

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The Company was established in the People's Republic of China (the "PRC") on 28 August, 1997 as a company with limited liability under the Company Law of the PRC. On 3 March, 2004, the Company was transformed into a joint stock limited company under the Company Law of the PRC (the "Transformation") by converting its registered capital and reserves as at 31 October, 2003 into 3,830,000,000 shares of RMB1 each. The Company's H shares (the "Share Issue") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board") since 16 June, 2004.

Pursuant to a group reorganisation (the "Reorganisation") as detailed in Section 2 of Appendix VIII to the Company's prospectus dated 4 June, 2004 (the "Prospectus"), the Company acquired the entire issued share capital of China Shipping Container Lines (Hong Kong) Co., Ltd ("CS Hong Kong") and China Shipping Container Lines (Asia) Co., Ltd ("CS Asia") from a fellow subsidiary on 15 October, 2003. The Reorganisation is accounted for using merger accounting as permitted by Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The Reorganisation referred to in Note 1(a) above has been accounted for using merger accounting by regarding the Company as being the holding company of CS Hong Kong and CS Asia since their respective dates of incorporation. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(ii) *Associated companies (Continued)*

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(iii) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Fixed assets

(i) *Vessels under construction*

Vessels under construction are stated at cost less accumulated impairment losses. Capitalisation of vessel construction cost is based on actual cost incurred during the year. No depreciation is provided for vessels under construction.

(ii) *Construction in progress*

Construction in progress represents office building under renovation and is stated at cost less accumulated impairment losses. Cost includes the cost of acquisition of the building and the actual renovation costs incurred. No depreciation is provided for construction in progress.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors on a straight line basis. The estimated useful lives of other fixed assets are summarised as follows:

	Estimated useful lives
Container vessels	25 years from the date of first registration
Containers	8 to 10 years
Improvements on vessels under operating leases*	5 years or the period of the lease, whichever is the shorter
Computer and office equipment	5 to 8 years
Motor vehicles	6 years

* represent improvements on vessels operated by the Group under operating leases

Costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall assets are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(v) Capitalisation of fixed assets

All direct cost relating to the construction of container vessels, including finance costs on related borrowed funds during the construction period, are capitalised as fixed assets.

(d) Assets under leases

Where the Group is a lessee

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the consolidated profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight line basis over the lease periods.

Where the Group is a lessor

(i) Operating leases

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income, net of any incentives given to lessees, is recognised on a straight line basis over the lease terms.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill represents the excess of purchase consideration over the fair values of the Group's share of the net assets of the acquired subsidiaries at the effective date of acquisition. Goodwill on acquisition is included in the balance sheet as an intangible asset and amortised using the straight line method over its estimated useful life of not more than twenty years.

When an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(f) Vessel repairs and surveys

Dry-docking and special survey costs for vessels are charged to the consolidated profit and loss account as incurred.

(g) Bunkers

Bunkers represents fuels and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The full-time employees of the Group employed in Mainland China are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the plans are expensed as incurred.

The Group also operates a defined contribution Mandatory Provident Fund ("MPF") scheme for its employees employed in Hong Kong. The Group and the employees both contribute 5% of the employees' relevant income per month as required by the Hong Kong MPF Scheme Ordinance subject to a maximum of HK\$1,000 per person.

The Group's contributions to the above defined contribution schemes are fully vested upon contribution and are expensed as incurred.

(iii) Housing benefits

All full-time employees of the Group employed in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the funds are expensed as incurred.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Revenue recognition

The Group recognises revenues on the following bases:

(i) *Liner services*

Freight revenues from the operation of the international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) *Chartering*

Income from chartering of vessels under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(iii) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The business segment reporting includes provisions of liner service and chartering of vessels. In respect of the geographical segment reporting, segment revenues from liner and chartering services cover the world's major trade lanes.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

NOTES TO THE ACCOUNTS

2. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service. Turnover represents gross revenues from liner and chartering services, net of discounts allowed and business tax, where applicable.

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Turnover		
Liner	22,038,357	15,041,903
Chartering	325,494	234,260
	22,363,851	15,276,163

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Primary reporting format – business segments

The Group's business is organised into two main business segments: liner and chartering. The Group's business is dominated by provision of liner service. The chartering business is of insufficient size to be reported separately.

Secondary reporting format – geographical segments

The Group's liner and chartering businesses are managed on a worldwide basis. The turnover generated from the world's major trade lanes includes America, Europe/Mediterranean, Australia, East and Southeast Asia, China domestic and others.

