

## 10.5 Related party transactions

The detail information of related party transaction (RMB'000)

### (1) Lease of vessels

Name of related party	Pricing basis	2002	2001
China Shipping Container Lines Co., Ltd.	Agreement prices	<b>55,988</b>	60,565
Shanghai Pu'hai Shipping Co., Ltd.	Agreement prices	<b>1,200</b>	1,2000
China Shipping (Hong Kong) Marine Co., Ltd.	Agreement prices	<b>59,898</b>	68,906
Shanghai Friend Shipping Co., Ltd.	Agreement prices	<b>4,907</b>	—

### (2) Sales of vessels

Name of related party	Pricing basis	2002	2001
China Shipping Industry Co., Ltd.	Agreement prices	<b>5,262</b>	16,867
Zhu'hai New Century Shipping Co., Ltd.	Agreement prices	-	19,700

### (3) Vessel management fees

On 17 November 1999, the Company entered into a supplementary agreement of vessels management with Guangzhou Shipping (Group) Company and Dalian Shipping (Group) Company for the management of 31 vessels of Guangzhou Shipping (Group) Company and 7 vessels of Dalian Shipping Group Company:

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Name of related party	Pricing basis	2002	2001
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	<b>9,199</b>	14,529
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	<b>2,083</b>	2,083
Shanghai Friendship Shipping Co., Ltd.	Agreement prices	<b>1,464</b>	—
Zhu'hai New Century Shipping Co., Ltd.	Agreement prices	<b>137</b>	—

- (4) A Services Agreement dated 19 March 1998 between the Company and China Shipping became effective subsequent to an approval by the independent shareholder 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 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.

(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	2002	Proportion of the same business	2001
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>3,147</b>	0.32%	72,198
Shanghai Shipping (Group) Company	Market price	<b>3,041</b>	0.32%	3,782
China Shipping Supplies Co., Ltd.	Market price	<b>597,620</b>	62.10%	441,853

(b) Whitewashing and oily water treatment for vessels:

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping Supplies Co., Ltd.	State-fixed prices or market prices	<b>600</b>	5.02%	6,603
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	<b>1,767</b>	14.77%	—
Shanghai Shipping (Group) Company	State-fixed prices or market prices	<b>5,574</b>	46.06%	—

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

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping Tele-communication Co., Ltd.	State-fixed prices	<b>19,256</b>	72.98%	14,822
Shanghai Shipping (Group) Company	State-fixed prices	<b>211</b>	0.80%	—

(d) Dry-docking and repairs:

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping Supplies Co., Ltd.	State-fixed prices	<b>57,861</b>	17.13%	56,652
China Shipping Industry Co., Ltd.	State-fixed prices	<b>129,278</b>	38.28%	147,818
Guangzhou Maritime (Group) Co., Ltd.	market prices	<b>13,796</b>	4.09%	8,091
Shanghai Shipping (Group) Company	market prices	<b>21,916</b>	6.49%	27,583
China Shipping International Trading Co., Ltd.	market prices	<b>11,188</b>	3.31%	7,371
China Shipping Tele-communication Co., Ltd.	market prices	<b>-</b>		264

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## (e) Hiring of sea crew

Name of related party	Pricing basis	2002	Proportion of the same business	2001
Guangzhou Maritime (Group) Co., Ltd.	market prices	<b>138,537</b>	65.16%	94,911
Dalian Shipping (Group) Co., Ltd.	market prices	<b>3,060</b>	1.44%	2,672

## (f) Accommodation, lodging and transportation for employees

Name of related party	Pricing basis	2002	Proportion of the same business	2001
Shanghai Shipping (Group) Company	market prices	<b>6,217</b>	59.93%	5,440
Guangzhou Maritime (Group) Co., Ltd.	market prices	<b>712</b>	6.86%	—

## (g) Medical services (for existing employees)

Name of related party	Pricing basis	2002	Proportion of the same business	2001
Shanghai Shipping (Group) Company	State-fixed prices	<b>522</b>	4.48%	3,772
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	-	-	965

## (h) Miscellaneous management services

Name of related party	Pricing basis	2002	Proportion of the same business	2001
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	<b>26,820</b>	21.12%	27,948
China Shipping (Group) Company	Agreement prices	<b>5,777</b>	4.55%	—
Shanghai Shipping (Group) Company	Agreement prices	<b>10,429</b>	8.21%	14,327
China Shipping Agency Co., Ltd.	Market price	-	-	1,100
China Shipping Supplies Co., Ltd.	Market price	<b>277</b>	0.22%	—
China Shipping Tele-communication Co., Ltd.	Market price	<b>120</b>	0.09%	—
China Shipping Industry Co., Ltd.	Market price	<b>300</b>	0.24%	—

