

Notes to condensed consolidated financial statements

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., Han'nai 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, ie. 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.

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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:

☞ The debtors are bankruptcy or dead and the legacy can't pay off.

☞ 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	
	Useful life	Annual depreciated rate
Vessels	17-22 years	4%
Buildings	30 years	4.6%
Vehicles	5-8 years	4%
Other equipments	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:

- ⊕ the construction ceased for a long time and is estimated not to be constructed in the next three years;
- ⊕ 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;
- ⊕ other circumstance sufficiently indicate that the provision of impairment should be made.

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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:

☞ the intangible asset is replaced by other new technologies so that it is worthless for using and dealing;

☞ the intangible asset is no longer protected by law and is not able to generate economic benefit;

☞ 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:

☞ the intangible asset is replaced by other new technologies that adversely affect its ability to generate economic benefit;

☞ the market value of the intangible asset decreased rapidly in current period and it can't get back in the left period;

☞ the intangible asset is no longer protected by law but it still worth using;

☞ 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

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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 \times 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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3. Tax rates

3.1 The rate of business tax is 3% or 5%.

3.2 The rate of income tax is 15%.

Pursuant to a directive 1998 (250) jointly issued by Shanghai Tax Bureau and Shanghai Bureau of Finance on 8 October 1998, the Company, registered in Shanghai Pudong New Area, is entitled to a preferential income tax rate of 15% effective. ZhuHai New Century Co., Ltd., the subsidiary company registered in Zhuhai Economy Zone, is entitled to a preferential income tax rate of 15% effective. Shanghai Friendship Shipping Co., Ltd., the subsidiary company registered in Shanghai free-trade zone, is entitled to a preferential income tax rate of 15% effective. Hai'nan Hai'xiang Shipping Industry Co., Ltd., the subsidiary company registered in Hai'an Economy Zone, is entitled to a preferential income tax of 15% effective. China Shipping Development (Hong Kong) Marine Co., Ltd., the subsidiary company registered in HongKong, is entitled to a preferential income tax of 17.5% effective.

3.3 According to the tax regulations of PRC, other taxes are provided periodically.

Tax of city construction: 7%;

Education affixation: 3%;

Maintenance for river way: 1%.

4. Subsidiaries and Associated Companies

4.1 Subsidiaries and Associated Companies

Company name	Registered capital	Engaged business	% of registered capital
Hai'nan Hai'xiang Investment Co., Ltd.	RMB 201 million	Project investment and management	95
Zhu'hai New Century Shipping Co., Ltd.	RMB 90 million	Cargo shipment	50
Shanghai Friendship Shipping Co., Ltd.	RMB 50 million	Shipment, business in free-trade zone	50
China Shipping Development (Hong Kong) Marine Co., Ltd. (Note 1)	USD 500,000	Cargo shipment	99

Note 1: On 31 December 2001, the Company entered an agreement with China Shipping Development (Hong Kong) Holding Co., Ltd. In that agreement, China Shipping (Hong Kong) Holding Co., Ltd. entrusted 1% ownership of China Shipping (Hong Kong) Marine Co., Ltd to the Company, so the Company in reality owns 100% ownership of that company.

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 Investment Co., Ltd. have been consolidated. The investment of China Shipping development(Hong Kong) Marine Co., Ltd. is USD 0.5 million. The investment of Hai'nan Hai'xiang Investment Co., Ltd. is RMB 191.87 million. The investment of Zhu'hai New Century Co., Ltd is RMB 45 million. The investment of Shanghai Friendship Shipping Co., Ltd is RMB 25 million.

Notes to condensed consolidated financial statements (continued)

4.3 Alteration of consolidation

As the total assets, revenue and net profit of its joint venture Zhuji Hai New Century Shipping Co., Ltd, Shanghai Friendship Shipping Co., Ltd are less than 10% of the consolidated financial statement, according to the Chinese "Accounting Standards of Enterprise", they are not consolidated before. However, in 2005, because of the alteration of Hongkong Accounting Standards, the above companies are consolidated in the current financial statement which is based on the Hongkong Accounting Standards. In order to maintain conformability, the above companies are consolidated in the current period proportionately.

5. Sub-Organizations

The Company has two sub-organizations, namely Tanker Company and Cargo Company, Tanker Company Guangzhou Branch.

