

5. Sub-Organizations

The Company has two sub-organizations, namely Tanker Company and Cargo Company. Tanker Company has set up a sub-unit in Guangzhou, namely Tanker Company Guangzhou Branch.

6. Notes to financial statements (Expressed in RMB)

6.1 Cash and cash equivalents

Item	2002.12.31	2001.12.31
Cash in hand	2,764,905.26	3,241,485.28
Cash in bank	625,863,711.58	428,362,308.98
Cash equivalent	86,375,646.50	10,588,718.49
Total	715,004,263.34	442,192,512.75
	40,103,863.33	折合匯率 8.2773
	79,699.06	折合匯率 1.0611
	198,581.00	折合匯率 0.0630
	41,928.24	折合匯率 8.6360

6.2 Notes Receivable

Category of notes	2002.12.31	2001.12.31
Bank draft	16,723,216.00	5,484,347.32
Trade acceptance	28,060,292.81	58,354,498.16
Total	44,783,508.81	63,838,845.48

As at December 31th, 2002, no material notes receivable were mortgaged or pledged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.3 Accounts Receivable

Aging	2002.12.31	%	Provision for bad debts	2001.12.31	%	Provision for bad debts
< 1 year	208,461,979.99	83.96	6,253,859.40	163,232,846.01	77.95	4,896,985.38
1-2 years	7,721,638.74	3.11	772,163.87	3,192,976.25	1.52	319,297.63
2-3 years	3,246,938.01	1.31	811,734.50	4,172,040.62	1.99	1,043,010.16
>3 years	28,851,740.11	11.62	21,448,122.69	38,821,630.16	18.54	26,723,067.71
Total	248,282,296.85	100.00	29,285,880.46	209,419,493.04	100.00	32,982,360.88

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
Jin'shan Petroleum Chemical	21,582,000.00	Freight	<1 year
Ning'bo Ja'li Ship Services Co., Ltd.	18,822,000.00	Freight	<1 year
GLASFORD	16,952,000.00	Freight	<1 year
Beijing Jing'sheng Oil Shipping Co., Ltd.	10,914,629.83	Freight	<1 year
China Union Petroleum Chemical Co., Ltd.	8,766,000.00	Freight	<1 year

6.4 Other Receivables

Aging	2002.12.31	%	Provision for bad debts	2001.12.31	%	Provision for bad debts
< 1 year	129,389,126.13	79.85	1,293,891.26	105,985,632.37	92.35	1,059,856.32
1-2 years	25,514,000.46	15.75	255,140.01	2,188,535.03	1.92	21,885.35
2-3 years	1,517,407.89	0.94	15,174.08	2,530,000.00	2.20	25,300.00
>3 years	5,610,357.30	3.46	56,135.7	4,055,074.63	3.53	40,550.75
Total	162,030,891.78	100.00	1,620,308.92	114,759,242.03	100.00	1,147,592.42

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

The top five of other receivables:

Customer name	Amount	Description	Aging
Shanghai Shipping (Group) Company	29,983,976.84	Advance payment for rents of sailors	<1 year
Zhu'hai New Century Shipping Co., Ltd.	19,700,000.00	Sale of Vessels	<1 year
China Shipping (Hong'kong) Co., Ltd.	13,758,553.15	Vessel chartering income	<1 year
China Shipping Container Lines Co., Ltd.	8,603,403.76	Vessel chartering income	<1 year
Guangzhou Shipping (Group) Company	5,202,178.17	Advance payment for fees of sailors	<1 year

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.5 Advance to suppliers

Aging	2002.12.31	%	2001.12.31	%
< 1 year	179,493,657.28	92.61	284,027,815.62	70.34
1-2 years	2,420,926.15	1.25	113,541,975.18	28.12
2-3 years	11,887,810.00	6.13	45,421.52	0.01
>3 years	5,481.30	0.01	6,186,652.88	1.53
Total	193,807,874.73	100.00	403,801,865.20	100.00