## (i) Agency commissions

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping Agency Co., Ltd.	market prices	<b>19,820</b>	33.15%	16,271
J A D E Q U E E N NAVIGATIONINC.	market prices	<b>222</b>	0.37%	1,056
SUPERDRAGONLTD.	market prices	<b>3,506</b>	5.86%	2,780
Shanghai Shipping (Group) Company	market prices	<b>2,272</b>	3.80%	5,389
Guangzhou Maritime (Group) Co., Ltd.	market prices	-	-	1,665

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## (j) Ship sale service

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping International Trading Co., Ltd.	market prices	254	-	-

## (5) Interest Paid

Name of related party	Pricing basis	2002	Proportion of the same business	2001
China Shipping (Group) Company	market prices	18,627	14.59%	36,317

## (6) Vessel chartering charges paid

Name of related party	Pricing basis	2002	Proportion of the same business	2001
Shanghai Shipping (Group) Company	Agreement prices	26,898	24.83%	28,178
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	32,070	29.60%	18,940
Zhu'hai New Century Shipping Co., Ltd.	Agreement prices	3,650	3.37%	-
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	41,200	38.03%	-

## 10.6 Related party transactions

(RMB '000)

Notes receivables:	Amount		%	
	2002.12.31	2001.12.31	2002.12.31	2001.12.31
China Shipping Container Lines Co., Ltd.	11,500	17,887	25.79%	27.48%
China Shipping Logistics Co., Ltd	500	—	1.12%	—
Accounts receivables	2002.12.31	2001.12.31	2002.12.31	2001.12.31
Shanghai Shipping (Group) Company	2,465	6,500	1.13%	3.68%
Guangzhou Maritime (Group) Co., Ltd.	—	487	—	0.28%
China Shipping Agency Co., Ltd.	851	—	0.39%	—
Other receivables	2002.12.31	2001.12.31	2002.12.31	2001.12.31
Shanghai Shipping (Group) Company	29,984	32,863	18.69%	28.93%
Da'lian Shipping (Group) Company	4,236	2,095	2.64%	1.84%
Guangzhou Maritime (Group) Co., Ltd.	5,202	3,589	3.24%	3.16%
China Shipping (Hong Kong) Marine Co., Ltd.	13,759	11,484	8.58%	10.11%
China Shipping Container Lines Co., Ltd.	8,603	8,235	5.36%	7.25%
China Shipping Agency Co., Ltd.	3,000	3,050	1.87%	2.68%
China Shipping Tele-communication Co., Ltd.	500	500	0.31%	0.44%
China Shipping International Trading Co., Ltd.	—	5,999	—	5.28%
China Shipping Supplies Co., Ltd.	1,000	1,000	0.62%	0.88%
Zhu'hai New Century Shipping Co., Ltd.	19,700	—	12.28%	—
Pu'hai Marine Co., Ltd.	500	—	0.31%	—

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Prepayments	2002.12.31	2001.12.31	2002.12.31	2001.12.31
China Shipping Agency Co., Ltd.	7,287	4,030	3.76%	1.00%
China Shipping Supplies Co., Ltd.	143	—	0.07%	—
J A D E Q U E E N NAVIGATIONINC.	60,059	59,684	30.99%	14.78%
SUPERDRAGONLTD.	93,830	214,458	48.41%	53.11%

Accounts Payable	2002.12.31	2001.12.31	2002.12.31	2001.12.31
China Shipping Industry Co., Ltd.	10,267	17,762	5.58%	6.26%
China Shipping Supplies Co., Ltd.	24,176	25,244	13.13%	8.89%
Guangzhou Maritime (Group) Co., Ltd.	—	624	—	0.22%
Da'lian Shipping (Group) Company	1,901	551	1.03%	0.19%
China Shipping Agency Co., Ltd.	350	—	0.20%	—
Shanghai Shipping (Group) Company				

Other Payable	2002.12.31	2001.12.31	2002.12.31	2001.12.31
Guangzhou Maritime (Group) Co., Ltd	8,455	25,402	5.63%	9.45%
Da'lian Shipping (Group) Company	1,909	680	1.27%	0.25%
Shanghai Shipping (Group) Company	—	267	—	0.10%
China Shipping (Group) Company	—	133,341	—	42.16%
China Shipping Industry Co., Ltd.	3,643	—	2.42%	—
Zhu'hai New Century Shipping Co., Ltd.	3,650	—	2.43%	—
ChinaShipping Haisheng Co.Ltd	1,680	—	1.11%	—