NOTES TO THE ACCOUNTS

2. TURNOVER AND SEGMENT INFORMATION (Continued)

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's assets to specific geographical segments as defined under SSAP 26 "Segment Reporting". Accordingly, geographical segment information is only presented for turnover:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
America	8,687,942	6,800,792
Europe/Mediterranean	7,806,185	4,725,920
Australia	1,215,417	711,918
East and Southeast Asia	1,527,992	1,230,883
China Domestic	1,668,410	960,559
Others	1,457,905	846,091
	22,363,851	15,276,163

3. OPERATING COSTS

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Operating costs		
Container and cargo	8,003,143	5,983,549
Vessel and voyage	5,633,808	4,918,913
Sub-route and others	3,229,516	2,107,429
	16,866,467	13,009,891

NOTES TO THE ACCOUNTS

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Crediting:		
Other income		
– Information technology services fees	24,029	10,380
– Recovery of payment for claims	14,565	1,469
	38,594	11,849
Reversal of provision for doubtful receivables	4,623	–
Charging:		
Auditors' remunerations	3,145	190
Cost of bunkers consumed	2,594,842	2,042,228
Depreciation:		
– Owned container vessels chartered-out under operating leases	10,939	10,219
– Other owned assets	439,484	223,041
– Containers under finance leases	350,052	304,674
	800,475	537,934
Amortisation of goodwill <i>(Note 12)</i>	458	–
Loss on disposal of fixed assets	270	895
Loss on disposal of investments in associated companies <i>(Note 16)</i>	–	1,663
Operating lease rental:		
– Container vessels	2,557,456	2,106,330
– Containers	409,826	406,588
– Buildings	29,503	19,394
	2,996,785	2,532,312
Provision for doubtful receivables	–	68,811
Staff costs, including directors' and supervisors' emoluments <i>(Note 10)</i>	516,241	358,794

NOTES TO THE ACCOUNTS

5. NET FINANCING CHARGES

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Interest expenses:		
– bank loans	341,660	236,735
– finance lease obligations	266,549	258,767
– amount due to ultimate holding company wholly repayable within five years	–	80,137
Total interest expense	608,209	575,639
Less: amount capitalised in vessels under construction	(95,714)	(124,722)
Interest income	512,495	450,917
Bank charges	(14,040)	(6,319)
Foreign exchange (gain)/loss	3,638	5,013
	(49,821)	9,836
	452,272	459,447

The capitalisation rate applied to funds borrowed generally and utilised for the vessels under construction is 5.25% per annum for the year ended 31 December, 2004 (2003: 4.95%).

6. TAXATION

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Current income tax		
– Hong Kong profits tax (<i>note (i)</i>)	7,214	3,144
– PRC enterprise income tax (<i>note (ii)</i>)	425,956	17,617
Deferred taxation (<i>Note 14</i>)	245,335	(13,549)
Share of taxation attributable to associated companies	2,160	2,361
	680,665	9,573

NOTES TO THE ACCOUNTS

6. TAXATION (Continued)

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for year ended 31 December, 2004.

(ii) PRC enterprise income tax ("EIT")

Pursuant to notifications issued by the State Tax Bureau 國家稅務總局 on 17 July, 2003, China Shipping (Group) Company, the ultimate holding company of the Company, and its approved subsidiaries established in the PRC were assessed for EIT on a consolidation basis and each of them was not assessed individually for the year ended 31 December, 2003 (the Company and its subsidiaries included herein are collectively referred to as the "Tax Entities").

For the year ended 31 December, 2003, China Shipping (Group) Company recorded consolidated taxable losses and was not subject to EIT. China Shipping (Group) Company did not allocate any EIT to the Tax Entities. Accordingly, there was neither EIT payable nor unutilised taxable losses retained by any of the Tax Entities as at 31 December, 2003. On 10 March, 2004, China Shipping (Group) Company granted the Company a guarantee to indemnify the Company for any EIT imposed on the Tax Entities by the State Administration of Tax for 2003 and prior years. The EIT charged to the consolidated profit and loss account for the year ended 31 December, 2003 represented EIT at a rate of 33% on the estimated taxable income of the remaining subsidiaries established in the PRC which were subject to individual EIT filing.

Pursuant to notifications issued by the State Tax Bureau on 2 September, 2004, the Tax Entities were assessed for EIT on a consolidation basis with China Shipping (Group) Company for the period from 1 January, 2004 to 2 March, 2004. China Shipping (Group) Company did not allocate any EIT to the Tax Entities for the period. Accordingly, the Tax Entities did not have any EIT payable for the period from 1 January, 2004 to 2 March, 2004 and the provision amounting to approximately RMB153,898,000 previously made in respect of the aforesaid period and reported in the interim accounts was written back.

On 3 March, 2004 the Company was converted into a joint stock limited company under the Company Law of the PRC in the Pudong New District. According to the relevant laws and regulations, the EIT rate applicable to the Company from 3 March, 2004 onwards is 15%. The Company's subsidiaries previously included in the Tax Entities are subject to EIT at a rate of 33% from 3 March, 2004 onwards.