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

The top four of prepayments:

Customer name	Amount	Description	Aging
SUPER DRAGON LTD.	93,829,527.70	Petty cash	<1 year
PARAKOU SHIPPING LTD.	26,188,622.68	Advance for Finance lease	<1 year
JADE QUEEN NAVIGATION INC.	60,059,111.00	Petty cash	<1 year
China Shipping Services Co., Ltd.	7,286,985.70	Petty cash	<1 year

6.6 Inventories

Item	2002.12.31	2001.12.31
Bunker oil	115,819,073.84	107,962,452.42
Others	54,716.20	54,716.20
Total	115,873,790.04	108,017,168.62

6.7 Prepayments

Item	2002.01.01	Additions	Disposal	2002.12.31
Costs of unfinished lines	6,895,226.00	265,319.25	6,895,226.00	265,319.25
Vehicle insurance	16,080.73	21,160.96	16,080.73	20,160.96
Total	6,911,306.73	285,480.21	6,911,306.73	285,480.21

6.8 Long-term investments

Item	2002.01.01		Additions	Disposals	2002.12.31	
	Amount	Impairment	Amount	Amount	Amount	Impairment
Long-term equity investments	172,393,058.68	—	—	122,410,289.93	49,982,768.75	—
Long-term debt investments	67,813.64	—	—	2,000.00	65,813.64	—
Total	<u>172,460,872.32</u>	<u>—</u>	<u>—</u>	<u>122,412,289.93</u>	<u>50,048,582.39</u>	<u>—</u>

(1) Long-term equity investment a. Stock investment

Investee	Nature of stock	Stock Quantity	% of investee's paid-in capital	Amount of investment
Shanghai Yuan'shui Company	<u>Non-public</u>	<u>92,000.00</u>	<u><5%</u>	<u>364,200.00</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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b. Other long-term equity investment

Investee	Term of investment	Ownership %	Cost of investment	Beginning balance	Addition of investment	Profit/loss of current period	Accumulated profit/loss	Ending balance
China Shipping Container Lines Co., Ltd.	Long-term	25%	450,260,000.00	129,194,220.20	-	-129,194,220.20	-450,260,000.00	-
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%	30,000,000.00	29,984,288.48	-	508,323.64	492,612.12	30,492,612.12
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	10,000,000.00	10,000,000.00	-	6,160,641.63	6,160,641.63	16,160,641.63
Total			494,260,000.00	173,178,508.68	-	-122,525,254.93	-443,606,746.25	50,653,253.75

China Shipping Container Lines Co., Ltd. the affiliate company of the Group, keeps continuous loss and the net assets is RMB-290,288,700 which is evaluated by the Assets Evaluation report of Zhongtongcheng(中通誠) Assets Evaluation Co., Ltd. based on 22nd July 2002. Pursuant to the share-transferring agreement with China Shipping (Group) Co., Ltd. on 9 September 2002, the Group transferred 25% shares of China Shipping Container Lines Co., Ltd. held to China Shipping (Group) Co., Ltd. on the price of 1 RMB.

c. Equity investment difference

Name of company	Beginning balance	Addition	Ending balance
Hai'nan hai'xiang Shipping Industry Co., Ltd.	-1,149,650.00	114,965	-1,034,685.00

On 31 December 2001, the Company purchased 95% equity of 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.