6. Notes to financial statements (Expressed in RMB)

6.1 Cash and cash equivalents

Item	2005.06.30	2004.12.31
Cash on hand	1,226,362.90	2,045,455.12
Cash in bank	1,058,732,876.21	1,285,624,084.95
Cash equivalent	89,075.80	150,926.51
Total	<u>1,060,048,314.91</u>	<u>1,287,820,466.58</u>

Including:

CURRENCY	ORIGINAL AMT.	EXCHANGERATE	CNY AMT.
USD	77,260,420.73	8.2765	639,445,872.17
HKD	947,353.87	1.0649	1,008,837.14
EUR	46,035.36	9.9610	458,558.22
JPY	122,581.00	0.0751	9,205.83
GBP	9,200.00	15.2420	140,226.42

As at Jun. 30th ,2005 there are no material pledged, frozen, deposited oversea and limited convertibility cash that required to be disclosed in the financial statement.

6.2 Notes Receivable

Category of notes	2005.06.30	2004.12.31
Bank draft	17,465,000.00	9,340,000.00
Trade acceptance	-	-
Total	<u>17,465,000.00</u>	<u>9,340,000.00</u>

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

Notes to condensed consolidated financial statements (continued)

6.3 Accounts Receivable

Aging	2005.06.30	% Provision for bad debts	2004.12.31	%	Provision for bad debts	
< 1 year	304,565,891.80	91.66	9,136,976.75	164,002,417.43	86.08	4,920,072.52
1-2 years	201,823.36	0.06	20,182.34	54,325.64	0.13	5,432.56
2-3 years	-	-	-	-	-	-
>3 years	27,494,864.08	8.28	27,494,864.08	26,464,864.08	13.89	26,464,864.08
Total	<u>332,262,579.24</u>	<u>100.00</u>	<u>36,652,023.17</u>	<u>190,521,607.15</u>	<u>100.00</u>	<u>31,390,369.16</u>

The closing balance of accounts receivable aging over 3 years increase 1,030,000.00 compared with the relevant amount in 2004, which is caused by the reclassification from other receivables for those hard to take back.

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
Shanghai electric fuel company	18,649,931.90	Freight	<1 year
Yangpu Jinshen shipping Co., Ltd.	16,403,629.83	Freight	<1 year
Ningbo China shipping oil service Co., Ltd.	14,897,000.00	Freight	<1 year
Marubeni	14,348,000.00	Freight	<1 year
HEIDMAR	13,544,000.00	Freight	<1 year

6.4 Other Receivables

Aging	2005.06.30	% Provision for bad debts	2004.12.31	%	Provision for bad debts	
< 1 year	64,807,834.54	90.91	648,078.35	36,877,131.98	78.51	368,771.32
1-2 years	1,566,572.74	2.20	15,665.73	7,537,419.69	16.05	75,374.20
2-3 years	3,385,527.40	4.75	33,855.27	232,500.00	0.49	2,325.00
>3 years	1,528,343.94	2.14	15,283.44	2,325,843.94	4.95	23,258.44
Total	<u>71,288,278.62</u>	<u>100.00</u>	<u>712,882.79</u>	<u>46,972,895.61</u>	<u>100.00</u>	<u>469,728.96</u>

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

The provision of other receivables is calculated on 1% of the ending balances.

The amount aging over 3 years are long-term petty cash.

The top four of other receivables:

Customer name	Amount	Description	Aging
China Shipping International Trading Co., Ltd	15,447,224.47	Disposal of vessels on behalf of the company	< 1 year
PICC	6,922,165.55	Accident compensation	< 1 year
China Shipping Group Company	4,754,294.65	Current account	< 1 year
CPIC	3,227,871.60	Accident compensation	< 1 year
Mai Hui trade (Shanghai) Co., Ltd	3,157,135.76	Current account	<1 year

The total amount of top five is 33.51million, 47% of the balance as at 2005.6.30.

Notes to condensed consolidated financial statements (continued)

6.5 Advance to suppliers

Aging	2005.06.30	%	2004.12.31	%
< 1 year	229,761,665.05	98.96	199,943,319.88	98.58
1-2 years	2,069,193.74	0.89	31,912.44	0.02
2-3 years	350,000.00	0.15	350,000.00	0.17
>3 years	-	0.00	2,488,491.30	1.23
Total	<u>232,180,858.79</u>	<u>100.00</u>	<u>202,813,723.62</u>	<u>100.00</u>

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

The top five of prepayments:

Customer name	Amounts	Description	Aging
SUPERDRAGONLTD.	91,528,473.72	Deposit	<1 year
JADEQUEENNAVIGATIONINC.	72,351,503.77	Deposit	< 1 year
China Shipping International Shipping Management Co., Ltd	29,432,539.69	Advance payment for fees of crew	< 1 year
China Shipping Agency Co., Ltd	8,786,368.84	Deposit	< 1 year
China Shipping (Hong Kong) holding Co., Ltd	4,876,920.00	Rental	> 3 year

6.6 Inventories

Item	2005.06.30	2004.12.31
Bunker oil	217,973,914.65	143,777,728.76
Total	<u>217,973,914.65</u>	<u>143,777,728.76</u>

6.7 Prepaid expense

Item	Beginning bal	Adjustment for		Ending bal.	
		bound of combination	Increasing		Decreasing
Insurance for car	163,951.77	-	21,149.65	158,165.50	26,935.92
Maintenance for car	109,000.00	-	-	109,000.00	-
Insurance for vessels	-	25,577.50	154,743.20	91,002.57	89,318.13
Others	1,080.00	11,000.00	-	9,580.00	2,500.00
Total	<u>274,031.77</u>	<u>36,577.50</u>	<u>175,892.85</u>	<u>367,748.07</u>	<u>118,754.05</u>

6.8 Long-term investments

Item	2004.12.31		Additions	Disposals	2005.06.30	
	Amount	Impairment			Amount	Amount
Long-term equity investment	100,743,669.07	-	57,482.50	97,184,224.07	3,616,927.50	-
Long-term debt investment	-	-	-	-	-	-
Total	<u>100,743,669.07</u>	<u>-</u>	<u>57,482.50</u>	<u>97,184,224.07</u>	<u>3,616,927.50</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 Yuan'shui Company	Non-public	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	Dividends Distribution	Other decreasing	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	61,546,357.08	-	-	-	61,546,357.08	-
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	25,000,000.00	35,637,866.99	-	-	-	35,637,866.99	-
Total			74,000,000.00	101,184,224.07	-	-	-	97,184,224.07	4,000,000.00

Zhu'hai New Century Shipping Co., Ltd. and Shanghai Friendship Shipping Co., Ltd., the former associated company used to be recorded as long-term investee, are combined as subsidiaries during this period. The above changing of combination bound caused the sharply decreasing of long-term investment compared with the relevant amount in 2004.

c. Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hai'nan Hai'xiang Investment Co., Ltd.	-804,755.00	57,482.50	-747,272.50

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. 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.

6.9 Fixed Assets and Accumulated depreciation

Initial costs	Beginning Balance	Adjustment for combination bound	Additions	Disposals	Ending Balance
Buildings	13,033,298.95	-	-	-	13,033,298.95
Vessels	15,221,904,297.85	141,632,171.28	1,743,778,106.13	138,954,957.73	16,968,359,617.53
Vehicles	13,610,792.52	422,851.14	1,027,248.44	128,648.00	14,932,244.10
Others	48,685,753.28	776,860.78	1,237,745.11	152,758.00	50,547,601.17
Total	15,297,234,142.60	142,831,883.20	1,746,043,099.68	139,236,363.73	17,046,872,761.75

Notes to condensed consolidated financial statements (continued)

6.9 Fixed Assets and Accumulated depreciation (Continued)

Accumulated depreciation	Beginning Balance	Additions	Additions	Disposals	Ending Balance
Buildings	901,552.78	-	164,811.34	-	1,066,364.12
Vessels	7,003,242,133.72	42,056,055.96	433,005,523.84	113,123,810.65	7,365,179,902.87
Vehicles	7,106,544.20	109,999.21	341,047.94	67,145.76	7,490,445.59
Others	32,789,409.26	281,926.70	4,653,721.10	146,391.68	37,578,665.38
Total	<u>7,044,039,639.96</u>	<u>42,447,981.87</u>	<u>438,165,104.22</u>	<u>113,337,348.09</u>	<u>7,411,315,377.96</u>
Impairment of fixed assets	936,268.00				936,268.00
Net value	<u>8,252,258,234.64</u>				<u>9,634,621,115.79</u>

There were 43 vessels mortgaged and the net value of these vessels was RMB 3,146.33 million. Pledged for RMB 1,680.94 million. Including the 3 vessels pledged by associated company for the loans of 45 million. The net value of the above vessels (50%) is 67.95 million.