The Company's other subsidiaries established in the PRC are subject to EIT at a rate ranged from 0% to 33% for the year ended 31 December, 2004.

Pursuant to relevant EIT regulations, the profits derived by the Company's overseas subsidiaries are subject to EIT. The Company has obtained approval from the tax bureau to adopt a fixed rate of 16.5% on the profits of the overseas subsidiaries for EIT purposes.

NOTES TO THE ACCOUNTS

6. TAXATION (Continued)

- (iii) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 RMB'000	2003 RMB'000
Profit before taxation	4,709,843	1,406,918
Calculated at a taxation rate of 15% (2003: 33%)	(706,476)	(464,283)
Effect of profit not taxed under consolidated tax filing <i>(note (ii))</i>	76,074	452,654
Effect of different tax rate in subsidiaries	(49,303)	1,572
Effect of different tax rate in associated companies	(960)	484
Taxation charge	(680,665)	(9,573)

- (iv) Other taxes

Value-added tax ("VAT")

The Company's subsidiaries in the PRC are subject to VAT, which is charged on top of the selling price at a general rate of 17%. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT on sales to determine the net VAT payable.

Business tax

Revenue derived from liner services provided by the Company and its subsidiaries in the PRC is subject to business tax at rates ranging from 3% to 5% for the year ended 31 December, 2004 (2003: 3% to 5%).

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB2,754,720,000 (2003: RMB1,101,253,000).

NOTES TO THE ACCOUNTS

8. BASIC EARNINGS PER SHARE

Basic earnings per share is based on the Group's profit attributable to shareholders of RMB4,022,409,000 (2003: RMB1,382,872,000) and the weighted average number of 5,026,174,863 (2003: 3,023,754,247) shares in issue during the year.

In determining the weighted average numbers of shares in issue during 2003 and 2004, the conversion of registered capital and reserves of RMB3,830,000,000 into share capital on 3 March, 2004 was deemed to have occurred on 14 October, 2003 when China Shipping (Group) Company injected additional capital of RMB1,000,000,000.

Diluted earnings per share has not been presented as the Company has no potential dilutive ordinary shares during the year.

9. DIVIDENDS

	2004 RMB'000	2003 RMB'000
Special dividend to ultimate holding company (note (i))	480,098	-
Final, proposed of RMBO.2 (2003: Nil) (note (ii))		
- per domestic share	722,000	-
- per H share	484,000	-
	1,206,000	-
	1,686,098	-

(i) Special dividend to ultimate holding company

In accordance with the "Provisional Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment", which was issued by the Ministry of Finance of the PRC and became effective from 27 August, 2002, the Company is required to distribute to China Shipping (Group) Company the Company's net profit for the period from 1 November, 2003 (being the first day after the date of the valuation of the assets of the Company) to 2 March, 2004 (being the day immediately prior to the conversion of the Company into a joint stock limited company) (the "Special Period"), determined in accordance with Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises of the PRC, payable out of the Company's internal resources and/or cash generated from the Company's operating activities (the "Profit Appropriation"). Holders of H Shares are not entitled to participate in the distribution arising from the Profit Appropriation.

The Company has engaged BDO Zhong Hua Certified Public Accountants 上海眾華滬銀會計師事務所 to perform a special audit on the Company's financial statements for the Special Period to determine the profit for the Special Period for distribution to China Shipping (Group) Company. According to the audited financial statements, the net profit for the Special Period amounted to approximately RMB480,098,000, which include the write back of the provision for income tax previously made for period from 1 January, 2004 to 2 March, 2004, following the receipt of the approval for consolidated tax filing.

NOTES TO THE ACCOUNTS

9. DIVIDENDS (Continued)

- (ii) At a Board meeting held on 8 March, 2005, the Directors proposed a final dividend of RMB0.2 per share. This proposed dividend will not be reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December, 2005.

10. STAFF COSTS

An analysis of staff costs, including directors' and supervisors' emoluments, is set out below:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Hiring of crews and staff salaries	416,488	288,570
Social welfare benefits	87,329	59,711
Pension cost	12,424	10,513
	516,241	358,794

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(a) Directors' and supervisors' emoluments

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Directors		
– Fees	–	–
– Basic salaries and allowances	578	443
– Pension and other welfare	117	77
Supervisors		
– Basic salaries and allowances	822	797
– Pension and other welfare	176	145
	1,693	1,462

During the year, all non-executive directors did not receive any emoluments (2003: Nil).

No directors or supervisors of the Company waived any emoluments during the year (2003: Nil). No discretionary bonus were paid to any of the directors or supervisors of the Company during the year (2003: Nil).

