

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.9 Fixed Assets and Accumulated depreciation

(1) Costs

	2004.12.31	Adjustment for consolidation scope	Additions	Disposal	2005.12.31
Buildings	13,033,298.95	–	5,025,549.25	3,921,277.15	14,137,571.05
Vessels	15,221,904,297.85	141,632,171.28	3,071,707,997.32	202,078,228.44	18,233,166,238.01
Vehicles	13,610,792.52	422,851.14	1,286,668.44	413,648.00	14,906,664.10
Others	48,685,753.28	776,860.78	4,742,266.57	4,164,478.55	50,040,402.08
Total	15,297,234,142.60	142,831,883.20	3,082,762,481.58	210,577,632.14	18,312,250,875.24

(2) Accumulated depreciation

	2004.12.31		Additions	Disposal	2005.12.31
Buildings	901,552.78	–	367,741.90	209,543.22	1,059,751.46
Vessels	7,003,242,133.72	42,056,055.96	895,023,078.93	173,722,150.54	7,766,599,118.07
Vehicles	7,106,544.20	109,999.21	1,086,182.28	340,745.76	7,961,979.93
Others	32,789,409.26	281,926.70	9,357,341.84	3,764,633.73	38,664,044.07
Total	7,044,039,639.96	42,447,981.87	905,834,344.95	178,037,073.25	7,814,284,893.53
Impairment of fixed assets	936,268.00				936,268.00
Leasehold improvement	21,551,460.00	–	23,602,264.61	5,918,313.11	39,235,411.50
Net value	8,273,809,694.64				10,536,265,125.21

There were 19 vessels which the net value of these vessels was RMB 2,243.74 million mortgaged to get the bank loan RMB 1,361.30 million, including the 2 vessels with net value of RMB 68.34 million from associated company which got the loans RMB 30 million.

6.9.1 Leasehold improvements

	Costs offixed	2004.12.31	Additions	Disposals	2005.12.31
Special painting of “daqin 88”	13,669,240.00	-	13,669,240.00	3,086,602.61	10,582,637.39
Special painting of “yanghe” welhouse	9,933,024.61	-	9,933,024.61	165,550.50	9,767,474.11
Special painting of “songlinwan”	26,661,600.00	21,551,460.00	-	2,666,160.00	18,885,300.00
Total	50,263,864.61	21,551,460.00	23,602,264.61	5,918,313.11	39,235,411.50

6.10 Construction in progress

	Budget RMB Million	2004.12.31	Additions	Transferred to fixed assets	Transferred to cost	2005.12.31	Completion percentage	Source of funds
Vessels purchase	418,355萬元 4,183.55 Million	1,250,546,035.61	2,483,088,549.48	2,864,848,853.40	3,087,513.50	865,698,218.19	10%-90%	Self-financing /loans
Including:								
Capitalization of borrowing cost	-	3,219,365.25	6,392,456.49	9,611,821.74	-	-	-	
Improvement of vessels	17,685萬元 176.85 Million	38,713,851.36	76,989,820.25	101,972,581.61	13,731,090.00	-	10%-90%	Self-financing
Others	355萬元 3.55 Million	3,791,584.66	2,319,025.57	3,268,830.91	2,777,830.32	63,949.00	90%	Self-financing
Total		1,293,051,471.63	2,562,397,395.30	2,970,090,265.92	19,596,433.82	865,762,167.19	10%-90%	Self-financing /loans

6.11 Intangible Assets

Item	Costs	2004.12.31	Additions	Amortization this year	Accumulated amortization	2005.12.31	Period left
House use right	2,302,464.00	1,189,688.71	-	230,246.40	1,343,021.69	959,442.31	4.5 years
Land use right	4,145,716.00	3,620,592.81	-	82,914.36	608,038.55	3,537,677.45	42 years
Software	3,584,625.00	527,154.45	2,890,300.00	824,798.71	991,969.26	2,592,655.74	1-4.5 years
Total	10,032,805.00	5,337,434.97	2,890,300.00	1,137,959.47	2,943,029.50	7,089,775.50	

