

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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	2004.12.31	2003.12.31
Cash on hand	2,045,455.12	1,214,439.96
Cash in bank	1,285,624,084.95	1,135,868,336.30
Cash equivalent	150,926.51	1,366,780.60
Total	1,287,820,466.58	1,138,449,556.86

Including the foreign currency:

Foreign currency	Original amounts	Exchange rate	Equivalent RMB
USD	91,006,700.85	8.2765	753,216,959.59
HKD	859,169.58	1.0637	913,898.68
EUR	42,013.42	11.2627	473,184.55
JPY	80,581.00	0.0797	6,422.31
GBP	6,790.00	15.9310	108,171.49

As at Dec 31st, 2004 there are no material pledged, frozen and limited convertibility cash that required to be disclosed in the financial statement.

6.2 Notes Receivable

Category of notes	2004.12.31	2003.12.31
Bank draft	9,340,000.00	17,407,779.65
Trade acceptance	-	5,890,462.40
Total	9,340,000.00	23,298,242.05

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

6.3 Accounts Receivable

Aging	2004.12.31	%	Provision for bad debts	2003.12.31	%	Provision for bad debts
< 1 year	164,002,417.43	86.08	4,920,072.52	207,441,120.42	85.97	6,223,233.62
1-2 years	54,325.64	0.03	5,432.56	275,399.11	0.11	27,539.91
2-3 years	-	-	-	-	-	-
>3 years	26,464,864.08	13.89	26,464,864.08	33,581,071.91	13.92	28,004,039.74
Total	190,521,607.15	100.00	31,390,369.16	241,297,591.44	100.00	34,254,813.27

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

The top five of accounts receivable:

Customer name	Amount	Description	Aging
CHINA OFFSHORE	20,739,000.00	Freight	<1 year
VITOAL ASIA	20,623,000.00	Freight	<1 year
HEIDMAR.	9,280,000.00	Freight	<1 year
Ning'bo Oil Shipping Co., Ltd.	9,080,000.00	Freight	<1 year
GLASFORD	8,632,000.00	Freight	<1 year

The total amount of top five debtors is 68.35 million, which accounts for the 35.88% of Accounts Receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.4 Other Receivables

Aging	2004.12.31	%	Provision for	2003.12.31	%	Provision for
	percentage		bad debts	percentage		bad debts
< 1 year	36,877,131.98	78.51	368,771.32	32,262,133.52	87.65	322,621.34
1-2 years	7,537,419.69	16.05	75,374.20	1,342,169.26	3.65	13,421.69
2-3 years	232,500.00	0.49	2,325.00	1,378,490.29	3.75	13,784.90
>3 years	2,325,843.94	4.95	23,258.44	1,822,756.29	4.95	18,227.56
Total	46,972,895.61	100.00	469,728.96	36,805,549.36	100.00	368,055.49

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

The provision for other receivables is 1% of the ending balance.

The top five of other receivables:

Customer name	Amount	Description	Aging
China Shipping (Hong Kong) Holding Co., Ltd.	11,225,906.51	Advance payment for rental	<1 year
PICC	8,438,439.69	Accident compensation	<1 year
CPIC	4,089,426.98	Accident compensation	<1 year
Guangzhou Maritime (Group) Company	917,995.61	Deposit fee for office lease	<1 year
Huaneng Weihai Power Co.,Ltd	616,603.77	Deposit	<1 year

The total amount of top 5 debtors is 25.29 million, which accounts for the 53.84% of other receivables.

6.5 Advance to suppliers

Aging	2004.12.31		2003.12.31	
		percentage%		percentage%
< 1 year	199,943,319.88	98.58	227,953,669.46	95.60
1-2 years	31,912.44	0.02	970,743.00	0.40
2-3 years	350,000.00	0.17	1,277,392.11	0.54
>3 years	2,488,491.30	1.23	8,243,791.30	3.46
Total	<u>202,813,723.62</u>	<u>100.00</u>	<u>238,445,595.87</u>	<u>100.00</u>

There are no advance to suppliers due from the shareholders who have the ownership over 5%.

The top five of prepayments:

Customer name	Amount	Description	Aging
SUPER DRAGON LTD.	133,918,970.98	Deposit	<1 year
JADE QUEEN NAVIGATION INC.	19,859,377.57	Deposit	<1 year
Shanghai Shipping (Group) Company	15,743,013.00	Advance payment for fees of sailors	<1 year
China Shipping Agency Co., Ltd.	7,192,172.34	Deposit	<1 year
Guangzhou Maritime (Group) Company	5,044,900.00	Advance payment for fees of sailors	<1 year

The total amount of top five debtors is 181.76 millions, which accounts for the 89.62% of other receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.6 Inventories

Item	2004.12.31	2003.12.31
Bunker oil	143,777,728.76	115,820,335.89
Total	143,777,728.76	115,820,335.89