NOTES TO THE ACCOUNTS

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(a) Directors' and supervisors' emoluments (Continued)

The emoluments of the directors and supervisors of the Company fall within the following bands:

	2004	2003
Directors Nil to HK\$1,000,000 (equivalent to approximately RMB1,060,000)	1	1
Supervisors Nil to HK\$1,000,000 (equivalent to approximately RMB1,060,000)	2	2
	3	3

The remaining nine directors (2003: nine) and four supervisors (2003: four) of the Company did not receive any emoluments from the Company or any of its subsidiaries during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2004	2003
Director	1	1
Supervisors	2	2
Employees	2	2
	5	5

The details of emoluments paid to the five highest paid individuals who were directors/supervisors of the Company during the year have been included in Note 11(a) above. Details of emoluments paid to the remaining two highest paid non-directors/supervisors individuals (2003: two) are as follows:

	2004 RMB'000	2003 RMB'000
Basic salaries and allowances	1,247	753
Pension and other welfares	61	140
	1,308	893

NOTES TO THE ACCOUNTS

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the above two (2003: two) individuals fell within the following bands:

	2004	2003
Nil to HK\$1,000,000 (equivalent to approximately RMB1,060,000)	2	2

- (c) During the year, no emoluments were paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2003: Nil).

12. GOODWILL

	The Group RMB'000
Acquisition of additional equity interests of a subsidiary during the year	13,739
Amortisation for the year (Note 4)	(458)
Net book amount at 31 December, 2004	13,281
Cost	13,739
Accumulated amortisation	(458)
Net book amount at 31 December, 2004	13,281

NOTES TO THE ACCOUNTS

13. FIXED ASSETS

	The Group							
	Container vessels	Vessels under construction	Construction in progress	Improvement on vessels under operating leases	Containers	Motor vehicles	Computer and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January, 2004	5,468,009	2,429,991	-	340,775	2,664,346	31,954	145,896	11,080,971
Transfers	3,830,456	(3,830,456)	-	-	-	-	-	-
Additions	21,166	5,751,931	225,601	8,196	815,762	5,198	33,838	6,861,692
Acquisition from fellow subsidiaries	71,001	-	-	-	-	-	940	71,941
Disposals	-	-	-	(22,683)	-	(743)	(1,988)	(25,414)
At 31 December, 2004	9,390,632	4,351,466	225,601	326,288	3,480,108	36,409	178,686	17,989,190
Accumulated depreciation and impairment losses								
At 1 January, 2004	(647,731)	-	-	(220,786)	(1,074,385)	(11,648)	(38,574)	(1,993,124)
Charge for the year	(341,588)	-	-	(36,950)	(362,115)	(4,986)	(54,836)	(800,475)
Acquisition from fellow subsidiaries	-	-	-	-	-	-	(923)	(923)
Disposals	-	-	-	17,662	-	474	1,475	19,611
At 31 December, 2004	(989,319)	-	-	(240,074)	(1,436,500)	(16,160)	(92,858)	(2,774,911)
Net book value								
At 31 December, 2004	8,401,313	4,351,466	225,601	86,214	2,043,608	20,249	85,828	15,214,279
At 31 December, 2003	4,820,278	2,429,991	-	119,989	1,589,961	20,306	107,322	9,087,847

NOTES TO THE ACCOUNTS

13. FIXED ASSETS (Continued)

	The Company							
	Container vessels RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Improvement on vessels under operating leases RMB'000	Containers RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost								
At 1 January, 2004	5,379,333	1,734,938	-	323,113	2,663,075	4,782	111,808	10,217,049
Transfers	3,211,887	(3,211,887)	-	-	-	-	-	-
Additions	2,143	3,313,564	225,601	-	214,393	374	9,699	3,765,774
Acquisition from a fellow subsidiary	71,001	-	-	-	-	-	-	71,001
Disposals	-	-	-	(22,683)	-	-	(501)	(23,184)
At 31 December, 2004	8,664,364	1,836,615	225,601	300,430	2,877,468	5,156	121,006	14,030,640
Accumulated depreciation and impairment losses								
At 1 January, 2004	(623,734)	-	-	(217,844)	(1,074,245)	(1,964)	(26,900)	(1,944,687)
Charge for the year	(308,861)	-	-	(22,230)	(349,902)	(634)	(41,719)	(723,346)
Disposals	-	-	-	17,662	-	-	410	18,072
At 31 December, 2004	(932,595)	-	-	(222,412)	(1,424,147)	(2,598)	(68,209)	(2,649,961)
Net book value								
At 31 December, 2004	7,731,769	1,836,615	225,601	78,018	1,453,321	2,558	52,797	11,380,679
At 31 December, 2003	4,755,599	1,734,938	-	105,269	1,588,830	2,818	84,908	8,272,362

- (a) As at 31 December, 2004, the net book value of containers held under finance lease by the Group and the Company amounted to approximately RMB1,790,344,000 and RMB1,453,321,000 (2003: RMB1,588,830,000 and RMB1,588,830,000) respectively.
- (b) As at 31 December, 2004, the net book value of container vessels and vessels under construction of the Group and the Company pledged as securities for the long-term bank loans amounted to approximately RMB4,061,047,000 and RMB2,814,118,000 (2003: RMB3,109,502,000 and RMB3,109,502,000) respectively (Note 23).