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.12 Short-term Loans

Bank	2005.12.31 (RMB)	2004.12.31 (RMB)	Maturity	Rate	Currency	Notes
China Minsheng Banking Shanghai Branch	-	20,000,000.00		-	-	-
China construction bank shanghai the first branch	-	10,000,000.00		-	-	-
Total	-	30,000,000.00				

6.13 Accounts Payable

Aging	2005.12.31	2004.12.31
< 1 year	216,100,991.72	154,330,158.80
1-2 years	-	2,136,448.80
2-3 years	22,909.02	-
>3 years	2,136,448.80	5,742,633.35
Total	218,260,349.54	162,209,240.95

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

The aging of ending balances:

6.14 Advance from customers

Aging	2005.12.31	2004.12.31
< 1 year	31,876,002.46	54,210,235.13
1-2 years	358,662.09	50,000.00
2-3 years	50,000.00	101,748.44
>3 years	1,981,071.87	1,881,062.65
 Total	 34,265,736.42	 56,243,046.22

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

6.15 Taxes payable

	2005.12.31	2004.12.31
Income Tax	41,574,341.94	43,585,764.33
Sales Tax	14,586,198.46	11,652,312.09
Tax of city construction	1,009,368.93	815,661.87
Value Added Tax	-	-45,484.03
Individual Income Tax	4,465,622.55	1,641,364.97
Vehicle & Vessel Tax	-	2,110,000.00
 Total	 61,635,531.88	 59,759,619.23

6.16 Other tax payable

	2005.12.31	2004.12.31
Education affixation	437,585.89	349,569.29
Maintenance for riverway	150,421.87	116,416.46
Stamp tax	210,664.26	15,759.50
Vehicle & Vessel tax affixation	484,156.49	84,512.05
 Total	 1,282,828.51	 566,257.30

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.17 Other payables

Aging	2005.12.31	2004.12.31
< 1 year	259,191,484.79	251,222,451.49
1-2 years	923,853.09	9,640,191.26
2-3 years	265,539.13	329,139.74
> 3 years	<u>7,605,646.10</u>	<u>8,821,539.23</u>
Total	<u>267,986,523.11</u>	<u>270,013,321.72</u>

The main items of ending balance are listed as following:

Description	2005.12.31	2004.12.31
Staff benefit etc.	79,186,515.07	50,039,138.71
Pretty cash of foreign currency	3,192,353.13	2,773,503.13
Accident Loss for Suspended litigations	35,416,136.95	8,395,081.09
The remaining payables for construction	134,611,457.75	189,970,504.50

The amount of the main items mentioned above is 252.40 million, 94% of the balance of other payables as at 2005.12.31.

6.18 Accrued expenses

	2005.12.31	2004.12.31
Loan interest	3,353,053.84	4,762,579.12
Others	64,025.89	60,296.26
Total	3,417,079.73	4,822,875.38

6.19 Long-term liabilities due within 1 year

Loan sort	2005.12.31	2004.12.31	Aging	Interest rate	Notes
Bank loans	233,225,000.00	294,455,000.00	< 1 year	5.508%-6.120%	Vessels pledge/credit
Non-bank institution loans	37,130,852.92	43,654,149.74	< 1 year	3.25%	
Total	270,355,852.92	338,109,149.74			

Including the mortgaged loan RMB 206.745 million.

6.20 Long-term loans

Bank	2005.12.31 (RMB)	2004.12.31 (RMB)	Maturity	Interstrate	Currency	Notes
ICBC	848,045,000.00	1,462,967,300.00	2007–2014	5.508–6.12%	RMB	Vessels pledge/credit
Bank of China	488,700,000.00	364,900,000.00	2007–2015	5.508%	RMB	Vessels pledge
China Merchant bank	10,000,000.00	–	2008	5.56%	RMB	Vessels pledge
Total	1,346,745,000.00	1,827,867,300.00				

Including the mortgaged loan RMB 1,154.555 million.

