

# Notes to condensed consolidated financial statements (continued)

## 6.27 Revenue

Item	2005.1-6	2004.1-6
Coal shipment	<b>1,483,556,925.97</b>	924,458,351.66
Oil shipment	<b>2,345,943,362.78</b>	1,820,925,768.70
Dry bulk shipment	<b>466,215,559.13</b>	379,315,384.05
Total	<b><u>4,295,715,847.88</u></b>	<u>3,124,699,504.41</u>

The revenue from top five main clients is 628.93 million, 14.64% of total income during this period.

## 6.28 Sales tax and surtax

Item	2005.1-6	2004.1-6
Sales tax	<b>83,921,328.87</b>	64,049,126.15
Tax of city construction	<b>5,816,940.02</b>	4,483,438.82
Education affixation	<b>2,517,639.86</b>	1,921,473.79
Maintenance for river way	<b>784,397.01</b>	608,823.51
Total	<b><u>93,040,305.76</u></b>	<u>71,062,862.27</u>

## 6.29 Other operating income

Item	2005.1-6			2004.1-6		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	<b>37,243,842.58</b>	<b>21,878,765.75</b>	<b>15,365,076.83</b>	37,013,393.03	28,547,473.31	8,465,919.72
Manage for vessels	<b>7,661,316.00</b>	<b>5,524,865.16</b>	<b>2,136,450.84</b>	7,741,818.00	5,579,019.08	2,162,798.92
Sales of Coals	<b>37,008,984.56</b>	<b>36,621,613.93</b>	<b>387,370.63</b>	23,661,405.97	22,565,220.88	1,096,185.09
Others	<b>2,119,058.15</b>	<b>1,162,203.48</b>	<b>956,854.67</b>	1,125,153.30	514,642.40	610,510.90
Total	<b><u>84,033,201.29</u></b>	<b><u>65,187,448.32</u></b>	<b><u>18,845,752.97</u></b>	<u>69,541,770.30</u>	<u>57,206,355.67</u>	<u>12,335,414.63</u>

## 6.30 Finance expense

Item	2005.1-6	2004.1-6
Interest expense	<b>65,789,127.00</b>	47,044,388.35
Less: Interest income	<b>10,100,522.28</b>	3,632,765.50
Exchange gain and loss	<b>-12,204,226.05</b>	-3,461,446.68
Other	<b>1,525,691.70</b>	171,398.62
Total	<b><u>45,010,070.37</u></b>	<u>40,121,574.79</u>

# Notes to condensed consolidated financial statements

(continued)

## 6.31 Investment income

Item	2005.1-6	2004.1-6
Other Equity investment income	57,482.50	57,482.50
Debt investment income	-	11,998,984.41
Stock investment income	1,763,250.10	422,397.13
Total	<b>1,820,732.60</b>	12,478,864.05

## 6.32 Subsidy Income

Item	2005.1-6	2004.1-6
Government Subsidiary	<b>2,090,300.00</b>	712,000.00

## 6.33 Non-operating income

Item	2005.1-6	2004.1-6
Sales of vessels	80,505,580.23	-
Other	1,600.00	92,700.00
Total	<b>80,507,180.23</b>	92,700.00

## 6.34 Non-operating expense

Item	2005.1-6	2004.1-6
Sales of vessels	-	18,360,296.79
Sales of other assets	6,003.68	30,594.76
Penalty expense	3,079,058.69	25,000.00
Other	3,375.00	44,476.00
Total	<b>3,088,437.37</b>	18,460,367.55

## 6.35 Nonrecurring Gain or Loss

Item	2005.1-6	2004.1-6
Gains on disposal of fixed assets/(losses)	80,499,576.55	-18,390,891.55
Government subsidiary	2,090,300.00	712,000.00
Other	-3,080,833.69	23,224.00
Total	<b>79,509,042.86</b>	-17,655,667.55

# 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	462,071,473.67	-	148,169,819.20	5,500,000.00	604,741,292.87	-
Long-term debt investment	-	-	-	-	-	-
<b>Total</b>	<b>462,071,473.67</b>	<b>-</b>	<b>148,169,819.20</b>	<b>5,500,000.00</b>	<b>604,741,292.87</b>	<b>-</b>