NOTES TO THE ACCOUNTS

13. FIXED ASSETS (Continued)

- (c) As at 31 December, 2004, the aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets, where the Group and the Company are the lessors, comprised vessels under chartering arrangements, amounted to RMB376,620,000 and RMB110,538,000 (2003: RMB21,254,000 and RMB9,807,000) respectively.
- (d) As at 31 December, 2004, the accumulated capitalised borrowing costs of the Group and the Company included in vessels under construction amounted to approximately RMB55,396,000 and RMB29,590,000 (2003: RMB73,460,000 and RMB73,460,000) respectively.
- (e) As at 31 December, 2004, the accumulated impairment losses of the container vessels of the Group and the Company amounted to RMB59,279,000 (2003: RMB59,279,000).
- (f) As at 31 December, 2004, the net book value of the fixed assets that the Group and the Company acquired from certain fellow subsidiaries at their carrying value, amounted to RMB71,018,000 and RMB71,001,000 (2003: RMB25,056,000 and RMB25,056,000) respectively.

14. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates which are expected to be applied at the time of reversal of the temporary differences.

The movement on the deferred tax (liabilities)/assets for the Group and the Company during the year as follows:

	The Group	
	2004 RMB'000	2003 RMB'000
At 1 January	87,559	74,010
Deferred taxation (charged)/credited to consolidated profit and loss account (note 6)	(245,335)	13,549
At 31 December	(157,776)	87,559

	The Company	
	2004 RMB'000	2003 RMB'000
At 1 January	87,559	74,010
Deferred taxation (charged)/credited to profit and loss account	(1,214)	13,549
At 31 December	86,345	87,559

NOTES TO THE ACCOUNTS

14. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The movements of deferred tax assets and liabilities (prior to offsetting the balances within the same taxation jurisdiction) for the Group and the Company during the year are as follows:

	The Group					
	Deferred tax assets for interest element of finance lease obligations		Deferred tax liabilities for profits of subsidiaries		Deferred tax assets/ (liabilities), net Total	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
At 1 January	87,559	74,010	-	-	87,559	74,010
(Charged)/credited to consolidated profit and loss account	(1,214)	13,549	(244,121)	-	(245,335)	13,549
At 31 December	86,345	87,559	(244,121)	-	(157,776)	87,559

	The Company	
	2004 RMB'000	2003 RMB'000
At 1 January	87,559	74,010
(Charged)/credited to profit and loss account	(1,214)	13,549
At 31 December	86,345	87,559

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
The amounts included in the balance sheet include the following:				
Deferred tax assets to be recovered after more than twelve months	69,149	86,345	69,140	86,345
Deferred tax liabilities payable after more than twelve months	244,121	-	-	-

NOTES TO THE ACCOUNTS

15. INVESTMENTS IN SUBSIDIARIES

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Unlisted investments, at cost	145,402	121,586
Amount due from a subsidiary	2,198,160	–
	2,343,562	121,586

Notes:

- (a) During the year, the Group acquired further equity interests of 49% in Shanghai Puhai Shipping Lines Co., Limited ("Shanghai Puhai") from China Shipping Logistics Co., Limited, China Shipping Agency Co., Limited and China Shipping Industry Co., Limited at an aggregated cash consideration of approximately RMB 29,707,000.
- (b) The amount due from a subsidiary is unsecured, interest bearing at LIBOR plus 0.05% per annum and wholly repayable on 27 December, 2009.
- (c) A list of subsidiaries as at 31 December, 2004 is set out in Note 30(a).

16. INVESTMENT IN AN ASSOCIATED COMPANY

	The Group As at 31 December,	
	2004 RMB'000	2003 RMB'000
Share of net assets	46,892	46,343

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Unlisted investments, at cost	29,214	29,214

Unlisted investments represented equity interests in an associated company. On 20 October, 2003, the Company entered into agreements to dispose of certain of its equity interests in associated companies to its ultimate holding, China Shipping (Group) Company, at RMB15,924,000, resulting in losses totalling RMB1,663,000.

Details of the associated company as at 31 December, 2004 is set out in Note 30(b).

