800,608.23	401,755,700.29	42,451,262.85	11,577,105,045.67
Vehicles	10,956,811.72	-	-	10,956,811.72
Other equipment	41,174,044.69	3,516,528.98	559,729.54	44,130,844.13
Total	11,272,087,486.44	405,272,229.27	43,010,992.39	11,634,348,723.32

(2)Depreciation:

	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	298,218.00	34,284.00	-	332,502.00
Vessels	5,466,288,533.16	318,996,066.58	14,032,616.06	5,771,251,983.68
Vehicles	4,844,055.62	854,094.00	-	5,698,149.62
Other equipment	26,591,666.48	3,103,217.99	528,134.78	29,166,749.69
Total	5,498,022,473.26	322,987,662.57	14,560,750.84	5,806,449,384.99

(3)Provision:

	936,268.00	936,268.00
Net value	5,773,128,745.18	5,826,963,070.33

There were 32 vessels mortgaged and the net value of these vessels was RMB 1,851.56 million as at 2004.6.30. Pledged for RMB 507,997,300.

7.3 Revenue

Item	2004.1-6	2003.1-6
Coal shipment	814,132,800.00	509,562,400.00
Oil shipment	1,821,201,954.05	1,615,072,395.04
Dry bulk shipment	331,017,313.21	282,771,491.38
Total	2,966,352,067.26	2,407,406,286.42

7.4 Investment Income

Item	2004.1-6	2003.1-6
Other Equity investment income	60,818,046.76	15,469,527.93
Debt investment income	-	-
Stock investment income	-	-
Total	60,818,046.76	15,469,527.93

Notes to condensed consolidated financial statements (continued)

8. Segmental Information

Unit: RMB '000

Industry	Revenue		Cost		Taxes		Profit	
	2004.1-6	2003.1-6	2004.1-6	2003.1-6	2004.1-6	2003.1-6	2004.1-6	2003.1-6
Cargo shipment	3,124,700	2,491,779	1,863,847	1,753,173	71,063	56,667	1,189,790	681,939

9. The Difference between Chinese Accounting Standards and HK GAAP

(Unit: RMB '000)

	2004.1-6	2003.1-6
Net profit under Chinese Accounting Standards	895,728	458,089
The difference between Chinese Accounting Standards and HK GAAP	-9,877	1,952
Including: Difference of house founding		
Difference of depreciation of vessels	-6,287	-6,287
Net profit under HK GAAP	-3,590	8,239
	885,851	460,041
	2004.6.30	2003.12.31
Owners' equity under Chinese Accounting Standards	7,527,902	7,131,158
2004.1-6 house founding amortizing	81,103	87,390
Adjustments for revaluation surplus, exchange gain or loss, depreciation, income of vessels sales and others	91,357	95,047
Owners' equity under HK GAAP	7,700,362	7,313,595

The international review report of the company for 2004.1-6 is prepared by Ernst & Young.

10. Related Party Transactions and Outstanding 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, Shanghai	Cargo shipment along sea, ocean, domestic transportation for goods	Holding company	State owned	Li Keling

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

Notes to condensed consolidated financial statements (continued)

10. Related Party Transactions and Outstanding Balances (Continued)

10.3 The change in ownership of the Holding Company

(unit: RMB '000)

Name of related party	Beginning balance		Amount		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 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 & sinopec Suppliers 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) Marine Co., Ltd.	be controlled by the same holding company
JADEQUEEN NAVIGATION INC.	be controlled by the same holding company
SUPERDRAGON LTD.	be controlled by the same holding company
China Shipping Hai'sheng 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

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

		2004.1-6	2003.1-6
(1) Lease of vessels			
Name of related party	Pricing basis		
China Shipping Container Lines Co., Ltd.	Market prices	23,120	14,087
China Shipping (Hong Kong) Marine Co., Ltd.	Market prices	10,905	33,114
Shanghai Friendship Shipping Co., Ltd.	Market prices	2,823	2,585
(2) Sales of vessels			
Name of related party	Pricing basis	2004.1-6	2003.1-6
China Shipping Industry Co., Ltd.	Market prices	-	13,848
(3) Vessel management fees			

On June 2004, the Company entered into a supplementary agreement of vessels management with Guangzhou Maritime (Group) Company and Da'lian Shipping (Group) Company for the management 31 goods vessels of Guangzhou Maritime and 7 vessels of Da'lian Shipping:

Name of related party	Pricing basis	2004.1-6	2003.1-6
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	4,680	4,680
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	1,041	1,041

A services Agreement dated 3rd April 2001 between the Company and China Shipping (Group) Company became effective subsequent to an approval by the independent shareholder at an extraordinary general meeting held on 22nd May 2001. 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.