#### (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	61,546,357.08	-	10,006,025.28	5,500,000.00	21,052,382.36	66,052,382.36
China Shipping Development (Hong Kong) Marine Co., Ltd.	Long-term	100%	4,140,000.00	129,014,704.87	-	104,717,469.84	-	229,592,174.71	233,732,174.71
Hai'nan Hai'xiang Investment Co., Ltd.	Long-term	95%	193,018,350.00	232,313,099.73	-	29,823,764.27	-	69,118,514.00	262,136,864.00
Equity investment difference		-	-1,149,650.00	-804,755.00	-	57,482.50	-	402,377.5	-747,272.50
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	25,000,000.00	35,637,866.99	-	3,565,077.31	-	14,202,944.30	39,202,944.30
<b>Total</b>			<b>270,008,700.00</b>	<b>461,707,273.67</b>	<b>-</b>	<b>148,169,819.20</b>	<b>5,500,000.00</b>	<b>334,368,392.87</b>	<b>604,377,092.87</b>

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	-	-	<b>2,156,021.80</b>
Vessels	12,954,854,251.96	1,743,778,106.13	138,954,957.73	<b>14,559,677,400.36</b>
Vehicles	12,209,055.42	1,027,248.44	-	<b>13,236,303.86</b>
Other equipment	47,796,497.84	1,156,127.00	152,758.00	<b>48,799,866.84</b>
Total	<u>13,017,015,827.02</u>	<u>1,745,961,481.57</u>	<u>139,107,715.73</u>	<u><b>14,623,869,592.86</b></u>
(2)Depreciation:				
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	366,786.00	34,284.00	-	<b>401,070.00</b>
Vessels	5,984,988,710.37	372,892,126.93	113,123,810.65	<b>6,244,757,026.65</b>
Vehicles	6,575,098.24	176,121.23	-	<b>6,751,219.47</b>
Other equipment	32,523,990.51	4,514,900.50	146,391.68	<b>36,892,499.33</b>
Total	<u>6,024,454,585.12</u>	<u>377,617,432.66</u>	<u>113,270,202.33</u>	<u><b>6,288,801,815.45</b></u>
(3)Provision:				
	936,268.00			<b>936,268.00</b>
Net value	<u>6,991,624,973.90</u>			<u><b>8,334,131,509.41</b></u>

There were 40 vessels mortgaged and the net value of these vessels was RMB 3,078.37 million as at 2005.6.  
30. Pledged for RMB 1,635.94 million.

### 7.3 Revenue

Item	2005.1-6	2004.1-6
Coal shipment	<b>1,364,995,282.06</b>	814,132,800.00
Oil shipment	<b>2,244,301,221.24</b>	1,821,201,954.05
Other shipment	<b>352,965,231.66</b>	331,017,311.00
Total	<u><b>3,962,261,734.96</b></u>	<u>2,966,352,065.05</u>

The revenue from top five main client is 628.93 million, 15.87% of total revenue during this period.

### 7.4 Investment Income

Item	2005.1-6	2004.1-6
Profits and loss of consolidation	<b>148,112,336.70</b>	60,338,167.13
Dividends income	<b>1,763,250.10</b>	422,397.13
Equity investment difference amortization	<b>57,482.50</b>	57,482.50
Total	<u><b>149,933,069.30</b></u>	<u>60,818,046.76</u>

# Notes to condensed consolidated financial statements (continued)

## 8. Segmental Information

Unit: RMB '000

Industry	Revenue		Cost		Taxes		Profit	
	2005.1-6	2004.1-6	2005.1-6	2004.1-6	2005.1-6	2004.1-6	2005.1-6	2004.1-6
Cargo shipment	4,295,716	3,124,700	2,275,831	1,863,847	93,040	71,063	1,926,844	1,189,790

## 9. The Difference between Chinese Accounting Standards and HK GAAP

(Unit: RMB '000)

	2005.1-6	2004.1-6
Net profit under Chinese Accounting Standards	1,607,557	895,728
The difference between Chinese Accounting Standards and HK GAAP	-3,008	-9,877
Including: Difference of depreciation of vessels	-	2,813
Difference of deferred income from related companies	2,623	-1,771
Difference of house founding	-6,287	-6,287
Others	656	-4,632
Net profit under HK GAAP	1,604,549	885,851
	<b>2005.6.30</b>	2004.12.31
Owners' equity under Chinese Accounting Standards	9,607,542	8,524,297
2005.1-6 house founding amortizing	68,529	74,816
Adjustments for revaluation surplus, exchange gain or loss, depreciation, income of vessels sales and others	90,244	59,967
Owners' equity under HK GAAP	9,766,315	8,659,080

