

## 會計報表附注(續)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 10.5 Related party transactions

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

#### (1) Lease of vessels

Name of related party	Pricing basis	2003	2002
China Shipping Container Lines Co., Ltd.	Market prices	<b>46,915</b>	55,988
Shanghai Pu'hai Shipping Co., Ltd.	Market prices	<b>1,200</b>	1,200
China Shipping (Hong Kong) Holding Co., Ltd.	Market prices	<b>47,331</b>	59,898
Shanghai Friend Shipping Co., Ltd.	Market prices	<b>5,170</b>	4,907

#### (2) Sales of vessels

Name of related party	Pricing basis	2003	2002
China Shipping Industry Co., Ltd.	Market prices	<b>13,848</b>	5,262

#### (3) Vessel management fees

On 17 November 1999, the Company entered into a supplementary agreement of vessels management with Guangzhou Maritime (Group) Company and Da'lian Shipping (Group) Company for the management of 31 oil tanker of Guangzhou Maritime, 31 goods vessels and 7 vessels of Da'lian Shipping:

Name of related party		2003	2003
	Pricing basis		
Guangzhou Maritime (Group) Co., Ltd.	Agreement prices	<b>4,680</b>	4,680
Da'lian Shipping (Group) Co., Ltd.	Agreement prices	<b>1,041</b>	1,041
Shanghai Friendship Shipping Co., Ltd.	Agreement prices	-	714
Zhu'hai New Century Shipping Co., Ltd.	Agreement prices	-	137

- (4) A services Agreement dated 19 March 2001 between the Company and China Shipping (Group) Company became effective subsequent to an approval by the independent shareholder at an extraordinary general meeting held on 26 May 2001. 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	2003	Proportion of the same business	2002
Guangzhou Maritime (Group) Co., Ltd.	Market price	<b>2,628</b>	0.22%	3,147
Shanghai Shipping (Group) Company	Market price	<b>5,568</b>	0.47%	3,041
China Shipping Supplies Co., Ltd.	Market price	<b>749,931</b>	62.95%	597,620
China Shipping Industry Co., Ltd.	Market price	<b>61</b>	0.01%	-

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(b) Whitewashing and oily water treatment for vessels:

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
China Shipping Supplies Co., Ltd.	State-fixed prices or market prices	391	3.14%	600
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	3,356	27.01%	1,767
Shanghai Shipping (Group) Company	State-fixed prices or market prices	5,526	44.48%	5,574

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

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
China Shipping Tele-communication Co., Ltd.	State-fixed prices	9,744	35.35%	19,256
Shanghai Shipping (Group) Company	State-fixed prices	2,720	9.87%	211
Guangzhou Shipping (Group) Company	State-fixed prices	573	2.08%	—
China Shipping Industry Co., Ltd.	State-fixed prices	36	0.13%	—

(d) Dry-docking and repairs:

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
China Shipping Supplies Co., Ltd.	State-fixed prices or market prices	<b>28,456</b>	9.04%	57,861
China Shipping Industry Co., Ltd.	State-fixed prices or market prices	<b>138,039</b>	43.86%	129,278
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices or market prices	<b>15,537</b>	4.94%	13,796
Shanghai Shipping (Group) Company	State-fixed prices or market prices	<b>28,845</b>	9.17%	21,916
China Shipping International Trading Co., Ltd.	State-fixed prices or market prices	<b>1,007</b>	0.32%	11,188
China Shipping Tele-communication Co., Ltd.	State-fixed prices or market prices	<b>11,935</b>	3.79%	—

(e) Hiring of sea crew

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
Guangzhou Maritime (Group) Co., Ltd.	market prices	<b>154,491</b>	97.60%	138,537
Da'lian Shipping (Group) Co., Ltd.	market prices	<b>3,793</b>	2.40%	3,060

(f) Accommodation, lodging and transportation for employees

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
Shanghai Shipping (Group) Company	market prices	<b>5,533</b>	88.78%	6,217
Guangzhou Maritime (Group) Co., Ltd.	market prices	<b>699</b>	11.22%	712

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(g) Medical services (for existing employees)