Notes to condensed consolidated financial statements (continued)

10. Related Party Transactions and Outstanding Balances (Continued)

- (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	2004.1-6	Proportion of the same business	2003.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	1,207	0.18%	938
Shanghai Shipping (Group) Company	Market price	1,774	0.27%	1,716
China shipping & sinopec Suppliers Co., LTD.	Market price	392,070	64.05%	360,180
China Shipping Industry Co., Ltd.	Market price	23	0.01%	21
Da'Lian Shipping(Group) Company	Market price	10	0.01%	-

- (b) Whitewashing and oily water treatment for vessels:

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
China shipping & sinopec Suppliers Co., LTD.	State-fixed prices or market prices	161	3.20%	123
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	899	17.89%	779
Shanghai Shipping (Group) Company	State-fixed prices or market prices	2,478	49.32%	3,416

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

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
China Shipping Tele-communication Co., Ltd.	State-fixed prices	3,377	12.87%	4,875
Shanghai Shipping (Group) Company	State-fixed prices	1,334	5.09%	850
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	155	0.59%	243
China Shipping Industry Co., Ltd.	State-fixed prices	25	0.09%	-
China shipping & sinopec Suppliers Co., Ltd.	State-fixed prices	93	0.35%	-

- (d) Dry-docking and repairs:

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
China shipping & sinopec Suppliers Co., LTD.	State-fixed prices or market prices	16,362	11.51%	12,769
China Shipping Industry Co., Ltd.	State-fixed prices or market prices	60,551	42.61%	56,865
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	5,621	3.96%	4,720
Shanghai Shipping (Group) Company	State-fixed prices or market prices	9,542	6.71%	11,340
China Shipping International Trading Co., Ltd.	State-fixed prices or market prices	232	0.16%	80
China Shipping Tele-communication Co., Ltd.	State-fixed prices or market prices	3,161	2.22%	3,382

Notes to condensed consolidated financial statements (continued)

10. Related Party Transactions and Outstanding Balances (Continued)

(e) Hiring of sea crew

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	75,765	97.46%	74,704
Da'lian Shipping (Group) Co., Ltd.	Market price	1,973	2.54%	2,093

(f) Accommodation, lodging and transportation for employees

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
Shanghai Shipping (Group) Company	Market price	2,770	94.55%	2,759
Guangzhou Maritime (Group) Co., Ltd.	Market price	160	5.45%	254

(g) Medical services (for existing employees)

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
Shanghai Shipping (Group) Company	Market price	1,264	19.216%	1,075
Guangzhou Maritime (Group) Co., Ltd.	Market price	12	0.18%	106

(h) Miscellaneous management services

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	10,454	19.38%	16,445
China Shipping (Group) Company	Market price	95	0.18%	-
Shanghai Shipping (Group) Company	Market price	3,301	6.12%	2,921
Da'lian Shipping (Group) Co., Ltd.	Market price	-	-	169
China shipping & sinopec Suppliers Co., LTD.	Market price	143	0.27%	141
China Shipping Tele-communication Co., Ltd.	Market price	1,868	3.46%	1,2215
China Shipping Industry Co., Ltd.	Market price	-	-	93
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	191	0.35%	-

(i) Agency commissions

Name of related party	Pricing basis	2004.1-6	Proportion of the same business	2003.1-6
China Shipping Agency Co., Ltd.	Market price	13,351	35.04%	10,802
JADEQUEENNAVIGATIONINC.	Market price	95	0.25%	115
SUPERDRAGONLTD.	Market price	381	1.0%	358
Shanghai Shipping (Group) Company	Market price	157	0.41%	666
Guangzhou Maritime (Group) Co., Ltd.	Market price	41	0.11%	114
China Shipping International Trading Co., Ltd.	Market price	738	1.94%	-

Notes to condensed consolidated financial statements (continued)