The international review report of the company for 2005.1-6 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	6,620,227	169,138	242,751	6,546,614

# 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 <sub>1</sub> 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
JADE QUEEN 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
China Shipping International Shipping Management 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
Shanghai Time 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

(1) Lease of vessels

Name of related party	Pricing basis	2005.1-6	2004.1-6
China Shipping (Hong Kong) Marine Co., Ltd.	Market prices	-	10,905
China Shipping Container Lines Co., Ltd.	Market prices	<b>34,813</b>	23,120
Shanghai Friendship Shipping Co., Ltd.	Market prices	<b>549</b>	2,823
Shanghai Time Shipping Co., Ltd.	Market prices	<b>7,242</b>	5,457

(2) Vessel management fees

On June 2005, 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 cargo vessels of Guangzhou Maritime and 7 vessels of Da'lian Shipping:

Name of related party	Pricing basis	2005.1-6	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	<b>4,599</b>	4,680
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	<b>1,041</b>	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. 8th Jan 2004, the company signed the supplement agreement. The agreement became effective after approved by the first general meeting in 2004. 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. According the agreement, whether the payment based on market price, state-fixed price or cost depends on the feasibility and applicability of the service.

(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	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>1,384</b>	0.14%	1,207
Shanghai Shipping (Group) Company	Market price	<b>2,049</b>	0.21%	1,774
China Shipping Industry Co., Ltd.		<b>45</b>	0.00%	23
China shipping & sinopec Suppliers Co., Ltd.	Market price	<b>558,810</b>	57.66%	392,070
China Shipping International Trading Co., Ltd.	Market price	<b>1,321</b>	0.14%	-
Da'Lian Shipping (Group) Company	Market price	-	-	10

# Notes to condensed consolidated financial statements

## (continued)

### 10. Related Party Transactions and Outstanding Balances (Continued)

(b) Whitewashing and oily water treatment for vessels:

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	<b>284</b>	5.01%	899
Shanghai Shipping (Group) Company	State-fixed prices or market prices	<b>3,693</b>	65.10%	2,478
China shipping & sinopec Suppliers Co., LTD.	State-fixed prices or market prices	<b>270</b>	4.76%	161

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

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	<b>3,283</b>	14.34%	155
Shanghai Shipping (Group) Company	State-fixed prices	<b>1,286</b>	5.62%	1,334
China Shipping Tele-communication Co., Ltd.	State-fixed prices	<b>7,206</b>	31.49%	3,377
China Shipping Industry Co., Ltd.	State-fixed prices	<b>50</b>	0.22%	25
China Shipping International Shipping Management Co., Ltd	State-fixed prices	<b>21</b>	0.09%	-
China shipping & sinopec Suppliers Co., LTD.	State-fixed prices	-	-	93

(d) Dry-docking and repairs:

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd	State-fixed prices or market prices	<b>10,750</b>	4.72%	5,621
Shanghai Shipping (Group) Company	State-fixed prices or market prices	<b>13,475</b>	5.91%	9,542
China Shipping Tele-communication Co., Ltd.	State-fixed prices or market prices	<b>3,823</b>	1.68%	3,161
China Shipping Industry Co., Ltd.	State-fixed prices or market prices	<b>131,487</b>	57.68%	60,551
China shipping & sinopec Suppliers Co., LTD.	State-fixed prices or market prices	<b>16,679</b>	7.32%	16,362
China Shipping International Trading Co., Ltd.	State-fixed prices or market prices	<b>588</b>	0.26%	232
China Shipping Agency Co., Ltd.	State-fixed prices or market prices	<b>6</b>	0.00%	-

(e) Hiring of sea crew

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	-	-	75,765
Da'lian Shipping (Group) Co., Ltd.	Market price	-	-	1,973
China Shipping International Shipping Management Co., Ltd	Market price	<b>96,694</b>	90%	-



# Notes to condensed consolidated financial statements

## (continued)

### 10. Related Party Transactions and Outstanding Balances (Continued)

(f) Accommodation, lodging and transportation for employees

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>216</b>	5.86%	160
Shanghai Shipping (Group) Company	Market price	<b>2,750</b>	74.55%	2,770