## **11. Guaranty**

- 11.1 Approved by the Board of Directors held in Oct.2001, the Company offered guaranty to Zhu'hai New Century Shipping Co., Ltd. with amount of RMB 42 million, a subsidiary company in which the Company holds 50% ownership. By the end of 31th Dec. 2002, the Company guaranteed the loan amount of 42 million, 50% of loan from CITIC Bank
- 11.2 Approved by the Board of Directors held in Oct.2001, the Company guaranty to Shanghai Bao'jiang Shipping Company with amount RMB 8 million, a related company in which the Company holds 10% ownership. By the end of 31th Dec. 2002, the Company guaranteed the loan amount of 4.6 million.

## **12. Commitment**

- 12.1 The Company signed the contract with Shanghai Shipyard on 16th Dec 2002, and plans to start the constructions of 2 vessels. The estimated total costs will be USD 34.56 million. The constructions plan to complete in 2005
- 12.2 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. on 6th Dec 2000, and plans to start the constructions of 4 vessels. The estimated total costs will be USD 105.12 million. The constructions plan to complete in 2003

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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- 12.3 The Company signed the contract with Bohai Shipyard on 16th Dec 2002, and plans to start the constructions of 2 vessels. The estimated total costs will be USD 35.96 million. The constructions plan to complete in 2005.
- 12.4 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. on the date of 27th June and 9th Oct. 2002 , and plans to start the constructions of 3 vessels. The estimated total costs will be USD 104.67 million. The constructions plan to complete in 2005.
- 12.5 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. on 9th Aug 2002, and plans to start the constructions of 2 vessels. The estimated total costs will be USD 46.96 million. The constructions plan to complete in 2004.

### **13. Subsequent events**

According to the resolution of Board of Directors on 25th Mar 2003, the Company will distribute 10% of holding company's net profit RMB 571.61 million to statutory surplus reserve and statutory welfare reserve amounted 57.16 million respectively. And the distributed dividend of year 2002 will be RMB 0.10 per share.

**14. Contingent liability**

No material contingent liability that required to be disclosed in the financial statement up to the report dates.

**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**

- 16.1 Pursuant to negotiation with Hai'nan Steel Co., Ltd, the Company obtain 2 bank drafts (RMB 1,700,000.00 and 2,300,000.00) of Hai'kou Run'zhou Trading Co., Ltd from Hai'nan Steel Co., Ltd to cover the relevant accounts receivable (RMB 4,698,637.00) which make a loss of RMB 698,637.00 for the Company as a result.
- 16.2 Pursuant to negotiation with Hai'nan Han'gang Industry Co., Ltd, the Company deducted 13% from the credit to Hai'nan Han'gang Industry Co., Ltd and obtain a bank note (RMB 2,610,000.00) to cover the relevant accounts receivable (RMB 3,000,000.00) which make a loss of RMB 390,000.00 for the Company as a result.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## Supplementary information

### (1) ROE and EPS

	Rate of returns per share		Earning per share	
	Fully diluted	Average	Fully diluted	Average
Gross profit	18.19%	19.12%	0.336	0.352
Operating profit	13.01%	13.67%	0.240	0.252
Net profit	9.30%	9.77%	0.172	0.180
Net profit after deducting abnormal items	9.28%	9.75%	0.172	0.179

### (2) Provision and impairment of assets

Item	Beginning balance		Addition		Write-off		Ending balance	
	Holding	Consolidation	Holding	Consolidation	Holding	Consolidation	Holding	Consolidation
	company	company	company	company	company	company	company	company
1. Bad debts provision	33,990,412.64	34,129,953.30	1,796,407.17	1,951,028.80	5,174,792.72	5,174,792.72	30,612,027.09	30,906,189.38
Including: Accounts receivables	32,846,622.29	32,982,360.88	1,317,966.31	1,478,312.30	5,174,792.72	5,174,792.72	28,989,795.88	29,285,880.46
Other receivables	1,143,790.35	1,147,592.42	478,440.86	472,716.50	-	-	1,622,231.21	1,620,308.92
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	-	-	-	-	-	-	-	-
Including: Buildings	-	-	-	-	-	-	-	-
Machinery	-	-	-	-	-	-	-	-
6. Impairment of intangible assets	-	-	-	-	-	-	-	-
Including: Patent	-	-	-	-	-	-	-	-
Trade-mark	-	-	-	-	-	-	-	-
7. Impairment of CIP	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-