(2) Long-term debt investments

Bond	Value	Annual rate	Holding amount	Maturity date	Accumulated interest	期末余额 Ending balance
Housing bond	58,920.00	3.6%	58,920.00	2003.1	6,893.64	65,813.64

6.9 Fixed Assets and Accumulated depreciation

(1) Costs

	2002.01.01	Additions	Disposal	2002.12.31
Buildings	6,077,298.95	345,000.00	—	6,422,298.95
Vessels	11,668,468,757.97	786,317,930.33	49,026,925.40	12,405,759,762.90
Vehicles	9,147,232.09	1,685,327.07	1,180,259.47	9,652,299.69
Others	43,390,617.81	2,373,053.54	8,849,467.48	36,914,203.87
Total	11,727,083,906.82	790,721,310.94	59,056,652.35	12,458,748,565.41

(2) Accumulated depreciation

	2002.01.01	Additions	本期减少 Disposal	2002.12.31
Buildings	223,168.88	165,112.39	—	388,281.27
Vessels	4,809,546,995.20	857,013,141.44	46,652,654.81	5,619,907,481.83
Vehicles	3,819,459.42	1,276,786.63	901,957.00	4,194,289.05
Others	24,792,417.11	5,311,370.26	7,379,043.34	22,724,744.03
Total	4,838,382,040.61	863,766,410.72	54,933,655.15	6,811,533,769.23
Net value	6,888,701,866.21			6,811,533,769.23

There were 33 vessels mortgaged and the net value of these vessels was RMB 1,987.02 million.

The original costs of vessels by financial lease were RMB 857.23million and the net value of those vessels was RMB 440.90million.

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6.10 Construction in progress

Name of construction	2002.01.01	Additions	Transferred to fixed assets	2002.12.31	Completion percentage	Source of funds
Vessels purchase	451,350,567.29	1,601,705,063.05	1,369,572,762.70	683,482,867.64	10%-90%	Self-financing/loans
Improvement of vessels	3,358,607.87	40,608,426.39	42,726,799.14	1,240,235.12	10%-60%	Self-financing
Other purchase	—	1,412,335.21	—	1,412,335.21	50%	Self-financing
Total	454,709,175.16	1,643,725,824.65	1,412,299,561.84	686,135,437.97		

The capitalization of borrowing costs was RMB 26,084,280.05.

6.11 Intangible Assets

Item	Costs	2002.01.01	Additions	Amortization this year	Accumulated amortization	2002.12.31	Period left
House use right	2,302,464.00	1,880,427.58	—	230,246.36	652,282.78	1,650,181.22	7.5 years
Land use right	4,145,716.00	3,869,334.89	—	82,914.36	359,295.47	3,786,420.53	45 years
Software	88,000.00	—	88,000.00	3,299.98	3,299.98	84,700.02	4.5 years
Total	6,536,180.00	5,749,762.47	88,000.00	316,460.70	1,014,878.23	5,521,301.77	

6.12 Short-term Loans

Bank	2002.01.01	2002.12.31	Maturity	Rate	Currency	備注 Notes
	(RMB)	(RMB)				
China Construction Bank	—	20,000,000.00	2003.11	4.779%	RMB	Credit
Shanghai Bank	—	5,000,000.00	2003.5	4.535%	RMB	Credit
Guangdong Development Bank	—	2,500,000.00	2003.11	4.536%	RMB	Credit
Total	—	27,500,000.00				

6.13 Accounts Payable

	2002.12.31	2001.12.31
Fuel and port charges	193,160,948.52	283,868,843.74

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

The aging of ending balances:

Aging	2002.12.31	2001.12.31
< 1 year	165,012,609.69	229,459,399.52
1-2 years	13,793,734.86	8,864,590.00
2-3 years	7,108,238.00	2,674,982.76
>3 years	<u>7,256,365.97</u>	<u>42,869,871.46</u>
Total	<u><u>193,160,948.52</u></u>	<u><u>283,868,843.74</u></u>

6.14 Advance from customers

Aging	2002.12.31	2001.12.31
< 1 year	16,737,045.02	15,876,308.35
1-2 years	5,660,179.35	1,815,257.61
2-3 years	-	-
>3 years	<u>1,009,186.59</u>	<u>3,765,364.98</u>
Total	<u><u>23,406,410.96</u></u>	<u><u>21,456,930.94</u></u>