6.10 Construction in progress

Name of construction	Budget RMB Million	Beginning Balance	Additions	Transferred to fixed assets	Transferred to cost	Ending Balance	Completion percentage	Fund
Vessels purchase	4,183.55	1,250,546,035.61	1,721,521,677.04	1,669,581,996.52	-	1,302,485,716.13	10%-90%	Self-financing
Including: Capitalization of borrowing cost	-	3,219,365.25	6,392,457.00	9,611,822.25	-	-	10-90%	/loans
Improvement of vessels	1,429.5	38,713,851.36	54,364,586.20	73,191,671.36	-	19,886,766.20	80%	Self-financing
Others	3	3,791,584.66	1,206,414.18	2,856,853.25	-	2,141,145.59		Self-financing
Total	<u>5,616.05</u>	<u>1,293,051,471.63</u>	<u>1,777,092,677.42</u>	<u>1,745,630,521.13</u>	<u>-</u>	<u>1,324,513,627.92</u>		

6.11 Intangible Assets

Item	Costs	Beginning Balance	Additions	Depreciation this year	Accumulated depreciation	Ending Balance	Period left
Housing use right	2,302,464.00	1,189,688.50	-	115,123.20	1,227,898.49	1,074,565.30	5 years
Land use right	4,145,716.00	3,620,592.02	-	41,457.18	566,581.37	3,579,134.84	42.5 years
software	694,325.00	527,154.45	-	69,431.82	236,602.37	457,722.63	1.5-3.5 years
Total	<u>7,142,505.00</u>	<u>5,337,434.97</u>	<u>-</u>	<u>226,012.20</u>	<u>2,031,082.23</u>	<u>5,111,422.77</u>	

6.12 Long-term Deferred Assets

Item	Costs	Beginning Balance	Additions	Amortization this year	Accumulated amortization	Ending Balance	Period left
Special Painting	<u>26,661,600.00</u>	<u>21,551,460.00</u>	<u>-</u>	<u>1,333,080.00</u>	<u>6,443,220.00</u>	<u>20,218,318.00</u>	<u>7.5 years</u>

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 condensed consolidated financial statements (continued)

6.13 Short-term Loans

Bank	2004.12.31 (RMB)	2005.06.30 (RMB)	Maturity	Rare	Currency	Notes
Bank of China Shanghai Branch	-	200,000,000.00	2005-10-9	4.70%	RMB	Credit
China Minsheng banking Corp., Ltd. Shanghai Branch	20,000,000.00	37,500,000.00	2006-3-30	5.22%-5.31%	RMB	Credit
China Construction Bank Shanghai First Branch	10,000,000.00	-	2005-6-9	4.78%	RMB	Credit
China Merchants Bank Shanghai Branch	-	5,000,000.00	2006-4-18	5.02%	RMB	Credit
Shenhua finance Co., Ltd.	-	30,000,000.00	2005-12-31	5.58%	RMB	Vessels
Total	30,000,000.00	272,500,000.00				pledge

6.14 Account Payable

	2005.06.30	2004.12.31
Fuel and ports charges	273,524,446.38	162,209,240.95

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

The aging of ending balances:

Aging	2005.06.30	2004.12.31
< 1 year	271,364,606.67	154,330,158.80
1-2 years	23,390.91	2,136,448.80
2-3 years	2,136,448.80	-
> 3 years	-	5,742,633.35
Total	273,524,446.38	162,209,240.95

6.15 Advance from customers

Aging	2005.06.30	2004.12.31
< 1 year	33,955,758.92	54,210,235.13
1-2 years	481,172.89	50,000.00
2-3 years	50,000.00	101,748.44
> 3 years	1,982,811.09	1,881,062.65
Total	36,469,742.90	56,243,046.22

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

Notes to condensed consolidated financial statements

(continued)

6.16 Taxes payable

	2005.06.30	2004.12.31
Income Tax	52,024,630.08	43,585,764.33
Sales Tax	14,302,927.72	11,652,312.09
Tax of city construction	1,013,393.41	815,661.87
Value Added Tax	323,508.75	-45,484.03
Individual Income Tax	2,729,251.50	1,641,364.97
Vehicle & Vessel Tax	-	2,110,000.00
Total	<u>70,393,711.46</u>	<u>59,759,619.23</u>

6.17 Other tax payable

	2005.06.30	2004.12.31
Education affixation	1,242,718.53	349,569.29
Maintenance for river way	150,771.18	116,416.46
Stamp tax	62,934.10	15,759.50
Vehicle & Vessel tax affixation	489,234.19	84,512.05
Total	<u>1,945,658.00</u>	<u>566,257.30</u>