10. Related Party Transactions and Outstanding Balances (Continued)

(4) Vessel chartering charges paid

Name of related party	Pricing basis	2004.1-6	Proportion of the	
			same business	2003.1-6
Shanghai Shipping (Group) Company	Market price	17,1782	20.13%	15,340
Guangzhou Maritime (Group) Co., Ltd.	Market price	4,250	4.81%	15,676
Zhu'hai New Century Shipping Co., Ltd.	Market price	1,820	2.06%	1,810
Da'lian Shipping (Group) Co., Ltd.	Market price	22,341	25.28%	20,600
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	20,495	23.20%	20,382

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

Item	Amount		proportion	
	2004.06.30	2003.12.31	2004.06.30	2003.12.31
Accounts receivables:				
Shanghai Shipping (Group) Company	2,465	2,465	087%	1.19%
China Shipping (Hong Kong) Marine Co., Ltd.	26,351	-	932%	-
Other receivables:				
Shanghai Shipping (Group) Company	38	181	004%	0.50%
Da'lian Shipping (Group) Company	1,177	48	139%	0.13%
Guangzhou Maritime (Group) Co., Ltd.	3,668	1,019	435%	2.80%
China Shipping (Hong Kong) Marine Co., Ltd.	11,389	8,313	1344%	22.81%
China Shipping Container Lines Co., Ltd.	1,770	804	209%	2.21%
Prepayments:				
China Shipping Agency Co., Ltd.	8,574	8,459	260%	3.55%
China shipping & sinopec Suppliers Co., LTD.	1,250	2,197	038%	0.92%
JADE QUEEN NAVIGATION INC.	96,127	64,108	2917%	26.89%
SUPER DRAGON LTD.	171,111	126,358	5192%	52.99%
China Shipping International Trading Co., Ltd.	-	1,040	-	0.44%
Shanghai Shipping (Group) Company	18,117	14,588	550%	2.63%
Guangzhou Maritime (Group) Co., Ltd.	5,016	4,904	152%	2.06%
Zhu'hai New Century Shipping Co., Ltd.	1,830	3,650	056%	1.53%
China Shipping Tele-communication Co., Ltd.	500	500	015%	0.21%
Accounts Payable:				
China Shipping Industry Co., Ltd.	125	8,777	005%	5.77%
China shipping & sinopec Suppliers Co., LTD.	28,145	18,825	1205%	12.37%
Guangzhou Maritime (Group) Co., Ltd.	442	305	019%	0.20%
Da'lian Shipping (Group) Company	333	1,239	014%	0.81%
China Shipping Agency Co., Ltd.	950	1,652	041%	1.09%
Other Payable:				
Guangzhou Maritime (Group) Co., Ltd.	24,952	1,978	1962%	0.67%
China Shipping Haisheng Co., Ltd.	937	1,023	074%	0.35%

Notes to condensed consolidated financial statements

(continued)

11. Guaranty

11.1 Approved by the Board of Directors held in Oct 2001, the Company offered guaranty to Zhu'hai New Century Shipping Co., Ltd. with amount of RMB 42 million, a subsidiary company in which the Company holds 50% ownership. By the end of 30th June 2004, the Company guaranteed the loan amount of 42 million, 50% of loan from Shen'hua Finance Co., Ltd. and signed an irrevocable anti-guarantee agreement with Zhu'hai New Century Shipping Co., Ltd..

12. Commitment

12.1 The Company signed the contract with Shanghai Shipyard Factory in Dec 2002, and plans to start the constructions of 2 cargo vessels (57300T). Pursuant to the contract, each vessel is USD 17.28 million, and the estimated total costs will be USD 34.56 million, which will be paid by 4 installments. As of 30th June 2004, the company has paid USD 6.912 million. The remaining will be paid by installments of entering the water and completion. The constructions plan to complete in 2005.

12.2 The Company signed the contract with Bo'hai Shipyard Factory in Dec 2002, and plans to start the constructions of 2 cargo vessels (57300T). Pursuant to the contract, each vessel is USD 17.98 million, and the estimated total costs will be USD 35.96 million, which will be paid by 4 installments. As of 30th June 2004, the company has paid USD 7.192 million. The remaining will be paid by installments of entering the water and completion. The constructions plan to complete in 2004.