6.7 Deferred Assets

Item	2003.12.31	Additions	Disposal	2004.12.31
Vehicle insurance	124,228.74	253,290.52	213,567.49	163,951.77
Road maintain fee	115,000.00	110,532.00	116,532.00	109,000.00
Other	44,443.30	87,520.00	130,883.30	1,080.00
Total	283,672.04	451,342.52	460,982.79	274,031.77

6.8 Long-term investments

Item	2003.12.31		Additions		Disposals		2004.12.31	
	Amount	Impairment	Amount	Amount	Amount	Amount	Impairment	
Long-term equity investments	68,920,157.87	-	36,203,832.75	4,380,321.55	100,743,669.07	-	-	
Long-term debt investments	-	-	-	-	-	-	-	
Total	<u>68,920,157.87</u>	<u>-</u>	<u>36,203,832.75</u>	<u>4,380,321.55</u>	<u>100,743,669.07</u>	<u>-</u>	<u>-</u>	

The long-term investment takes 1.18% of the company's net assets.

(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

(2) Other long-term equity investment

Investee	Term of investment	Ownership %	Cost of investment	Beginning balance	Addition of investment	Profit/loss of current period	Dividend 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
Zhu'hai New Century Shipping Co., Ltd.	Long-term	50%	45,000,000.00	46,624,415.08	-	16,302,263.55	1,380,321.55	16,546,357.08	61,546,357.08
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	25,000,000.00	18,851,252.79	15,000,000.00	4,786,604.20	3,000,000.00	10,637,866.99	35,637,866.99
Total			74,000,000.00	69,475,677.87	15,000,000.00	21,088,867.75	4,380,321.55	27,184,224.07	101,184,224.07

(3) Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hai'nan Hai'xiang Investment Co., Ltd.	-919,720.00	114,965.00	-804,755.00

On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang Investment Co., Ltd. from Shanghai Shipping (Group) Company paying RMB 49,368,700.00. Up to 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

69 Fixed Assets and Accumulated depreciation
(1) Costs

	2003.12.31	Additions	Disposal	2004.12.31
Buildings	10,222,298.95	2,811,000.00	–	13,033,298.95
Vessels	13,280,644,711.47	2,202,120,483.23	260,860,896.85	15,221,904,297.85
Vehicles	11,868,319.82	1,822,972.70	80,500.00	13,610,792.52
Others	42,109,990.01	7,361,297.80	785,534.53	48,685,753.28
Total	13,344,845,320.25	2,214,115,753.73	261,726,931.38	15,297,234,142.60

(2) Accumulated depreciation

	2003.12.31	Additions	Disposal	2004.12.31
Buildings	618,784.43	282,768.35	–	901,552.78
Vessels	6,359,385,824.90	738,018,522.29	94,162,213.47	7,003,242,133.72
Vehicles	5,069,802.01	2,103,094.59	66,352.40	7,106,544.20
Others	26,807,304.01	6,607,370.37	625,265.12	32,789,409.26
Total	6,391,881,715.35	747,011,755.60	94,853,830.99	7,044,039,639.96

(3) Impairment of fixed assets

	2003.12.31	Additions	Disposal	2004.12.31
	936,268.00	–	–	936,268.00
Net value	6,952,027,336.90			8,252,258,234.64

There were 36 vessels net value RMB 2,604.41 million mortgaged for the bank loan amounted RMB1,080.93 million.

6.10 Construction in progress

Name of construction	2003.12.31	Additions	Transferred to fixed assets	Transferred to other receivable	2004.12.31	Completion percentage	Source of funds
Vessels purchase	769,598,521.70	2,362,335,614.39	1,881,388,100.48		-1,250,546,035.61	10%-90%	Self-financing /loans
Including:							
Capitalization of borrowing cost	1,329,000.00	14,288,563.65	12,398,198.40		- 3,219,365.25	50%	Self-financing
Improvement of vessels	-	154,118,583.75	115,404,732.39		- 38,713,851.36	80%	Self-financing
Others	4,551,228.99	8,923,095.70	7,474,262.44	2,208,477.59	3,791,584.66		
Total	774,149,750.69	2,525,377,293.84	2,004,267,095.31	2,208,477.59	293,051,471.63		

There were 4 vessels constructed on progress mortgaged for bank loan was RMB 413.90 millions. Up to Dec 31 2004, 3 vessels had been transferred to fixed assets, and the net value of the construction on progress was mortgaged RMB 247.55 millions.

6.11 Intangible Assets

Item	Costs	2003.12.31	Additions	Amortization this year	Accumulated amortization	2004.12.31	Period left
House use right	2,302,464.00	1,419,934.84	-	230,246.34	1,112,775.50	1,189,688.50	5.5 years
Land use right	4,145,716.00	3,703,506.17	-	82,914.15	525,123.98	3,620,592.02	43 years
Software	694,325.00	330,024.90	321,410.00	124,280.45	167,170.55	527,154.45	2-4 years
Total	7,142,505.00	5,453,465.91	321,410.00	437,440.94	1,805,070.03	5,337,434.97	

6.12 Long-term Deferred Assets

Item	Costs	2003.12.31	Additions	Amortization this year	Accumulated amortization	2004.12.31	Period left
Special Painting	26,661,600.00	24,217,620.00		- 2,666,160.00	5,110,140.00	21,551,460.00	8 years