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

6.15 Dividends payable

2002.01.01	Additions	Payment	2002.12.31
148,800,000.00	332,600,000.00	148,800,000.00	332,600,000.00

According to the resolution of Board of Directors, the proposed dividend distribution for 2002 is Rmb0.10 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.16 Taxes payable

	2002.12.31	2001.12.31
Income Tax	10,218,245.05	17,106,496.33
Sales Tax	11,150,871.47	8,919,673.95
Tax of city construction	563,687.20	624,377.17
Value Added Tax	50,101.62	—
Vehicle & Vessel Tax	1,914,000.00	—
Total	<u>23,896,905.34</u>	<u>26,650,547.45</u>

6.17 Other tax payable

	2002.12.31	2001.12.31
Education affixation	336,029.18	267,590.22
Dike charges	11,266.37	87,639.53
Escuage charges	-	28,316.24
Maintenance for riverway	10,743.37	22,299.15
Stamp tax	12,045.17	3,301.50
Vehicle & Vessel Tax	98,855.08	52,823.67
Freight affixation	8,676.67	8,676.66
Total	<u>567,615.84</u>	<u>470,646.97</u>

6.18 Other payables

	2002.12.31	2001.12.31
	<u>152,371,182.37</u>	<u>268,785,790.27</u>

The closing balance of 2002 decreased 43.31% compared to the balance of 2001 due to the payment of the 20 tankers transaction with Guangzhou Maritime (Group) Co. Ltd., in 2001.

The top five of ending balances:

Description	2002.12.31	2001.12.31
Staff benefit etc	51,309,304.50	56,865,218.02
Guangzhou Shipping (Group) Company	8,455,251.59	25,401,529.44
China Shipping (Group) Company	-	133,341,626.60
Zhu'hai New Century Shipping Co., Ltd	3,650,000.00	-
Accident Loss for Suspended litigations	2,142,706.91	2,142,706.91

6.19 Accrued expenses

	2002.12.31	2001.12.31
Loan interest	5,166,368.75	55,954,460.60
Repair charges	-	1,524,380.79
Rents	1,200,000.00	380,000.00
Total	6,366,368.75	7,858,841.39

6.20 Long-term liabilities due within 1 year

Loan sort	2002.12.31	2001.12.31	Aging	Interest rate	Notes
Bank loans	94,985,000.00	242,673,250.00	< 1 year	5.94% ~ 6.21% LIBOR+1%	Vessels pledge
Non-bank institution loans	75,013,039.39	205,597,671.13	< 1 year	LIBOR+1.35% ~ 1.65%	Vessels pledge
Total	169,998,039.39	448,270,921.13			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6.21 Long-term loans

Bank	2002.01.01 (RMB)	2002.12.31 (RMB)	Maturity	Interest rate	Currency	Notes
ICBC	1,349,771,300.00	1,678,517,300.00	2004-2013	5.94% ~ 6.21%	RMB	Vessels pledge
Indosuez Asia shipfinance services Ltd.	122,597,137.50	—	2003	LIBOR+1%	USD	Vessels pledge
Total	1,472,368.50	1,678,517,300.00				

The aging of long-term loans:

Aging	RMB loans
1-2 years	280,125,000.00
2-3 years	301,625,000.00
3-5 years	391,050,000.00
> 5 years	705,717,300.00
Total	1,678,517,300.00

6.22 Long-term payables

	2002.12.31	2001.12.31
Financial lease payables	125,523,937.37	241,827,148.67

The details of ending balance:

Enterprise	2002.01.01 (Equivalent RMB)	2002.12.31 (Equivalent RMB)	Interest rate	Beginning balance	Ending balance
China Import & Export Bank	1995.5.23- 2007.5.23	41,694,300 (DEM)	3.25%	DEM17,056,752.00	EUR6,782,982.16
China Import & Export Bank	1995.10.5- 2007.10.5	41,694,300 (DEM)	3.25%	DEM18,951,948.00	EUR7,751,980.49
Total					EUR14,534,962.65 折RMB125,523,937.37