(g) Medical services (for existing employees)

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Shanghai Shipping (Group) Company	State-fixed prices	<b>509</b>	9.34%	1,264
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	<b>86</b>	1.58%	12

(h) Miscellaneous management services

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>13,051</b>	20.22%	10,454
China Shipping (Group) Company	Market price	-	-	95
Shanghai Shipping (Group) Company	Market price	<b>2,439</b>	3.78%	3,301
China shipping & sinopec Suppliers Co., LTD.	Market price	<b>179</b>	0.28%	143
China Shipping Tele-communication Co., Ltd.	Market price	<b>1,185</b>	1.84%	1,868
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	<b>890</b>	1.38%	191
China Shipping International Shipping Management Co., Ltd.	Market price	<b>393</b>	0.61%	-

(i) Agency commissions

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Shanghai Shipping (Group) Company	Market price	<b>86</b>	0.18%	157
China Shipping Agency Co., Ltd.	Market price	<b>32,694</b>	68.46%	13,351
Guangzhou Maritime (Group) Co., Ltd.	Market price	-	-	41
China Shipping International Trade Co., Ltd	Market price	-	-	738
JADEQUEEN NAVIGATION INC.	Market price	<b>66</b>	0.14%	95
SUPER DRAGON LTD.	Market price	<b>339</b>	0.71%	381

(4) Vessel chartering charges paid

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>4,100</b>	2.93%	4,250
Shanghai Shipping (Group) Company	Market price	<b>14,237</b>	10.19%	17,782
China Shipping (Hong Kong) Marine Co., Ltd.	Market price	<b>28,475</b>	20.38%	20,495
Zhu'hai New Century Shipping Co., Ltd.	Market price	<b>1,810</b>	1.30%	1,820
Da'lian Shipping (Group) Co., Ltd.	Market price	<b>27,389</b>	19.60%	22,341

# Notes to condensed consolidated financial statements (continued)

## 10. Related Party Transactions and Outstanding Balances (Continued)

### (5) Vessel disposal

Name of related party	Pricing basis	2005.1-6	Proportion of the same business	2004.1-6
China Shipping Industrial Co., Ltd	Market price	<b>97,896</b>	87.49%	-

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

Item	Amount		proportion	
	2005.06.30	2004.12.31	2005.06.30	2004.12.31
Accounts receivables:				
Shanghai Shipping (Group) Company	-	2,465	-	0.87%
China Shipping (Hong Kong) Marine Co., Ltd.	-	26,351	-	9.32%
China Shipping Container Lines Co., Ltd.	<b>2,992</b>	-	<b>1.01%</b>	-
Guangzhou Maritime (Group) Co., Ltd.	<b>4,599</b>	-	<b>1.56%</b>	-
Da'lian Shipping (Group) Co., Ltd.	<b>1,041</b>	-	<b>0.35%</b>	-
Other receivables:				
Shanghai Shipping (Group) Company	-	38	-	0.04%
Da'lian Shipping (Group) Company	<b>109</b>	1,177	<b>0.15%</b>	1.39%
Guangzhou Maritime (Group) Co., Ltd.	<b>457</b>	3,668	<b>0.65%</b>	4.35%
China Shipping (Group) Company	<b>4,754</b>	-	<b>6.67%</b>	-
China Shipping (Hong Kong) Marine Co., Ltd.	-	11,389	-	13.44%
China Shipping Container Lines Co., Ltd.	-	1,770	-	2.09%
China Shipping Agency Co., Ltd.	<b>8</b>	-	<b>0.01%</b>	-
China Shipping International Trading Co., Ltd.	<b>15,447</b>	-	<b>21.89%</b>	-
China Shipping International Shipping Management Co., Ltd.	<b>28</b>	-	<b>0.04%</b>	-
Prepayments:				
China Shipping Agency Co., Ltd.	<b>8,786</b>	8,574	<b>3.78%</b>	2.60%
China shipping & sinopec Suppliers Co., LTD.	<b>1,250</b>	1,250	<b>0.54%</b>	0.38%
JADE QUEEN NAVIGATION INC.	<b>72,352</b>	96,127	<b>31.16%</b>	29.17%
SUPER DRAGON LTD.	<b>91,528</b>	171,111	<b>39.42%</b>	51.92%
China Shipping International Trading Co., Ltd.	<b>2,570</b>	-	<b>1.11%</b>	-
Shanghai Shipping (Group) Company	<b>200</b>	18,117	<b>0.09%</b>	5.50%
Guangzhou Maritime (Group) Co., Ltd.	-	5,016	-	1.52%
Zhu'hai New Century Shipping Co., Ltd.	-	1,830	-	0.56%
China Shipping Tele-communication Co., Ltd.	<b>500</b>	500	<b>0.22%</b>	0.15%
China Shipping Industry Co., Ltd.	<b>1,150</b>	-	<b>0.50%</b>	-
China Shipping International Shipping Management Co., Ltd.	<b>29,433</b>	-	<b>12.68%</b>	-
China Shipping (Hong Kong) Marine Co., Ltd.	<b>4,877</b>	-	<b>2.10%</b>	-