The aging of long-term loans:

Aging	RMB loans
1-2 years	233,225,000.00
2-3 years	233,225,000.00
3-5 years	386,450,000.00
> 5 years	493,845,000.00
Total	1,346,745,000.00

6.21 Long-term payables

Item	2005.12.31	2005.12.31	2004.12.31	2004.12.31
		RMB		RMB
Finance Lease Payables	EUR 2,906,982.72	27,848,022.36	EUR6,782,976.07	76,394,624.13
Finance Lease Payables	USD 14,172,538.78	114,375,222.46	-	-
Unrecognized financing expenses		-23,276,943.30	-	-
Total		118,946,301.52		76,394,624.13

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.21.1 Finance Lease Payables

Enterprise	Term	Original amount	Interest rate	2005.12.31	2004.12.31
China Import & Export Bank	1995.5.23- 2007.5.23	41,694,300 (DEM)	3.25%	EUR 968,992.20	EUR2,906,988.87
China Import & Export Bank	1995.10.5- 2007.10.5	41,694,300 (DEM)	3.25%	EUR 1,937,990.52	EUR3,875,987.20
Foreview (HongKong) Ltd.	2005.10.22- 2013.5.22	15,434,318.25 (USD)		USD 14,172,538.78	-
Total				折RMB142,223,244.82	折RMB76,394,624.13

6.21.2 Unrecognized Financing Expenses

Costs	2004.12.31	Additions	Disposals	2005.12.31
-23,886,597.69	-	-23,886,597.69	-609,654.39	-23,276,943.30

6.22 Share capital

	2004.12.31	Quantity: 10 thousand				Par Value: RMB		2005.12.31
		本次變動增減(+,-)				Others	Sub-total	
		Increase	Decrease					
		配股	送股	公積金轉股	增發			
1. Non-trading shares								
Including: State-owned legal person shares	168,000	-	-	-	-	-10,150	-10,150	157,850
2. Trading shares								
Hshares	129,600	-	-	-	-	-	-	129,600
Ashares	35,000	-	-	-	-	10,150	10,150	45,150
3. Total	332,600	-	-	-	-	-	-	332,600

The State Share Reform Proposal of China Shipping Development Company Limited was adopted by the relevant shareholder's meeting for the state share reform on 8 December 2005. Based on the consideration proposal for the state share reform, China Shipping (Group) Company ("CSC"), the sole shareholder of non-tradable shares of the Company, will offer 2.9 shares to each A shareholder for every 10 A tradable shares. CSC offers 101,500,000 shares in total to the holders of tradable A shares in the Company. The date of listing for consideration shares was 30 December 2005. After the consideration shares implemented, the shares number of CSC decreased to 1,578,500,000 from 1,680,000,000 and percentage of registered capital decreased to 47.46% from 50.51%.

6.23 Capital surplus

Item	2005.12.31	2004.12.31
Share premium	2,023,877,878.95	2,023,877,878.95
Other	29,842,814.60	29,842,814.60
Total	<u>2,053,720,693.55</u>	<u>2,053,720,693.55</u>

6.24 General reserves

Item	2004.12.31	Adjustment for consolidation scope	Increase	Decrease	2005.12.31
Statutory surplus Reserve	481,251,929.70	3,235,557.74	280,223,331.46	-	764,710,818.90
Statutory public welfare reserve	348,889,622.91	2,302,180.43	274,933,898.65	-	626,125,701.99
Other reserve	3,155,728.78	-	-	-	3,155,728.78
Total	<u>833,297,281.39</u>	<u>5,537,738.17</u>	<u>555,157,230.11</u>	<u>-</u>	<u>1,393,992,249.67</u>

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6.25 Retained Earnings

	Amount
Retain earnings as at 2004.12.31	2,311,300,051.82
Opening balance adjustment (Note 1)	-31,095,381.45
	2,280,204,670.37
Add: Net profit in 2005	2,714,222,595.89
Distributable profit	4,994,427,266.26
Less: Transfer to Statutory surplus reserve	280,223,331.46
Transfer to Statutory public welfare reserve	274,933,898.65
Distribute Dividends of 2004	498,900,000.00
Retain earnings as at 2005.12.31	<u>3,940,370,036.15</u>

Note 1: The adjustment is due to the changes of consolidation scope.