NOTES TO THE ACCOUNTS

17. TRADE AND NOTES RECEIVABLES

	The Group	
	As at 31 December,	
	2004	2003
	RMB'000	RMB'000
Trade receivables		
– Fellow subsidiaries	1,955,125	1,164,643
– Others	1,283,123	1,136,919
	3,238,248	2,301,562
Notes receivables	118,823	59,405
	3,357,071	2,360,967

The aging analysis of trade and notes receivables is as follows:

	The Group	
	As at 31 December,	
	2004	2003
	RMB'000	RMB'000
1 to 3 months	3,146,994	2,133,924
4 to 6 months	313,935	298,628
7 to 9 months	–	43,045
10 to 12 months	11,527	12,613
1 to 2 years	8,463	1,228
	3,480,919	2,489,438
<i>Less: provision for doubtful receivables</i>	(123,848)	(128,471)
	3,357,071	2,360,967

NOTES TO THE ACCOUNTS

17. TRADE AND NOTES RECEIVABLES (Continued)

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Trade receivables		
– Subsidiaries	516,848	1,016,755
– Fellow subsidiaries	1,610,634	1,164,643
– Others	257,235	416,329
	2,384,717	2,597,727
Notes receivables	103,538	29,096
	2,488,255	2,626,823

The aging analysis of trade and notes receivables is as follows:

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
1 to 3 months	2,340,253	2,395,613
4 to 6 months	210,421	298,628
7 to 9 months	–	43,045
10 to 12 months	11,527	12,613
1 to 2 years	8,463	1,228
	2,570,664	2,751,127
<i>Less: provision for doubtful receivables</i>	(82,409)	(124,304)
	2,488,255	2,626,823

Credit policy

Credit terms in the range between 30 to 50 days are granted to those customers with good payment history. Invoices to other customers are due for payment upon presentation.

NOTES TO THE ACCOUNTS

18. BANK BALANCES AND CASH

As at 31 December, 2004, cash and cash equivalents of RMB3,643,438,000 (2003: RMB1,092,969,000) were held by the Company and certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

19. TRADE AND NOTES PAYABLES

	The Group	
	As at 31 December,	
	2004	2003
	RMB'000	RMB'000
Trade payables		
– Fellow subsidiaries	268,862	200,591
– Others	1,852,116	766,964
	2,120,978	967,555
Notes payables	19,800	516,618
	2,140,778	1,484,173

The aging analysis of trade and notes payables is as follows:

	The Group	
	As at 31 December,	
	2004	2003
	RMB'000	RMB'000
1 to 3 months	1,600,936	1,225,794
4 to 6 months	525,038	221,933
7 to 9 months	14,804	20,727
10 to 12 months	–	15,554
1 to 2 years	–	165
	2,140,778	1,484,173

NOTES TO THE ACCOUNTS

19. TRADE AND NOTES PAYABLES (Continued)

	The Company As at 31 December,	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Trade payables		
– Subsidiaries	701,364	529,837
– Fellow subsidiaries	330,005	169,668
– Others	878,060	391,082
	1,909,429	1,090,587
Notes payables	20,000	531,618
	1,929,429	1,622,205

The aging analysis of trade and notes payables is as follows:

	The Company As at 31 December,	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
1 to 3 months	1,489,513	1,363,826
4 to 6 months	425,112	221,933
7 to 9 months	14,804	20,727
10 to 12 months	–	15,554
1 to 2 years	–	165
	1,929,429	1,622,205

NOTES TO THE ACCOUNTS

20. SHORT-TERM BANK LOANS

	The Group and the Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Unsecured	381,520	1,389,720

As at 31 December, 2003, these unsecured short-term bank loans were guaranteed by China Shipping (Group) Company, the Company's ultimate holding company. The guarantee was released upon listing of the Company's shares on the Main Board.

21. SHARE CAPITAL

	Registered capital RMB'000	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each (note (iii)) RMB'000	Total RMB'000
At 1 January, 2003	2,801,050	–	–	2,801,050
Capital injection (note (i))	1,000,000	–	–	1,000,000
At 31 December, 2003	3,801,050	–	–	3,801,050
Upon Transformation (note (ii)) by conversion of:				
– reserves	–	28,950	–	28,950
– registered capital	(3,801,050)	3,801,050	–	–
Sales of domestic shares by ultimate holding company and conversion into H shares upon listing	–	(220,000)	220,000	–
Issuance of new H shares	–	–	2,200,000	2,200,000
At 31 December, 2004	–	3,610,000	2,420,000	6,030,000

- (i) On 14 October, 2003, China Shipping (Group) Company injected capital of RMB1,000,000,000. These increases in capital had been verified by BDO Zhong Hua Certified Public Accountants 上海眾華滬銀會計師事務所, certified public accountants registered in the PRC, and approved by Shanghai Administration Bureau for Industry and Commerce.