# Notes to condensed consolidated financial statements (continued)

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

Item	Amount		proportion	
	2005.06.30	2004.12.31	2005.06.30	2004.12.31
Accounts Payable:				
China Shipping Industry Co., Ltd.	175	125	0.06%	0.05%
China shipping & sinopec Suppliers Co., LTD.	35,691	28,145	13.05%	12.05%
Guangzhou Maritime (Group) Co., Ltd.	-	442	-	0.19%
Da'lian Shipping (Group) Company	-	333	-	0.14%
China Shipping Agency Co., Ltd.	563	950	0.21%	0.41%
China Shipping International Shipping Management Co., Ltd.	442	-	0.16%	-
Other Payable:				
Guangzhou Maritime (Group) Co., Ltd.	702	24,952	0.37%	19.62%
China Shipping Haisheng Co., Ltd.	-	937	-	0.74%
China Shipping Agency Co., Ltd.	2,100	-	1.10%	-
China Shipping International Shipping Management Co., Ltd.	269	-	0.14%	-
China Shipping (Hong Kong) Marine Co., Ltd.	2,218	-	1.16%	-

## 11. Guaranty

There is no guaranty should be disclosed for in the financial statements.

## 12. Commitment

12.1 The company signed the contract with Shanghai Shipyard Factory in Apr, 2003 and planed to start the construction of one cargo vessels (57300T). Pursuant to the contract, the vessel valued USD 17.28 million, which would be paid by 4 installments. As of Jun 30, 2005, the company had paid USD 5.184 million. The remaining will be paid when the vessel transferred. The constructions are planed to complete at the end of 2005.

12.2 The Company signed the contract with Bo'hai Shipyard Factory in Apr. 2003 and planed to start the construction of one cargo vessels (57300T). Pursuant to the contract, the vessel valued USD 17.98 million, which would be paid by 4 installments. As of June 30, 2005, the company had paid USD 5.394 million. The remaining will be paid by installments of building on slipway, entering the water and completion. The construction is planed to complete at the end of 2005.

12.3 The Company signed the contract with Guangzhou Shipyard International Co., Ltd in Sept. 2003 and planned to start the construction of one oil vessels (40000T). Pursuant to the contract, the vessel valued USD 25.38 million which would be paid by 5 installments. As of June 30, 2005, the company had paid USD 10.152 million. The remaining will be paid when the vessel transferred. The constructions are planed to complete at the end of 2005.

12.4 The Company signed the contract with Dalian Shipyard Heavy Industry Co., Ltd in Sept. and Dec. 2003 and planed to start the constructions of 4 oil vessels(70000T). Pursuant to the contract, each vessel valued USD 28.38 million and the estimated total cost will be USD 113.52 million which will be paid by 5 installment. As of June 30, 2005 the company had paid USD 62.42 million. The remaining will be paid by installments of building on slipway, entering the water and completion. The construction is planned to complete at the end of 2006.