12.3 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. in June and Oct 2002, and plans to start the constructions of 3 oil vessels (110000T). Pursuant to the contract, each vessel is USD 34.89 million, and the estimated total costs will be USD 104.67 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 59.313 million. The remaining will be paid by installments of entering the water and completion. The constructions plan to complete in 2005.

12.4 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. in May and Sep. 2003, and plans to start the constructions of 2 oil vessels (298000T). Pursuant to the contract, each vessel is USD 65.58 million, and the estimated total costs will be USD 131.16 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 59.022 million. The remaining will be paid by installments of entering the water and completion. The constructions plan to complete in 2005.

12.5 The Company signed the contract with Shanghai Shipyard Factory in Apr. 2003, and plans to start the constructions of 2 oil vessels (57300T). Pursuant to the contract, each vessel is USD 17.28 million, and the estimated total costs will be USD 34.56 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 3.456 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.

12.6 The Company signed the contract with Bo'hai Shipyard Heavy Industry Co., Ltd. in Apr. 2003, and plans to start the constructions of 2 oil vessels (57300T). Pursuant to the contract, each vessel is USD 17.98 million, and the estimated total costs will be USD 35.96 million, which will be paid by 4 installments. As of 30th June 2004, the company has paid USD 3.596 million. The remaining will be paid by installments of building on slipway, entering the water and completion. The constructions plan to complete in 2005.

Notes to condensed consolidated financial statements

(continued)

- 12.7 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. in Sep 2003, and plans to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel is USD 25.38 million, and the estimated total costs will be USD 50.76 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 7.614 million. The remaining will be paid by installments of beginning production, entering the water and completion. The constructions plan to complete in 2005.
- 12.8 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. in Sep. 2003 and Dec. 2003, and plans to start the constructions of 4 oil vessels (70000T). Pursuant to the contract, each vessel is USD 28.38 million, and the estimated total costs will be USD 113.52 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 34.056 million. The remaining will be paid by installments of beginning production, entering the water and completion. The constructions plan to complete in 2006.
- 12.9 The China Shipping (Hong Kong) Marine Co., Ltd., the subsidiary company, signed the contract with Guangzhou Shipyard International Co., Ltd. in May 2004, and plans to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel is USD 27.8 million, and the estimated total costs will be USD 55.6 million, which will be paid by 5 installments. As of 30th June 2004, the company has paid USD 5.56 million. The remaining will be paid by installments of beginning production, entering the water and completion. The constructions plan to complete in 2006.

13. Post balance sheet events

- 13.1 The Company held its fifth meeting of the 2004 Board on 18 June 2004, during which the proposed issue of RMB 2,000,000,000 in principal amount of bonds convertible into new A shares ("Convertible Bonds") by the Company was approved. The Company proposes to apply for approval being granted by China Securities Regulatory Commission for the issue of the convertible bonds during 2004.

14. Contingent liability

- 14.1 On August 5th, 2003 the company's oil vessel named "Changyang" was collided by "Zhechangxing #0375" and the oil had leaked out. The company had paid RMB 2.3 million as guarantee of penalty and clearing. At the same time Shanghai Maritime Bureau required the company deposited RMB 10 million as subsequent clearing cost, the company took objection to doing so. The company had accrued losses RMB 12 million based on the estimate of PICC.

Up to August 6, 2004 the Shanghai Maritime Bureau had no final judgment about the accident.

15. Non-monetary transaction

No material non-monetary transaction that required to be disclosed in the financial statement up to the report dates.

16. Debt restructuring

No material debt restructuring that required to be disclosed in the financial statement up to the report dates.