Name of related party	Pricing basis	2003	Proportion of the same business	2002
Shanghai Shipping (Group) Company	State-fixed prices	<b>1,658</b>	13.72%	522
Guangzhou Maritime (Group) Co., Ltd.	State-fixed prices	<b>106</b>	0.88%	—

(h) Miscellaneous management services

Name of related party	Pricing basis	2003	Proportion of the same business	2002
Guangzhou Shipping (Group) Co., Ltd.	Market price/ actual cost	<b>28,916</b>	17.87%	26,820
China Shipping (Group) Company	Market price/ actual cost	<b>2,199</b>	1.36%	5,777
Shanghai Shipping (Group) Company	Market price/ actual cost	<b>10,435</b>	6.45%	10,429
Dalian Shipping (Group) Company	Market price/ actual cost	<b>53</b>	0.03%	—
China Shipping Supplies Co., Ltd.	Market price/ actual cost	<b>286</b>	0.18%	277
China Shipping Tele-communication Co., Ltd.	Market price/ actual cost	<b>2,570</b>	1.59%	120
China Shipping Industry Co., Ltd.	Market price/ actual cost	<b>278</b>	0.17%	300
China Shipping(Hong Kong) Holding Co., Ltd.	Market price/ actual cost	<b>288</b>	0.18%	—
China Shipping Logistics Co., Ltd	Market price/ actual cost	<b>115</b>	0.07%	—

(i) Agency commissions

Name of related party	Pricing basis	2003	Proportion of the same business	2002
China Shipping Agency Co., Ltd.	market prices	<b>25,924</b>	28.13%	19,820
JADEQUEEN NAVIGATION INC.	market prices	<b>236</b>	0.26%	222
SUPERDRAGONLTD.	market prices	<b>730</b>	0.79%	3,506
Shanghai Shipping (Group) Company	market prices	<b>1,205</b>	1.32%	272

(j) Ship sale service

Name of related party	Pricing basis	2003	Proportion of the same business	2002
China Shipping International Trading Co., Ltd.	market prices	-	-	254

(5) Interest Paid

Name of related party	Pricing basis	2003	Proportion of the same business	2002
China Shipping (Group) Company	market prices	-	-	18,627

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### (6) Vessel chartering charges paid

Name of related party

	Pricing basis	2003	Proportion of the same business	2002
Shanghai Shipping (Group) Company	Market prices	<b>33,115</b>	22.04%	26,898
Guangzhou Maritime (Group) Co., Ltd.	Market prices	<b>9,060</b>	6.03%	32,070
Zhu'hai New Century Shipping Co., Ltd.	Market prices	<b>3,650</b>	2.43%	3,650
Da'lian Shipping (Group) Co., Ltd.	Market prices	<b>41,200</b>	27.42%	41,200
China Shipping (Hong Kong) Marine Co., Ltd.	Market prices	<b>41,102</b>	27.35%	—

### 10.6 The outstanding balances of related party

Item	(RMB '000)			
	Amount		%	
	2003.12.31	2002.12.31	2003.12.31	2002.12.31
Notes receivables:				
China Shipping Container Lines Co., Ltd.	—	11,500	—	25.79%
China Shipping Logistics Co., Ltd	—	500	—	1.12%
Accounts receivables	<u>2003.12.31</u>	<u>2002.12.31</u>	<u>2003.12.31</u>	<u>2002.12.31</u>
Shanghai Shipping (Group) Company	2,465	2,465	1.19%	1.13%
China Shipping Agency Co., ltd.	—	851	—	0.39%