# Notes to condensed consolidated financial statements

## (continued)

- 12.5 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd in May, 2004 and planned to start the construction of oil vessel(298000T).Pursuant to the contract, the vessel valued USD 98.8 million which would be paid by 5 installments.As of June 30, 2005 the company had paid USD 39.52 million. The remaining will be paid by installments of building on slipway, entering the water and completion. The construction is planned to complete at the end of 2007.
- 12.6 The China Shipping Development(Hong Kong) Marine Co., Ltd., the subsidiary company, signed the contract with Guangzhou Shipyard International Co., Ltd. in May 2004, and planed to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel valued USD 27.8 million, and the estimated total costs would be USD 55.6 million, which will be paid by 5 installments. As of June 30, 2005, the company had paid USD 13.9 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions planed to complete in 2006.
- 12.7 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. in Dec 2004, and planed to start the constructions of 4 oil vessels (52500T). Pursuant to the contract, each vessel valued USD 35.80 million, and the estimated total costs would be USD 143.20 million, which will be paid by 5 installments. As of June 30, 2005, the company has paid USD 14.32 million for these vessels. The remaining will be paid by installments of building on shipway, entering the water and completion. The constructions plan to complete in 2008.
- 12.8 Shanghai Timing shipping Co., Ltd, the subsidiary signed the contract with Jiangnan Shipyard Co., Ltd in April, 2005 and planned the constructions of 2 vessel(76000T).Pursuant to the contract, each vessel valued USD 33.5 million and the estimated total cost would be USD 67 million which would be paid by 7 installment. As of June 30, 2005, the company has paid USD 13.4 million. The remaining will be paid by installments of building on shipway, entering the water and completion. The constructions are planned to complete at the end of 2008.

### **13. Post balance sheet events**

There is no material post balance sheet events should be disclosed for in the financial statements.

### **14. Contingent liability**

- 14.1 On August 5th, 2003 the company's oil vessel named "Changyang" was collided by "Zhechangxing No. 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 the subsequent clearing expense. The company took objection to doing so. The company had accrued losses RMB 12 million based on the estimate of PICC.

On Mar 10th, 2004, the court of Shanghai Yangpu Area had the final judgment. According to the "Penal judgment" YXZ2004 No.39, "Zhechangxing No.0375" should whole response for the accident. Considered of the behalf of social and public.

Up to August 10th, 2005, the company hadn't managed the final agreement with Shanghai Maritime Bureau.

# Notes to condensed consolidated financial statements

## (continued)

14.2 In December 2003, the company signed two vessel rent agreement, as owner, with Korea HURON Company, as renter. According to the agreement, HURON rent “Dinhe” and “Daqin74” based on the number of voyages or flights. HERON rent the tankers for transfer 2 tankers of oil to Qunshan harbor in Korea. These oils were for 4 bills of lading. Korea Exchange Bank(“KEB”), Kookmin Bank(“Kookmin”), Woori Bank(“Woori”), National Federation of Fishery Cooperatives(“NFFC”) discharged letters of credit for the above transactions (Including oil 67.8 thousand tons, valued USD 12.7 million which is the amount of letters of credit).

When “Dinhe” and “Daqin74” arrived Qunshan Harbor, the company released the above mentioned container(s)/cargo based on the request authorized by HURON. HURON paid the rental expenses. But HURON didn’t surrender the original bills of landing, which is promised to retrocede in time. In May 2004, HURON applied court in Korea for assets restructuring. In May 2004, HURON was bring to account for bankruptcy, which processing caused three banks, NFFC, Woori and Kookmin, suit the company for the total amount of the above mentioned cargo based on the original bills of landing. The sum they suited for is 11,974,643,009(WON) and the related interest. According to the application from the company, Bank of China provided Guarantee to the above 3 banks.

In September 2004, the company applied the court of Karea for the injunction of forbidding the treatments of oil and got the injunction successfully. The injunction forbid to treat the 64.1 thousand oil stocked in oil tank of HURON. (The market price at the beginning of this case is USD 191 per ton and total value of the forbidden oil comes to USD 12,243.1 thousand).

Up to August 10th, 2005, this case between the company and the three banks (NFFC, Woori and Kookmin) was still in processing.

14.3 On March 8th, 2005, “Hualin”, the vessel what is affiliated with the company, collided with “MSC CHRISTINA”, certified in Germany, in the middle Huanghai and sank after ruptured. In April 2005, the insurer for the hull and accident of “MSC CHRISTINA” provided the company guaranty, USD 19 million. On Jun 14th 2005, the attorney for the owner of “MSC CHRISTINA” litigated the company to claim for compensation USD 100 million.

The company has already insured “Hualin” for its hull and duty of ship-owner.

Up to August 10th 2005, the case still had no processing.