Notes to condensed consolidated financial statements (continued)

Supplementary information

(1) ROE and EPS

	Rate of returns per share		Earning per share	
	Fully diluted	Average	Fully diluted	Average
Gross profit	15.81%	15.70%	0.3577	0.3577
Operating profit	13.98%	13.88%	0.3163	0.3163
Net profit	11.90%	11.82%	0.2693	0.2693
Net profit after deducting abnormal items	12.10%	12.02%	0.2738	0.2738

(2) Provision and impairment of assets

Item	Beginning balance		Addition		Write-off		Closing balance	
	Consolidation	Holding company	Consolidation	Holding company	Consolidation	Holding company	Consolidation	Holding company
1. Bad debts provision	34,622,868.76	34,202,495.76	8,826,191.26	8,043,824.93	-	-	43,449,060.02	42,246,320.69
Including: Accounts receivables	34,254,813.27	33,846,949.70	8,338,471.70	7,360,669.65	-	-	42,593,284.97	41,207,619.35
Other receivables	368,055.49	355,546.06	487,719.56	683,155.28	-	-	855,775.05	1,038,701.34
2. Impairment of short-term investment	-	-	-	-	-	-	-	-
Including: Stock investment	-	-	-	-	-	-	-	-
Debt investment	-	-	-	-	-	-	-	-
3. Provision of inventory	-	-	-	-	-	-	-	-
Including: Finished goods	-	-	-	-	-	-	-	-
Raw materials	-	-	-	-	-	-	-	-
4. Impairment of long-term investment	-	-	-	-	-	-	-	-
Including: Long-term stock investment	-	-	-	-	-	-	-	-
Long-term debt investment	-	-	-	-	-	-	-	-
5. Impairment of fixed assets	936,268.00	936,268.00	-	-	-	-	-	-
Including: Buildings	-	-	-	-	-	-	-	-
Machinery	-	-	-	-	-	-	-	-
6. Impairment of intangible assets	-	-	-	-	-	-	-	-
Including: Patent	-	-	-	-	-	-	-	-
Land-use right	-	-	-	-	-	-	-	-
7. Impairment of CIP	-	-	-	-	-	-	-	-
8.	-	-	-	-	-	-	-	-

Notes to condensed consolidated financial statements

(continued)

- (3) Analysis for the subjects changed over 30% of the consolidated financial statements ,or accounted more than 5% of total assets as at 2004.6.30 or 10% of total profit for 2004.1-6:

	200406.30	2003.12.31	Variation		proportion of total assets
			Amount	Rate	
Notes receivable(1)	8,618,365.00	23,298,242.05	-14,679,877.05	-63.01%	0.08%
Accounts receivable (2)	282,859,075.90	207,042,778.17	75,816,297.72	36.62%	2.72%
Other receivable(3)	84,721,730.63	36,437,493.87	48,284,236.76	132.51%	0.82%
Prepayment(4)	323,817,053.66	238,445,595.87	85,371,457.79	35.80%	3.12%
Long-term equity investment(5)	91,596,303.24	68,920,157.87	22,676,145.37	32.90%	0.88%
Fixed assets(6)	13,707,861,117.93	13,344,845,320.25	363,015,797.67	2.72%	131.92%
Depreciation(7)	6,744,202,899.19	6,391,881,715.35	352,321,183.84	5.51%	64.91%
Construction in progress(8)	1,593,287,127.27	774,149,750.69	819,137,376.58	105.81%	15.33%
Short-term Loan(9)	50,000,000.00	3,000,000.00	47,000,000.00	1566.67%	0.48%
Accounts payable(10)	233,547,647.04	152,157,503.69	81,390,143.35	53.49%	2.25%
Advance from customers(11)	29,222,848.25	21,134,782.38	8,088,065.87	38.27%	0.28%
Accrued expense(12)	43,068,678.71	4,970,048.83	38,098,629.88	766.56%	0.41%
Long-term loans(13)	1,822,507,300.00	1,571,902,300.00	250,605,000.00	15.94%	17.54%
Deferred revenue(14)	1,790,766.16	3,562,067.53	-1,771,301.37	-49.73%	0.02%

Subjects in income statements

	2004.1-6	2003.1-6	Variation	Rate	proportion of total assets
Cost(16)	1,863,846,993.39	1,753,172,539.54	110,674,453.84	6.31%	178.03%
Financial Expense(17)	40,121,574.79	58,756,874.42	-18,635,299.63	-31.72%	3.83%
Investment Income(18)	12,478,864.04	1,641,412.82	10,837,451.22	660.25%	1.19%
Non-operating income(19)	92,700.00	11,568,082.56	-11,475,382.56	-99.20%	0.01%
Non-operating expense(20)	18,460,367.55	472,297.34	17,988,070.21	3,808.63%	1.76%
Income tax(21)	150,648,011.02	80,797,694.01	69,850,317.01	86.45%	14.39%
Minority equity(22)	553,917.85	239,532.80	314,385.05	131.25%	0.05%