NOTES TO THE ACCOUNTS

21. SHARE CAPITAL (Continued)

- (ii) On 3 March, 2004, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital and reserves as at 31 October, 2003 into 3,830,000,000 shares of RMB1 each.
- (iii) On 16 June, 2004, the Company's H shares were issued and listed on the Main Board.
- (iv) The domestic shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in RMB but paid in Hong Kong dollars.

22. RESERVES

	The Group					Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve (note(iv)) RMB'000	Statutory public welfare fund (note(v)) RMB'000	Share issuance costs RMB'000	(Accumulated losses)/ retained earnings RMB'000	
As at 1 January, 2003	3,038	366	290	-	(2,605,256)	(2,601,562)
Dividend waived by a minority shareholder of a subsidiary (note (i))	212	-	-	-	-	212
Share issuance costs	-	-	-	(4,519)	-	(4,519)
Conversion of liability into capital surplus (note (ii))	1,048,636	-	-	-	-	1,048,636
Profit for the year	-	-	-	-	1,382,872	1,382,872
Profit appropriation	-	9,729	9,729	-	(19,458)	-
As at 31 December, 2003	1,051,886	10,095	10,019	(4,519)	(1,241,842)	(174,361)
Retained by:						
Company and subsidiaries	1,051,886	10,095	10,019	(4,519)	(1,258,971)	(191,490)
Associated company	-	-	-	-	17,129	17,129
As at 31 December, 2003	1,051,886	10,095	10,019	(4,519)	(1,241,842)	(174,361)

NOTES TO THE ACCOUNTS

22. RESERVES (Continued)

	Capital surplus RMB'000	The Group					Total RMB'000
		Statutory surplus reserve (note(iv)) RMB'000	Statutory public welfare fund (note(v)) RMB'000	Discretionary common reserve (note(vi)) RMB'000	Share issuance costs RMB'000	(Accumulated losses)/ retained earnings RMB'000	
As at 1 January, 2004	1,051,886	10,095	10,019	-	(4,519)	(1,241,842)	(174,361)
Transfer of reserve to share capital upon Transformation (note (iii))	(1,155,592)	(10,095)	(10,019)	-	-	1,146,756	(28,950)
Share premium arising from issuance of new H shares	5,215,849	-	-	-	-	-	5,215,849
Share issuance costs incurred for the year	-	-	-	-	(256,136)	-	(256,136)
Transfer from share issuance costs	(260,655)	-	-	-	260,655	-	-
Profit for the year	-	-	-	-	-	4,022,409	4,022,409
Profit appropriation	-	380,473	380,473	740	-	(761,686)	-
Special dividend to ultimate holding company (Note 9)	-	-	-	-	-	(480,098)	(480,098)
As at 31 December, 2004	4,851,488	380,473	380,473	740	-	2,685,539	8,298,713
Represented by:							
Reserves	4,851,488	380,473	380,473	740	-	1,479,539	7,092,713
2004 final proposed dividend (Note 9)	-	-	-	-	-	1,206,000	1,206,000
As at 31 December, 2004	4,851,488	380,473	380,473	740	-	2,685,539	8,298,713
Retained by:							
Company and subsidiaries	4,851,488	380,473	380,473	740	-	2,662,570	8,275,744
Associated company	-	-	-	-	-	22,969	22,969
As at 31 December, 2004	4,851,488	380,473	380,473	740	-	2,685,539	8,298,713

NOTES TO THE ACCOUNTS

22. RESERVES (Continued)

	The Company					Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve (note(iv)) RMB'000	Statutory public welfare fund (note(v)) RMB'000	Share issuance costs RMB'000	(Accumulated losses)/ retained earnings RMB'000	
As at 1 January, 2003	-	-	-	-	(2,622,928)	(2,622,928)
Share issuance costs	-	-	-	(4,519)	-	(4,519)
Conversion of liability into capital surplus (note (ii))	1,048,636	-	-	-	-	1,048,636
Profit for the year	-	-	-	-	1,101,253	1,101,253
As at 31 December, 2003	1,048,636	-	-	(4,519)	(1,521,675)	(477,558)
As at 1 January, 2004	1,048,636	-	-	(4,519)	(1,521,675)	(477,558)
Transfer of reserve to share capital upon transformation (note(iii))	(1,231,943)	-	-	-	1,202,993	(28,950)
Share premium arising from issuance of new H shares	5,215,849	-	-	-	-	5,215,849
Share insurance costs incurred for the year	-	-	-	(256,136)	-	(256,136)
Transfer from share insurance costs to capital surplus	(260,655)	-	-	260,655	-	-
Profit for the year	-	-	-	-	2,754,720	2,754,720
Profit appropriation	-	367,551	367,551	-	(735,102)	-
Special dividend to ultimate holding company (Note 9)	-	-	-	-	(480,098)	(480,098)
As at 31 December, 2004	4,771,887	367,551	367,551	-	1,220,838	6,727,827
Represented by:						
Reserves	4,771,887	367,551	367,551	-	14,838	5,521,827
2004 final proposed dividend (Note 9)	-	-	-	-	1,206,000	1,206,000
	4,771,887	367,551	367,551	-	1,220,838	6,727,827