### **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	20.06%	20.66%	0.5793	0.5793
Operating profit	18.63%	19.19%	0.5381	0.5381
Net profit	16.73%	17.23%	0.4833	0.4833
Net profit after deducting abnormal items	16.03%	16.51%	0.4630	0.4630

#### (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	31,860,098.12	31,521,831.00	5,504,807.84	5,242,091.93	-	-	37,364,905.96	36,763,922.93
Including: Accounts receivables	31,390,369.16	31,115,532.97	5,261,654.01	5,040,654.79	-	-	36,652,023.17	36,156,187.76
Other receivables	469,728.96	406,298.03	243,153.83	201,437.14	-	-	712,882.79	607,735.17
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 2005.6.30 or 10% of total profit for 2005.1-6:

	2005.06.30	2004.12.31	Variation		proportion of total assets
			Amount	Rate	
Cash and banks (1)	<b>1,060,048,314.91</b>	1,287,820,466.58	-227,772,151.67	-17.69%	8.23%
Notes receivable(2)	<b>17,465,000.00</b>	9,340,000.00	8,125,000.00	86.99%	0.14%
Accounts receivable (3)	<b>295,610,556.07</b>	159,131,237.99	136,479,318.08	85.77%	2.29%
Other receivable(4)	<b>70,575,395.83</b>	46,503,166.65	24,072,229.18	51.76%	0.55%
Prepayment(5)	<b>217,973,914.65</b>	143,777,728.76	74,196,185.89	51.60%	1.69%
Long-term equity investment(6)	<b>3,616,927.50</b>	100,743,669.07	-97,126,741.57	-96.41%	0.03%
Fixed assets(7)	<b>17,046,872,761.75</b>	15,297,234,142.60	1,749,638,619.15	11.44%	132.33%
Depreciation(8)	<b>7,411,315,377.96</b>	7,044,039,639.96	367,275,738.01	5.21%	57.53%
Construction in progress(9)	<b>1,324,513,627.92</b>	1,293,051,471.63	31,462,156.29	2.43%	10.28%
Short-term Loan(10)	<b>272,500,000.00</b>	30,000,000.00	242,500,000.00	808.33%	2.12%
Accounts payable(11)	<b>273,524,446.38</b>	162,209,240.95	111,315,205.43	68.62%	2.12%
Advance from customers(12)	<b>36,469,742.90</b>	56,243,046.22	-19,773,303.32	-35.16%	0.28%
Other taxes (13)	<b>1,945,658.00</b>	566,257.30	1,379,400.70	243.60%	0.02%
Other payable (14)	<b>191,831,411.44</b>	270,013,321.72	-78,181,910.28	-28.95%	1.49%
Accrued expense(15)	<b>19,044,684.87</b>	4,822,875.38	14,221,809.49	294.88%	0.15%
Long-term loans(16)	<b>1,889,187,300.00</b>	1,827,867,300.00	61,320,000.00	3.35%	14.67%
Deferred revenue(17)	<b>48,260,839.91</b>	76,394,624.13	-28,133,784.22	-36.83%	0.37%

### Subjects in income statements

	2005.1-6	2004.1-6	Variation	Rate	proportion of profit
Cost(19)	<b>2,275,831,169.74</b>	1,863,846,993.39	411,984,176.35	22.10%	121.63%
Income taxes and affixations (20)	<b>93,040,305.76</b>	71,062,862.27	21,977,443.49	30.93%	4.97%
Other operating profit (21)	<b>18,845,752.97</b>	12,335,414.63	6,510,338.34	52.78%	1.01%
Investment Income(22)	<b>1,820,732.60</b>	12,478,864.04	-10,658,131.44	-85.41%	0.097%
Subsidy (23)	<b>2,090,300.00</b>	712,000.00	1,378,300.00	193.58%	0.11%
Non-operating income(24)	<b>80,507,180.23</b>	92,700.00	80,414,480.23	86747.01%	4.30%
Non-operating expense(25)	<b>3,088,437.37</b>	18,460,367.55	-15,371,930.18	-83.27%	0.17%
Income tax(26)	<b>261,920,657.34</b>	150,648,011.02	111,272,646.32	73.86%	14.00%
Minority equity(27)	<b>1,569,671.80</b>	553,917.85	1,015,753.95	183.38%	0.08%

# Notes to condensed consolidated financial statements

(continued)