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.13 Short-term Loans

Bank	2003.12.31	2004.12.31	Maturity	Rate	Currency	Notes
	(RMB)	(RMB)				
China Minsheng Banking Shanghai Branch	3,000,000.00	20,000,000.00	2005.6	5.22%-5.31%	RMB	credit
China construction bank shanghai the first branch	-	10,000,000.00	2005.6	4.78%	RMB	credit
Total	3,000,000.00	30,000,000.00				

6.14 Accounts Payable

	2004.12.31	2003.12.31
Fuel and port charges	162,209,240.95	152,157,503.69

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

The aging of ending balances:

Aging	2004.12.31	2003.12.31
< 1 year	154,330,158.80	141,445,796.80
1-2 years	2,136,448.80	46,103.89
2-3 years	-	5,188,424.00
>3 years	5,742,633.34	5,477,179.00
Total	162,209,240.94	152,157,503.69

6.15 Advance from customers

Aging	2004.12.31	2003.12.31
< 1 year	54,210,235.13	15,876,957.96
1-2 years	50,000.00	1,424,874.61
2-3 years	101,748.44	-
>3 years	1,881,062.65	3,832,949.81
Total	56,243,046.22	21,134,782.38

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

6.16 Taxes payable

	2004.12.31	2003.12.31
Income Tax	43,585,764.33	19,599,528.79
Sales Tax	11,652,312.09	11,050,577.92
Tax of city construction	815,661.87	773,540.49
Value Added Tax	-45,484.03	-
Individual Income Tax	1,641,364.97	2,968.53
Vehicle & Vessel Tax	2,110,000.00	1,160,000.00
Total	59,759,619.23	32,586,615.73

6.17 Other tax payable

	2004.12.31	2003.12.31
Education affixation	349,569.29	331,517.30
Maintenance for riverway	116,416.46	110,505.76
Stamp tax	15,759.50	9,868.95
Vehicle & Vessel tax affixation	84,512.05	122,577.62
Freight affixation	-	8,676.67
Total	566,257.30	583,146.30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.18 Other payables

Aging	2004.12.31	2003.12.31
Within one year	251,222,451.49	119,748,315.89
One to two years	9,640,191.26	178,636.03
Two to three years	329,139.74	90,000.00
Over 3 years	8,821,539.23	23,442,607.74
Total	270,013,321.72	143,459,559.66

The main items of ending balance are listed as following:

Description	2004.12.31	2003.12.31
Staff benefit etc	50,039,138.71	49,851,955.15
Guangzhou Maritime (Group) Company	-	1,977,567.43
Foreign currency deposit for ship	2,773,503.13	12,652,344.91
Accident Loss for Suspended litigations	8,395,081.09	9,013,938.00
Construction ship payable	189,970,504.50	42,975,463.98

The total of above is 251.18 millions, which accounts for the 93% of other payable.

6.19 Accrued expenses

	2004.12.31	2003.12.31
Loan interest	4,762,579.12	4,959,391.83
Others	60,296.26	10,657.00
Total	4,822,875.38	4,970,048.83

6.20 Long-term liabilities due within 1 year

Loan sort	2004.12.31	2003.12.31	Aging	Interest rate	Notes
Bank loans	294,455,000.00	228,075,000.00	< 1 year	5.184% ~ 6.12%	Vessels pledge/credit
Non-bank institution loans	43,654,149.74	40,071,250.80	< 1 year	3.25%	
Total	338,109,149.74	268,146,250.80			

Including RMB 171.85 millions vessels pledged, and RMB 49 millions construction in progress pledged.

6.21 Long-term loans

Bank	2003.12.31 (RMB)	2004.12.31 (RMB)	Maturity	Interestrates	Currency	Notes
ICBC	1,432,682,300.00	1,462,967,300.00	2006-2014	5.184%-6.12%	RMB	Vessels pledge/credit
Bank of China	139,220,000.00	364,900,000.00	2006-2014	5.184-5.508%	RMB	construction in progress pledge
Total	1,571,902,300.00	1,827,867,300.00				

Including, RMB 909.08 million vessels pledged and RMB 364.90 million vessels constructed in progress pledged.

The aging of long-term loans:

Aging	RMB loans
1-2 years	388,095,000.00
2-3 years	342,645,000.00
3-5 years	578,077,300.00
> 5 years	519,050,000.00
Total	1,827,867,300.00

6.22 Long-term payables

Enterprise	Term	Original amount	Interestrates	2003.12.31	2004.12.31
China Import & Export Bank	1995.5.23- 2007.5.23	41,694,300 (DEM)	3.25%	EUR4,844,982.17	EUR2,906,988.87
China Import & Export Bank	1995.10.5- 2007.10.5	41,694,300 (DEM)	3.25%	EUR5,813,980.05	EUR3,875,987.20
Total				EUR10,658,962.22 折RMB110,195,553.56	EUR6,782,976.07 折RMB76,394,624.13