- (1) Since the company improving the management of notes receivable by reducing the notes settlement, the closing balance of this subject decreased 63.1% compared with the relevant amount on 2003.12.31.
- (2) The closing balance of accounts receivable increase 36.62% compared with the relevant amount in 2003, which is caused by the sharply improving of transportation income during 2004.1-6 compared with the relevant amount during 2003.1-6.
- (3) The closing balance of other receivable increased sharply compared with the relevant amount in 2003, which is caused by the addition of deposit and advance paid to the ship -owners.
- (4) The closing balance of prepayment increase 35.8% compared with the relevant amount in 2003. The prepayment is mainly paid to the agency for transportation expense. Since the turnover in the first half of 2004 went up greatly, the prepayment paid to the agency affected to raise appropriately.

Notes to condensed consolidated financial statements

(continued)

- (5) The balance of long-term equity investment as at 2004.6.30 increase 22.68 million compared with the related amount in 2003.12.31 mainly caused by the addition of investment to Shanghai Friendship shipping co., Ltd., the 50% holding subsidiary company.
- (6) The accomplishment of two oil vessels caused the amount of RMB 363.02 million trans to the value of fixed assets.
- (7) The depreciation during this period has been added to accumulated depreciation. The accumulated depreciation increased 352.32 million RMB accordingly.
- (8) The payment ,RMB 819.14 million, for the 21 vessels constructed in progress paid by installments has been added to construction in progress.
- (9) The increasing of short-term loan, RMB 47 million, is due to the newly-added short-term loan for vessel-purchasing by Shanghai time shipping Co., Ltd, the subsidiary company.
- (10) The amount of accounts payable is 53.49% more than the balance at the end of year 2003 mostly caused by the accrued oil expense which is based on the amount of oil stock for the purchase invoices on the way.
- (11) The addition of advance from customers RMB 8.09 million ,compared with the balance as at 2003.12.31, is due to the advance from coal customers by Shanghai time shipping Co., Ltd., the subsidiary company.
- (12) The closing balance of accrued expense increase RMB 38.1 million compared with the relevant amount on 31st Dec. 2003, which is caused by the accrued expense per month for the planning of repairing several vessels during the second half of 2004.
- (13) The company borrowed RMB 250.61 million more long-term loan for new vessels construction.
- (14) In current period, the Company dealt the lease back transaction at a total value of RMB 10.67 million with Zhu'hai new Century Shipping Co., Ltd. The outstanding amount was due to that transaction.
- (15) Because of the soaring prices for freight and oil shipment and the raising of shipment quantity, the revenue improved by 25.4% compared with the relevant amount of the same period in 2003.
- (16) The cost of the company increased by 6.31% compared with the relevant cost of the corresponding period in 2003 . The main cause was that the company adjusted shipping structure, strengthened efficiency, decreased the anchor time and improved the consume ratio of fuel oil .So the company reduced the unit cost of the transit and controlled the amplitude of total cost.
- (17) The exchange gain of Euro by the decreasing of related exchange rate caused the reducing of finance expense by 18.64 million during the first half of 2004.

Notes to condensed consolidated financial statements (continued)

- (18) The amount of investment income in first half of 2004 increased RMB 10.84 million compared with the relevant amount in first half of 2003, which is caused by the improving of profit of Zhu'hai New Century Shipping Co., Ltd. and Shanghai Friendship shipping Co., Ltd., the associated company consolidated by ownership, 50%.
- (19) The amount of Non-operating income of the first half in 2004 is RMB 11.48 million less than the relevant amount of the same period in 2003, which is caused by the disposal of two tankers in the first half of 2003.
- (20) The amount of Non-operating expense of the first half in 2004 is RMB 17.99 million more than the relevant amount of the same period in 2003, which is caused by the loss of disposing the vessel "YouYi 22" during the first half of 2004.
- (21) The sharply jumping of profit during the current period by 86.45% caused the income tax increasing accordingly by RMB 69.85 million.
- (22) The minority interest is RMB 0.31 million more than the relevant amount of the same period in 2003, which is caused by the net profit increasing of Hai'nan Haixiang Investment Co., Ltd., the subsidiary company.