

6.23 Other long-term Loans

期初數 2002.01.01	本期增加 Additions	本期減少 Decrease	期末數 2002.12.31
724,514,000.00	-	724,514,000.00	-

The amount was due to China Shipping (Group) Company for purchasing vessels and was cleared before 31 Dec 2002.

6.24 Deferred tax credits

期初數 2002.01.01	期末數 2002.12.31
2,794,573.52	-

The deferred tax credit arose from the increment of evaluation of vessels that the Company invested to CSCL in year 1997. The amount was cleared when the company transferred the share of China Shipping Container Lines Co., Ltd. to China Shipping (Group) Company.

6.25 Deferred revenue

期初數 2002.01.01	期末數 2002.12.31
10,666,737.85	7,114,402.69

In year 2001, the Company dealt the lease back transaction with Zhu'hai New Century Shipping Co., Ltd. The outstanding amount was due to that transaction.

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6.26 Share capital

	2001.12.31			2002.12.31
1. Non-trading shares				
Including : State-owned legal person shares	168,000	Addition	Others	Sub-total
				168,000
2. Trading shares				
H shares	129,600			129,600
A shares		35,000		35,000
3. Total	<u>297,600</u>	<u>35,000</u>		<u>35,000</u> <u>332,600</u>

In May 2002, the Company issued 350 million A shares. Shanghai Zhonghua Huyin CPAs had public capital verified report (2002) No.0939 about this issue.

6.27 Capital surplus

Item	2001.12.31	Increase	Decrease	2002.12.31
Share premium	1,548,581,979.43	475,295,899.52	—	2,023,877,878.95
Provided from equity investment	15,835,916.60	—	—	-
Other	14,006,898.00	15,835,916.60	15,835,916.60	29,842,814.60
Total	<u>1,578,424,794.03</u>	<u>491,131,816.12</u>	<u>15,835,916.60</u>	<u>2,053,720,693.55</u>

In May 2002, the Group issued 350 million A shares. The total issuing amount was RMB 826,000,000, the frozen interest was RMB 24,227,437.52, the issuing fee was RMB 24,931,538, and the actual amount received by the Company was RMB 825,295,899.52. The amount of RMB 350,000,000 was recorded in share capital and the amount of RMB 475,295,899.52 was recorded in capital surplus.

It was the portion of the added value after the evaluation on the ships, which was invested in China Shipping Container Lines in 1997. The company transferred its holding shares of China Shipping Container Lines to China Shipping Group this year, the according provision on investment was hereby transferred to the capital surplus account.

6.28 General reserves

Item	2002.01.01	Increase	Decrease	2002.12.31
Statutory surplus reserve	128,846,135.30	58,423,863.53	—	187,269,998.83
Statutory public welfare reserve	289,052.59	57,792,201.76	—	58,081,254.35
Other reserve	3,155,728.78	—	—	3,155,728.78
Total	132,290,916.67	116,216,065.29	—	248,506,981.96

6.29 Retained Earning

	Amount
2002.01.01	397,765,020.31
Net profit for the year	571,918,583.77
Distributable profit	969,683,604.08
Transfer to statutory surplus Reserve	(58,423,863.53)
Transfer to statutory public welfare reserve	(57,792,201.76)
Distribute dividends	(332,600,000.00)
2002.12.31	520,867,538.79

6.30 Other operating income

Item	2002			2001		
	Income	Cost	Profit	Income	Cost	Profit
Lease of vessels	127,727,645.22	117,622,253.94	10,105,391.28	136,720,365.07	109,987,275.16	26,733,089.91
Management of vessels	13,432,888.71	—	13,432,888.71	16,776,229.26	838,811.46	15,937,417.80
Agency commission	7,967,389.30	7,016,561.68	950,827.62	—	—	—
Sales of coals	32,406,451.52	31,929,741.39	476,710.13	—	—	—
Others	784,622.96	370,601.84	414,021.12	861,060.00	2,003,184.76	-1,142,124.76
Total	182,318,997.71	156,939,158.85	25,379,838.86	154,357,654.33	112,829,271.38	41,528,382.95

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6.31 Finance expense

Item	2002	2001
Interest expense	127,692,412.20	174,442,909.88
Less: Interest income	6,642,751.92	17,365,842.84
Exchange gain and loss	30,151,714.89	(2,814,026.10)
Other	4,978,370.74	5,438,502.96
Total	<u>156,179,745.91</u>	<u>159,701,543.90</u>

6.32 Investment income

Item	2002	2001
Equity investment income	-119,996,292.23	-274,618,438.39
Debt investment income	360.00	21,384.68
Stock investment income	2,663,965.21	2,554,800.73
Total	<u>-117,331,967.02</u>	<u>-272,042,252.98</u>

The decrease of profit on investment is due to continuous loss of one of its associate company, China Shipping Container Lines, whose net assets is below zero. The company had transferred its shares to China Shipping Group in Sep.2002, the long-term investment then decrease to zero.

6.33 Non-operating income

Item	2002	2001
Sales of vessels	715,623.09	16,264,886.90
Sales of other assets	275,261.14	—
Penalty income	150,000.00	232.86
Other	99,712.70	—
Total	<u>1,240,596.93</u>	<u>16,265,119.76</u>

The sharp decrease on non-operation income this year compared with last fiscal year is due to the profit on a transaction in 2001. In that transaction, the company sold six cargo ships to China shipping industry Co., Ltd. and other companies.

