

## SIGNIFICANT EVENTS

### 1. Material litigation or arbitration

The Company was not involved in any material litigation or arbitration during the Period.

### 2. Purchase, sale or disposal of major assets

#### (1) Acquisition of assets (Unit: Rmb'000 )

Parties and required assets	Date of acquisition	Consideration	Net profit contribution for the listed company from purchase date to 31 December 2002	Connected transaction (Yes/No)	Pricing policy
	2000.4.12 (合同簽約)	674,000	18,400(毛利)	否	市場價
Construction of four 74,000 tonnes dry bulk cargo vessels	12 April 2000	674,000	18,400(gross profit)	No	Market price

#### (2) Disposal of assets (Unit: Rmb'000 )

Assets sold	Date of disposal Consideration	Net profit contribution/(loss) for the listed company from 1 January 2002 to disposal date	Loss arising from disposal of assets	Connected transaction (Yes/No)	Pricing policy
25% interest in China Shipping Container Lines Co., Ltd. held by the Company	9 September 2002	Rmb1 yuan	(100,101)	N/A	Yes Valued price
M/V Daqing 212	November 2002	3,200	1,790	(1,677)	Yes Market price
M/V Daqing 30	December 2002	5,262	8,072	(4,016)	Yes Market price

The purchase and disposal of the above vessels were carried out in accordance with the overall strategic plan of the Company's operation and development. Through the implementation of the adjustments to the Company's existing fleet composition, the Company is expected to boost its shipping capacity.

Following approval by the 8th meeting of the board 2002, the Company entered into a transfer of interests agreement with the Group Company on 9 September 2002. Pursuant to such agreement, the Company has agreed to transfer all of its 25 per cent. equity interests in China Shipping Container Lines Co., Ltd. ("CSC") at the price of Rmb1.00 to China Shipping. The Company is entitled to retain the option to purchase the interests in CSC.

### 3. Connected transactions (prepared in accordance with the PRC Accounting Standards)

The Group had connected transactions during the year with the holding company, fellow subsidiaries, jointly-controlled entities, associate, as well as related companies. The detailed information of the significant connected transactions is as follows:

#### (1) Revenue from lease of vessels

Name of related party	Pricing basis	2002 Rmb'000	2001 Rmb'000
China Shipping Container Lines Co., Ltd.	Agreement prices	55,988	60,565
China Shipping (Hong Kong) Marine Co., Ltd.	Agreement prices	59,898	68,908

A services agreement dated 19 March 1998 between the Company and China shipping (the "Services Agreement") became effective subsequent to an approval by the independent shareholders at an extraordinary general meeting held on 26 May 1998. Pursuant to the Services Agreement China Shipping (or its subsidiaries) will provide to the Company necessary supporting shipping materials and services for the on-going operations of dry-docking and repairs services, lubricating oil, fresh water suppliers, raw material, bunker oil, as well as other services. The contract term of the Services Agreement is for a period of ten years.

## SIGNIFICANT EVENTS

(Continued)

Name of related party	Pricing basis	2002 Rmb'000	Proportion of the same business	2001 Rmb'000
(a)				
Supply of lubricating oil, fresh water suppliers, raw material, bunker oil, mechanical and electrical engineering, ship stores and maintenance services for life boats		597,620	62.10%	441,853
China Shipping Supplies Co., Ltd.	Market price			
(b)				
Dry-docking, repairs and vessels innovation		57,861	17.13%	56,652
China Shipping Supplies Co., Ltd.	State-fixed price			
China Shipping Industry Co., Ltd.		129,278	38.28%	147,818
(c)				
Hiring of sea crew	State-fixed price	138,537	65.16%	94,911
Guangzhou Maritime (Group) Co., Ltd.	Market price			
(d)				
Leasing of vessels		32,070	29.60%	18,940
Guangzhou Maritime (Group) Co., Ltd.	Agreement price	41,200	38.03%	-
Dalian Shipping (Group) CO., Ltd,	Agreement price			

The executive directors and the non-executive directors have reviewed the connected transactions and confirmed that, during the period from 1 January 2002 to 31 December 2002, such transactions were:

- (1) conducted in the ordinary course of business of the Group;
- (2) entered into in accordance with the terms of any agreements governing such transactions; and
- (3) fair and reasonable so far as the shareholders of the Company were concerned.

#### 4. Material contracts and the implementation of the contracts

(1) During the Period, the Company did not have any trusts, contracts or lease with other entities during the Period or those which occurred in the previous years but were postponed to the Period.

(2) Material guarantees during the Period

Debtor	Date of signature	Guarantee Rmb'000	Term for deed of security	Completion of the guarantee (Yes/No)	Provision for connected parties (Yes/ No)
Shanghai Baojiang Shipping Company Limited	2001.10	2,000	1 年 1 year	是 Yes	是 Yes
Shanghai Baojiang Shipping Company Limited	2002.6	4,100	5 年 5 year	否 NO	是 Yes
Shanghai Baojiang Shipping Company Limited	2002.6	500	1 年 1 year	否 No	是 Yes
Zhuhai New Century Shipping Company Limited	2001.12	27,000	1 年 1 year	是 Yes	是 Yes
Zhuhai New Century Shipping Company Limited	2002.12	42,000	1 年 1 year	否 No	是 Yes
Total of the guarantees		75,600			
Total of the remaining guarantees		46,600			
Total of the remaining connected guarantees		46,600			

(3) The Company did not have any trust arrangement with any security companies.

(4) Pursuant to the Services Agreement entered into between the Company and the Group Company, the Group Company (or its subsidiaries) will provide to the Company the necessary supporting shipping materials and services for the ongoing operations of the Company. The details of the related business transactions for 2002 are set out in the financial statements.

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## **SIGNIFICANT EVENTS**

*(Continued)*

- (5) Pursuant to the Services Agreement stated in the Note to the financial statements, the management charges paid by the Company to the Group Company for the provided services was Rmb43,724,000 during the Period(2001: Rmb43,374,000).

### **5. Commitment**

China Shipping and the fellow subsidiary companies made the following commitment to the Company on 23 May 2001:

- (1) Not to carry out competitive business with the Company; and
- (2) Not to support the jointly-controlled companies to conduct the competitive business against the Company.

China shipping has not breached any of the above commitment during the year.

### **6. Information of the domestic and international auditors of the Company**

During the period, neither the domestic auditors nor the international auditors appointed by the Company changed. Shanghai Zhonghua Huyin C.P.A. and Ernst & Young have been appointed as the domestic and international auditors of the Company for 9 years. During the period, the service fees payable to the above auditors are as follows:

Shanghai Zhonghua Huyin C.P.A.: auditing fee (including the A share issue) Rmb626,000 (2001: Rmb330,000), travelling charges Rmb13,000 (2001: Rmb28,000)

Ernst & Young: auditing fees Rmb2,094,000 (2001: Rmb2,062,000)