	Amount		%	
	2003.12.31	2002.12.31	2003.12.31	2002.12.31
<b>Other receivables</b>				
Shanghai Shipping (Group) Company	181	29,984	0.50%	18.69%
Da'lian Shipping (Group) Company	48	4,236	0.13%	2.64%
Guangzhou Maritime (Group) Co., Ltd.	1,019	5,202	2.80%	3.24%
China Shipping (Hong Kong) Marine Co., Ltd.	8,313	13,759	22.81%	8.58%
China Shipping Container Lines Co., Ltd.	804	8,603	2.21%	5.36%
China Shipping Agency Co., Ltd.	-	3,000	-	1.87%
China Shipping Tele-communication Co., Ltd.	-	500	-	0.31%
China Shipping Supplies Co., Ltd.	-	1,000	-	0.62%
Zhu'hai New Century Shipping Co., Ltd.	-	19,700	-	12.28%
Pu'hai Marine Co., Ltd.	-	500	-	0.31%
<b>Prepayments</b>				
China Shipping Agency Co., Ltd.	8,459	7,287	3.55%	3.76%
China Shipping Supplies Co., Ltd.	2,197	143	0.92%	0.07%
JADEQUEEN NAVIGATION INC.	64,108	60,059	26.89%	30.99%
SUPERDRAGON LTD.	126,358	93,830	52.99%	48.41%
China Shipping International Trading Co., Ltd.	1,040	-	0.44%	-
Shanghai Shipping (Group) Company	14,588	-	2.63%	-
Guangzhou Maritime (Group) Co., Ltd.	4,904	-	2.06%	-
Zhu'hai New Century Shipping Co., Ltd.	3,650	-	1.53%	-
China Shipping Tele-communication Co., Ltd.	500	-	0.21%	-

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	Amount		%	
	2003.12.31	2002.12.31	2003.12.31	2002.12.31
Accounts Payable				
China Shipping Industry Co., Ltd.	8,777	10,267	5.77%	5.58%
China Shipping Supplies Co., Ltd.	18,825	24,176	12.37%	13.13%
Guangzhou Maritime (Group) Co., Ltd.	305	-	0.20%	-
Da'lian Shipping (Group) Company	1,239	1,901	0.81%	1.03%
China Shipping International Trading Co., Ltd.	-	350	-	0.20%
China Shipping Agency Co., Ltd.	1,652	-	1.09%	-
Other Payable				
Guangzhou Maritime (Group) Co., Ltd	1,978	8,455	0.67%	5.63%
Da'lian Shipping (Group) Company	-	1,909	-	1.27%
China Shipping Industry Co., Ltd.	-	3,643	-	2.42%
Zhu'hai New Century Shipping Co., Ltd.	-	3,650	-	2.43%
ChinaShipping Haisheng Co.Ltd	1,023	1,680	0.35%	1.11%
Shanghai Shipping (Group) Company	386	-	0.13%	-

## **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.

11.2 By the end of 31th Dec 2003, the Company guaranteed the loan amount of 42 million, 50% of loan from CITIC Bank.

## **12. Commitment**

12.1 The Company signed the contract with Shanghai Shipyard Factory on 16th Dec 2002, and plans to start the constructions of 2 cargo vessels (57300T). Pursuant to the contract, each vessel is USD 17.28 million, and the estimated total costs will be USD 34.56 million, which will be paid by 4 installments. As of 31th Dec 2003, the company has paid USD 3.456 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.

- 12.2 The Company signed the contract with Bo'hai Shipyard Factory on 16th Dec 2002, and plans to start the constructions of 2 cargo vessels (57300T). Pursuant to the contract, each vessel is USD 17.98 million, and the estimated total costs will be USD 35.96 million, which will be paid by 4 installments. As of 31th Dec 2003, the company has paid USD 3.596 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2004.
- 12.3 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. on 27th June and 9th Oct 2002, and plans to start the constructions of 3 oil vessels (110000T). Pursuant to the contract, each vessel is USD 34.89 million, and the estimated total costs will be USD 104.67 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 20.934 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.
- 12.4 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. on 9th Aug 2002, and plans to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel is USD 23.48 million, and the estimated total costs will be USD 46.96 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 11.74 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2004.

- 12.5 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. on 16th May 2003 and 1st Sep 2003, and plans to start the constructions of 2 oil vessel (298000T). Pursuant to the contract, each vessel is USD 65.58 million, and the estimated total costs will be USD 131.16 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 29.511 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.
- 12.6 The Company signed the contract with Shanghai Shipyard on 4th Apr 2003, and plans to start the constructions of 2 cargo vessels (57300T). Pursuant to the contract, each vessel is USD 17.28 million, and the estimated total costs will be USD 34.56 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 3.456 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.
- 12.7 The Company signed the contract with Bo'hai Shipyard Heavy Industry Co., Ltd. on 11th Apr 2003, and plans to start the constructions of 2 oil vessels (57300T). Pursuant to the contract, each vessel is USD 17.98 million, and the estimated total costs will be USD 35.96 million, which will be paid by 4 installments. As of 31th Dec 2003, the company has paid USD 3.596 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.