6.34 Non-operating expense

Item	2002	2001
Loss of sales of vessels	1,653,878.67	288,026.06
Sales of other assets	814,551.71	—
Penalty expense	125,514.12	112,600.00
Loss of debt restructuring	1,088,637.00	751,305.00
Other	48,328.61	23,320.00
Total	<u>3,730,910.11</u>	<u>1,175,251.06</u>

The increase on non-operation loss this year compared with last fiscal year is due to the loss on the sale of Da Qing 212 this year.

7. Notes to Financial Statements of Holding Company

7.1 Long-term investment

Item	Beginning balance	Addition	Decrease	Ending balance
Long-term equity investment	227,051,408.68	—	47,614,965.00	157,546,865.98
Long-term debt investment	67,813.64	—	2,000.00	65,813.64
Total	<u>227,119,222.32</u>	<u>—</u>	<u>47,614,965.00</u>	<u>157,612,679.62</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 Yuanshui Company	法人股 Non-public	92,000.00	< 5%	364,200.00

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b. Other equity investmen

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. (note 3)	Long-term	25%	450,260,000.00	129,194,220.20	-	-129,194,220.20	-450,260,000.00	-
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%	30,000,000.00	29,984,288.48	-	508,323.64	492,612.12	30,492,612.12
China Shipping Development (Hongkong) Marine Co., Ltd.	Long-term	100%	4,140,000.00	4,140,000.00	-	-586,961.52	-586,961.52	3,553,038.48
Hainan Haixiang Shipping Industry Co., Ltd. (note 2)	Long-term	95%	50,518,350.00	50,518,350.00	47,500,000.00	5,992,708.75		104,011,058.75
Equity investment difference (note 1)			-1,149,650.00	-1,149,650.00	114,965.00	6,160,641.63	6,160,641.63	-1,034,685.00
Shanghai Friendship Shipping Co., Ltd.	Long-term	50%	10,000,000.00	10,000,000.00	-			16,160,641.63
Total			547,768,700.00	226,687,208.68	47,614,965.00	-117,119,507.70	-444,193,707.77	157,182,665.98

Note 1: On 31 December 2001, the Company purchased 95% equity of Hai'nan Hai'xiang Shipping Industry Co., Ltd. from Shanghai Shipping (Group) Company paying Rmb49,368,700.00. At the end of 31 December 2001, the equity of Hai'nan Hai'xiang Shipping Industry Co., Ltd. was Rmb53,177,210.53; so the short-fall of the equity investment difference was Rmb1,149,650.00 and the amortization period was 10 years.

Note 2: China Shipping Container Lines Co., Ltd. keeps continuous loss and the total investor's equity is RMB-290,288,700 evaluated by Zhongtongcheng(中通诚) Assets Evaluation Co., Ltd based on 22nd July 2002. Pursuant to the shares transferring agreement with China Shipping (Group) Co., Ltd. on 9 September 2002, the Company transferred 25% shares of China Shipping Container Lines Co., Ltd. held to China Shipping (Group) Co., Ltd. on the price of 1 RMB.

Note 3: Pursuant to the resolution of No. 6 (2002) board meeting, the Company increases investment (RMB 47,500,000) on Hai'nan Hai'xiang Shipping Industry Co. and accounts for 95% shares of Hai'nan Hai'xiang Shipping Industry Co.

8. Segment Information

Industry Cargo	營業收入 Revenue		營業成本 Cost		税金及附加 Taxes		營業毛利 Profit	
	2002	2001	2002	2001	2002	2001	2002	2001
shipment	4,325,796	4,029,977	3,098,506	2,932,539	108,606	98,008	1,118,684	999,430

9. The Difference Between PRC Accounting Standards and HK GAAP (Unit:RMB'000)

	2002 年	2001 年
Net profit under PRC Accounting Standards	571,919	351,297
Adjustments for depreciation, income of vessels sales, deferred staff expense and others	19,277	-26,039
Net profit under HK GAAP	591,196	325,258
Owners' equity under PRC Accounting Standards	6,149,094	5,084,481
Dividend distributed	332,600	148,800
Adjustments for housing fund	112,538	125,112
Adjustments for revaluation surplus, depreciation, income of vessels sales and others	28,261	-3,589
Owners' equity under HK GAAP	6,622,493	5,354,804

10. Related Party Transactions and Balances

10.1 The related parties that the Group controls

Name of related party	Registered address	Engaged business	Relationship	Economic type	Corporate delegate
China Shipping (Group) Company	700 Dongdaming Road, Shanghai	Cargo shipment along sea, ocean, domestic transportation for goods	Holding company	State owned	Li Kelin

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10.2 The change in registered capital of the Holding Company (unit: RMB '000)

Name of related party	年初數 Beginning balance	本年增加 Addition	本年減少 Decrease	年末數 Ending balance
China Shipping (Group) Company	6,611,950	-	-	6,611,950

10.3 The change in ownership of the Holding Company(unit: RMB '000)

Name of related party	年初數 Beginning balance		本期增加數 Addition		本期減少數 Decrease		年末數 Ending balance	
	金 額	%	金 額	%	金 額	%	金 額	%
China Shipping (Group) Company	Amount		Amount		Amount		Amount	
	1,680,000.00	56.45	-	-	-	5.94	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.	Affiliated
China Shipping Passenger Liner Co., Ltd.	be controlled by the same holding company
China Shipping Industry Co., Ltd.	be controlled by the same holding company
China Shipping Ship-Service 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 Supplies 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'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
SUPER DRAGON LTD.	be controlled by the same holding company
Shanghai Pu'hai shipping Co., Ltd.	be controlled by the same holding company