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

6.26 Revenue

Item	2005	2004
Coal shipment	3,095,566,772.53	1,987,365,465.28
Oil shipment	4,681,938,267.86	3,748,574,285.62
Dry bulk shipment	922,943,110.36	751,015,719.53
Total	<u>8,700,448,150.75</u>	<u>6,486,955,470.43</u>

The revenue from top five main clients is 1,792.97 million, 20.61% of total income during this period.

6.27 Sales tax and surtax

Item	2005 年	2004 年
Sales tax	166,838,189.00	129,912,015.07
Tax of city construction	11,561,420.31	9,093,841.05
Education affixation	5,005,145.15	3,897,360.45
Maintenance for river way	1,556,918.89	1,231,703.30
Total	184,961,673.35	144,134,919.87

6.28 Other operating income

Item	2005			2004		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	73,263,603.40	43,891,708.04	29,371,895.36	66,101,978.49	50,336,645.90	15,765,332.59
Manage for vessels	13,302,320.00	844,584.51	12,457,735.49	12,109,680.00	10,809,711.00	1,299,969.00
Agency commission	248,669.88	16,877.01	231,792.87	640,599.49	38,661.51	601,937.98
Sales of coals	37,008,984.56	36,625,247.11	383,737.45	83,731,987.42	82,144,202.09	1,587,785.33
Others	5,035,854.64	3,281,120.40	1,754,734.24	3,531,232.19	1,155,565.72	2,375,666.47
Total	128,859,432.48	84,659,537.07	44,199,895.41	166,115,477.59	144,484,786.22	21,630,691.37

6.29 Finance expense

Item	2005	2004
Interest expense	135,592,996.18	102,466,130.60
Less: Interest income	24,361,964.44	9,200,225.97
Exchange gain and loss	8,069,019.74	9,780,898.80
Other	2,032,276.21	335,975.32
Total	121,332,327.69	103,382,778.75

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS

(continued)

6.30 Investment income

Item	2005	2004
Amortization of the investment premium	114,965.00	114,965.00
Investment income from associated subsidiaries	-	21,088,867.75
Dividend	1,773,370.10	427,457.13
Total	<u>1,888,335.10</u>	<u>21,631,289.88</u>

6.31 Subsidy Income

Item	2005	2004
Government Subsidiary	6,386,300.00	3,831,000.00

6.32 Non-operating income

Item	2005	2004
Sales of vessels	102,006,543.46	58,457,631.45
Sales of other assets	730,368.65	86,431.74
Other	69,294.22	293,225.00
Total	<u>102,806,206.33</u>	<u>58,837,288.19</u>

6.33 Non-operating expense

Item	2005	2004
Sales of vessels	137,731.27	18,361,087.19
Sales of other assets	208,720.91	30,343.36
Penalty expense	3,105,158.69	57,000.00
Other	114,004.06	64,828.50
Total	<u>3,565,614.93</u>	<u>18,513,259.05</u>

6.34 Nonrecurring Gain or Loss

Item	2005	2004
Gains on disposal of fixed assets/(losses)	102,390,459.93	34,129,737.74
Government subsidiary	6,386,300.00	3,256,350.00
Other	-3,149,868.53	145,687.03
Total	105,626,891.40	37,531,774.77

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

Item	Beginning Balance	Addition	Decrease	Ending Balance	
Long-term equity investment	462,071,473.67	- 408,840,069.29	5,500,000.00	865,411,542.96	-
Long-term debt investment	-	-	-	-	-
Total	462,071,473.67	- 408,840,069.29	5,500,000.00	865,411,542.96	-

(1). Stock investment

Investee

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

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(2). Other equity investment