- 12.8 The Company signed the contract with Guangzhou Shipyard International Co., Ltd. on 29th Sep 2003, and plans to start the constructions of 2 oil vessels (40000T). Pursuant to the contract, each vessel is USD 25.38 million, and the estimated total costs will be USD 50.76 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 5.076 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2005.
- 12.9 The Company signed the contract with Dalian New Shipyard Heavy Industry Co., Ltd. on 22th Sep 2003 and 22th Dec 2003, and plans to start the constructions of 2 oil vessels (70000T). Pursuant to the contract, each vessel is USD 28.38 million, and the estimated total costs will be USD 56.76 million, which will be paid by 5 installments. As of 31th Dec 2003, the company has paid USD 11.352 million. The remaining will be paid by installments of beginning production, building on slipway, entering the water and completion. The constructions plan to complete in 2006.

**13. Subsequent events**

According to the resolution of Board of Directors on 12th Mar 2003, the Company will distribute 10% of holding company's net profit RMB 978 million to statutory surplus reserve and statutory welfare reserve amounted 97.80 million respectively. And the distributed dividend of year 2003 will be RMB 0.15 per share.

#### **14. Contingent liability**

14.1 On August 5th ,2003 the company's oil vessel named "Changyang" was collided by "Zhechangxing #0375" and the oil had leaked out. The company had paid RMB 2.3 million as guarantee of penalty and clearing. At the same time Shanghai Maritime Bureau required the company deposited RMB 10 million as subsequent clearing cost, the company took objection to doing so.

Up to March 12,2004 the Shanghai Maritime Bureau had no final judgment about the accident. The company had accrued losses RMB 12 million based on the estimate of PICC.

#### **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**

No material debt restructuring that required to be disclosed in the financial statement up to the report dates.

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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	20.39%	21.37%	0.4372	0.4372
Operating profit	15.91%	16.67%	0.3410	0.3410
Net profit	13.77%	14.43%	0.2953	0.2963
Net profit after deducting abnormal items	13.60%	14.24%	0.2915	0.2915

#### (2) Provision and impairment of assets

Item		Beginning balance		Addition		Write-off		Ending balance	
		Consolidation	Holding	Consolidation	Holding	Consolidation	Holding	Consolidation	Holding
			company		company		company		company
1. Bad debts provision	1	30,906,189.38	30,612,027.09	3,716,679.37	3,390,468.67	-	-	34,622,868.76	34,202,495.76
Including: Accounts receivables	2	29,285,880.46	28,989,795.88	4,968,932.81	4,657,153.82	-	-	34,254,813.27	33,846,949.70
Other receivables	3	1,620,308.92	1,622,231.21	-1,252,253.43	-1,268,685.15	-	-	368,055.49	355,546.06
2. Impairment of short-term investment	4	-	-	-	-	-	-	-	-
Including: Stock investment	5	-	-	-	-	-	-	-	-
Debt investment	6	-	-	-	-	-	-	-	-
3. Provision of inventory	7	-	-	-	-	-	-	-	-
Including: Finished goods	8	-	-	-	-	-	-	-	-
Raw materials	9	-	-	-	-	-	-	-	-
4. Impairment of long-term investment	10	-	-	-	-	-	-	-	-
Including: Long-term stock investment	11	-	-	-	-	-	-	-	-
Long-term debt investment	12	-	-	-	-	-	-	-	-
5. Impairment of fixed assets	13	-	-	936,268.00	936,268.00	-	-	936,268.00	936,268.00
Including: Buildings	14	-	-	-	-	-	-	-	-
Machinery	15	-	-	-	-	-	-	-	-
6. Impairment of intangible assets	16	-	-	-	-	-	-	-	-
Including: Patent	17	-	-	-	-	-	-	-	-
Trade-mark	18	-	-	-	-	-	-	-	-
7. Impairment of CIP	19	-	-	-	-	-	-	-	-
	20	-	-	-	-	-	-	-	-