- (1) Since the company paid dividend RMB 498,900,000.00 and vessels price RMB 1,800 million, the closing balance of this subject decreased 17.69% compared with the relevant amount on 2004.6.30.
- (2) The closing balance of notes receivable increase 86.99% compared with the relevant amount in 2004, which is caused by 2 reasons. One cause is the sharply improving of income during 2005.1-6 compared with the relevant amount during 2004.1-6. The other reason is that more business settled by notes during this period.
- (3) The greatly rise of turnover and the expand of combination bound during the first six months in 2005 caused the balance of accounts receivable of the company increase 85.77%.
- (4) The balance of other receivables is 24.07 million more than the balanced as at 2004.6.30. The amount includes 15.45 million receivable from China Shipping International Trading Co., Ltd., which received the disposal income of vessel for the company, and the receivables for fuel from periodic hirer.
- (5) The company hold 51.6% more inventory at 2005.6.30 compared with the related amount of 2004, which is mainly caused by the increasing of vessels during this period and the greatly growth of unit price of fuel at the beginning of 2005.
- (6) 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 decreasing (97.13 million) of long-term investment compared with the relevant amount in 2004.
- (7) The addition of fixed assets is 4 vessels for goods and 3 oil tanks transferred from cip when completed. The total increasing amount is 1,749.64 million.
- (8) Since the addition of the cost of fixed assets cost, the depreciation expenses during this period went up 367.28 million compared with the related amount in last year.
- (9) The subsidiary company, Shanghai Time Shipping Co., Ltd. started to build 2 vessels and paid by installments. The construction in progressing mentioned above caused the balance of cip to increase 31.46 million compared with the related balance at 2004.
- (10) The balance of short-term loan increased 242.5 million compared with related amount in 2004. This increase is mainly caused by the addition of short-tem loan by the company and subsidiary companies.
- (11) Basically caused by the rising of oil price and the port unit price and the addition of vessels, the accounts payable increased 111.32 million compared the related amount in 2004.
- (12) The closing balance of advanced receivable decreased 19.77 million, 35% of the closing balance at 2004. 6.30. This is because the company improved the settlement of payment and adopted COP for the main clients.
- (13) The company paid 190 million other payable for vessels-purchase and increased payment for purchasing vessels, 104 million. This caused the reduction,78.18 million, of other payables.



# Notes to condensed consolidated financial statements

(continued)

- (14) The company accrues fix expenses and fuel & material expense monthly according annul plan and adjusts the actual expenses at the end of the year. The company decided to fix the vessels during the next half year considered the transaction at the first half-year of 2005. This caused the increasing of 14.22 million of accrued expenses compared with the related amount in 2004.
- (15) The company borrowed more long-time loan especially for the new vessels construction, which caused the addition of long-time loan as 61.32 million compared with the related amount in 2004.6.30.
- (16) According to the payment schedule of non-currency payable, the closing balance of this account decreased 28.13 million compared with the related amount in 2004.
- (17) Because of the soaring prices for freight and oil shipment and the raising of shipment quantity, the revenue improved by 37.48% compared with the relevant amount of the same period in 2004.
- (18) The cost of the company increased by 22.1% compared with the relevant cost of the corresponding period in 2004. 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.
- (19) The business tax increased 30.93% because of the sharply growth of turnover.
- (20) The company decreased the rental vessels, which caused the descending of other-operating expenses for vessels rental. Meanwhile, the rental price rose. Other operating profit of the company during this period increased 6.51 million compared this the related amount during 2004.
- (21) 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. This change of combination bound caused the decreasing (10.66 million) of investment profit during this period compared with the related amount during 2004.
- (22) This change of combination bound caused the increasing (1.38 million) of subsidy during this period compared with the related amount during 2004.
- (23) The amount of Non-operating income of the first half in 2005 is RMB 80.41 million more than the relevant amount of the same period in 2004, which is caused by the disposal of two vessels, Daqin 242, Daqin218, Daqin 231 and Ninhe in the first half of 2005.
- (24) The amount of Non-operating expense of the first half in 2005 is RMB 15.37 million less than the relevant amount of the same period in 2005, which is caused by the loss of disposing the vessel "YouYi 22" during the first half of 2004.
- (25) The sharply jumping of profit during the current period by 79.47% caused the income tax to increase 73.86% appropriately.
- (26) The minority interest is 183.88% more than the relevant amount of the same period in 2004, which is caused by the net profit increasing of Hai'nan Haixiang Investment Co., Ltd., the subsidiary company.