Investee	Term of investment	Ownership	Cost of	Beginning	Addition of	Profit/loss of	Profit/loss of	Accumulated	Ending
			investment	balance	investment	current period	current period	profit/loss	balance
Shanghai Baojiang Shipping Co., Ltd.	Long-term	10%	4,000,000.00	4,000,000.00	-	-	-	-	4,000,000.00
Zhuhai New Century Shipping Co., Ltd.	Long-term	50%	75,000,000.00	61,546,357.08	30,000,000.00	14,795,952.02	5,500,000.00	25,842,309.10	100,842,309.10
China Shipping Development (Hongkong) Marine Co., Ltd.	Long-term	100%	4,140,000.00	129,014,704.87	-	116,466,222.81	-	241,340,927.68	245,480,927.68
Hainan Haixiang Investment Co., Ltd.	Long-term	95%	383,018,350.00	232,313,099.73	190,000,000.00	52,097,200.91	-	91,391,950.64	474,410,300.64
Equity investment difference			-1,149,650.00	-804,755.00	-	114,965.00	-	459,860.00	-689,790.00
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	25,000,000.00	35,637,866.99	-	5,365,728.55	-	16,003,595.54	41,003,595.54
Total			490,008,700.00	461,707,273.67	220,000,000.00	188,840,069.29	5,500,000.00	375,038,642.96	865,047,342.96

Note 1: On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang Investment Co., Ltd. (old name Hai'nan Hai'xiang Shipping Industry Co., Ltd.) from Shanghai Shipping (Group) Company paying RMB 49,368,700.00. At the end of 31 December 2001, the equity of Hai'nan Hai'xiang 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.

7.2 Fixed Assets and Accumulated depreciation

(1) Costs

	2004.12.31	Additions	Disposal	2005.12.31
Buildings	2,156,021.80	-	-	2,156,021.80
Vessels	12,954,854,251.96	2,741,476,941.55	202,078,228.44	15,494,252,965.07
Vehicles	12,209,055.42	1,286,668.44	285,000.00	13,210,723.86
Others	47,796,497.84	3,994,609.96	4,164,478.55	47,626,629.25
Total	13,017,015,827.02	2,746,758,219.95	206,527,706.99	15,557,246,339.98

(2) Accumulated Depreciation:

	Beginning Balance	Increase	Decrease	Closing Balance
Buildings	366,786.00	68,568.00	—	435,354.00
Vessels	5,984,988,710.37	773,127,267.39	173,722,150.54	6,584,393,827.22
Vehicles	6,575,098.24	768,524.70	273,600.00	7,070,022.94
Others	32,523,990.51	8,845,556.66	3,764,633.73	37,604,913.44
Total	6,024,454,585.12	782,809,916.75	177,760,384.27	6,629,504,117.60

(3) Provision:

	936,268.00	—	—	936,268.00
--	------------	---	---	------------

(4) Leasehold improvements

	21,551,460.00	23,602,264.61	5,918,313.11	39,235,411.50
--	---------------	---------------	--------------	---------------

(5) Net value

	7,013,176,433.90	—	—	8,966,041,365.88
--	------------------	---	---	------------------

There were 17 vessels which the net value of these vessels was RMB 2,175.40 million mortgaged to get the bank loan RMB 1,346.30 million.

7.2.1 Leasehold improvements

	Costs	2004.12.31	Additions	2005.12.31	
Special painting of “Da Qin 88”	13,669,240.00	—	13,669,240.00	3,086,602.61	10,582,637.39
Special painting of “Yang He” welhouse	9,933,024.61	—	9,933,024.61	165,550.50	9,767,474.11
Special painting of “Song Lin Wan”	26,661,600.00	21,551,460.00	—	2,666,160.00	18,885,300.00
Total	50,263,864.61	21,551,460.00	23,602,264.61	5,918,313.11	39,235,411.50

會計報表附注(續)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7.3 Revenue

Item	2005	2004
Coal shipment	2,676,479,184.26	1,604,580,971.05
Oil shipment	4,681,938,267.86	3,748,574,285.62
Dry bulk shipment	733,937,829.59	751,015,719.53
Total	<u>8,092,355,281.71</u>	<u>6,104,170,976.20</u>

The revenue from top five main clients is 1,756 million, 22% of total revenue during this period.

7.4 Investment income

Item	2005	2004
Profits and loss of consolidation	188,725,104.29	152,518,015.45
Dividends income	1,773,370.10	427,457.13
Equity investment difference amortization	114,965.00	114,965.00
Total	<u>190,613,439.39</u>	<u>153,060,437.58</u>