6.18 Other payables

Aging	2005.06.30	2004.12.31
< 1 year	181,975,882.38	251,222,451.49
1-2 years	706,835.98	9,640,191.26
2-3 years	278,828.63	329,139.74
> 3 years	8,869,864.45	8,821,539.23
Total	<u>191,831,411.44</u>	<u>270,013,321.72</u>

The main items of ending balance is listed as following:

Description	2005.06.30	2004.12.31
Staff benefit etc	46,904,994.93	50,039,138.71
Foreign currency loans of ship	3,918,047.53	2,773,503.13
Accident Loss for Suspended litigations	10,264,330.57	8,395,081.09
The remaining payables related to construction	106,268,029.00	189,970,504.50
China Shipping (Hongkong) Holding Co., Ltd	2,217,601.70	-

The amount of the main items mentioned above is 169.57million, 88.40% of the balance of other payable as at 2005.6.30.

6.19 Accrued expenses

	2005.06.30	2004.12.31
Loan interest	4,176,987.33	4,762,579.12
Bunker oil	5,990,136.92	-
Repair fee	8,827,659.42	-
Others	49,901.21	60,296.26
Total	<u>19,044,684.87</u>	<u>4,822,875.38</u>

Notes to condensed consolidated financial statements (continued)

6.20 Long-term liabilities due within 1 year

Loan sort	2005.06.30	2004.12.31	Aging	Interest Rate	Notes
Bank loans	250,455,000.00	294,455,000.00	< 1 year	5.184%-6.12%	Vessels pledge/ credit
Non-bank institution loans	38,608,768.86	43,654,149.74	< 1 year	3.25%	
Total	289,063,768.86	338,109,149.74			

Including, RMB 250.455 million vessels pledged.

6.21 Long-term loans

Bank	2004.12.31 (Equivalent RMB)	2005.06.30 (Equivalent RMB)	Maturity	Interestrates	Currency	Notes
ICBC	1,462,967,300.00	1,385,487,300.00	2006-2014	5.184%-6.12%	RMB	Vessels pledge
Bank of China	364,900,000.00	488,700,000.00	2006-2014	5.508%	RMB	CIP pledge
China Merchants Bank	-	15,000,000.00	2008	5.56%	RMB	Vessels pledge
Total	1,827,867,300.00	1,889,187,300.00				

Including, RMB 1,400.49 million vessels pledged and RMB 488.70 million vessel constructed in progress pledged. Up to 2005.6.30, the vessel constructed in progress has already completed and related procedure of changing guaranty is in processing.

The aging of long-term loans:

Aging	RMB loans
1-2 years	290,225,000.00
2-3 years	281,225,000.00
3-5 years	582,947,300.00
> 5 years	734,790,000.00
Total	1,889,187,300.00

6.22 Long-term payables

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%	EUR2,906,988.87	EUR1,937,990.54
China Import& Export Bank	1995.10.5-2007.10.5	41,694,300(DEM)	3.25%	EUR3,875,987.20	EUR2,906,988.87
Total				EUR6,782,976.07	EUR4,844,979.41
				RMB76,394,624.13	RMB48,260,839.91

Notes to condensed consolidated financial statements (continued)

6.23 Share capital

	Beginning Balance	Quantity \approx 10 thousand		Par Value \approx 1
		Increase	Decrease	Ending Balance
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

6.24 Capital surplus

Item	Beginning Balance	Increase	Decrease	Ending Balance
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

6.25 General reserves

Item	Beginning Balance	Adjustment for combination bound	Increase	Decrease	Ending Balance
Statutory surplus Reserve	481,251,929.70	3,235,557.74	-	-	484,487,487.44
Statutory public welfare reserve	348,889,622.91	2,302,180.43	-	-	351,191,803.34
Other reserve	3,155,728.78	-	-	-	3,155,728.78
Total	833,297,281.39	5,537,738.17	-	-	838,835,019.56

6.26 Retained earnings

	Amount
2004.12.31 before adjusted	2,311,300,051.82
Adjustment as at 2004.12.31 (Note 1)	-31,095,381.45
2004.12.31 after adjusted	2,280,204,670.37
Net profit for the period	1,607,556,623.86
Distributable profit	3,887,761,294.23
Transfer to Statutory surplus reserve	-
Transfer to Statutory public welfare reserve	-
Distribute Dividends	-498,900,000.00
2005.06.30	3,388,861,294.23

Note 1: The adjustment is for the changing of combination bound.

According to the resolution of General Meeting, the proposed dividend distribution for 2004 is RMB 0.15 (including taxes) per share. The total distribution of dividends is RMB 498,900,000.00 for 3,326 million shares as total share capital.