NOTES TO THE ACCOUNTS

22. RESERVES (Continued)

- (i) During the year ended 31 December, 2003, China Shipping Agency Co., Ltd., being the 10% minority shareholder of China Shipping Container Lines (Haikou) Co., Ltd. ("CS (Haikou)") (Note 29(a)), waived its right in the dividend declared by CS (Haikou) of RMB212,000. Accordingly, the corresponding amount waived was transferred to capital surplus.
- (ii) On 30 October, 2003, the Company capitalised an amount of RMB1,048,636,000 due to China Shipping (Group) Company, the Company's ultimate holding company, as capital surplus.
- (iii) On 3 March, 2004 the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital and reserves as at 31 October, 2003 amounted to RMB3,801,050,000 and RMB28,950,000 respectively into 3,830,000,000 shares (note 21) of RMB1 each.
- (iv) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the entity's share capital after such issuance.
- (v) Companies registered in the PRC within the Group are required to set aside 5% to 10% of their statutory net profit for the year as determined under Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC to the statutory public welfare fund. The statutory public welfare fund is to be utilised to build or acquire capital items, for the entity's employees and cannot be used to pay off staff welfare expenses. Titles to these capital items remain with the entity.
- (vi) Transfer to the discretionary common reserve is at the discretion of the relevant companies in the Group.

NOTES TO THE ACCOUNTS

23. LONG-TERM BANK LOANS

	The Group	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Secured		
– not wholly repayable within five years	5,014,958	4,197,174
Unsecured		
– not wholly repayable within five years	–	423,113
	5,014,958	4,620,287
<i>Less: amount repayable within one year included in current liabilities</i>	<i>(445,030)</i>	<i>(387,515)</i>
	4,569,928	4,232,772

At 31 December, 2004, the Group's bank loans were repayable as follows:

	The Group	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	445,030	387,515
In the second year	650,030	481,462
In the third to fifth year	1,961,180	1,626,467
After the fifth year	1,958,718	2,124,843
	5,014,958	4,620,287

As at 31 December, 2004, the long-term bank loans of the Group were secured by the following:

- (i) Legal mortgage over certain container vessels and vessels under construction with net book value of approximately RMB4,061,047,000 of the Group (2003: RMB3,109,502,000) (Note 13(b)).
- (ii) Charges over shares of certain vessels-owning subsidiaries (Note 30(a)(ii)).
- (iii) Assignment of shipbuilding contracts related to certain vessels under construction.

NOTES TO THE ACCOUNTS

23. LONG-TERM BANK LOANS (Continued)

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Secured		
– not wholly repayable within five years	4,042,800	4,197,174
Less: amount repayable within one year included in current liabilities	(445,030)	(387,515)
	3,597,770	3,809,659

As at 31 December, 2004, the Company's bank loans were repayable as follows:

	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Within one year	445,030	387,515
In the second year	650,030	445,030
In the third to fifth years	1,758,650	1,517,170
After the fifth year	1,189,090	1,847,459
	4,042,800	4,197,174

As at 31 December, 2004, the long-term bank loans of the Company were secured by legal mortgage over certain container vessels and vessels under construction with net book value of approximately RMB2,814,118,000 of the Company (2003: RMB3,109,502,000) (Note 13(b)).

NOTES TO THE ACCOUNTS

24. FINANCE LEASE OBLIGATIONS

	The Group		
	As at 31 December, 2004		
	Minimum	Finance	Net present
	lease payment	charges	value of
	<i>RMB'000</i>	<i>RMB'000</i>	minimum
			lease payment
			<i>RMB'000</i>
Finance lease obligations			
Within one year	677,722	238,774	438,948
In the second year	513,530	177,490	336,040
In the third to fifth year	1,179,966	295,134	884,832
After fifth year	459,928	63,971	395,957
	2,831,146	775,369	2,055,777
<i>Less: no later than one year (current portion)</i>	<i>(677,722)</i>	<i>(238,774)</i>	<i>(438,948)</i>
	2,153,424	536,595	1,616,829

	The Company		
	As at 31 December, 2004		
	Minimum	Finance	Net present
	lease payment	charges	value of
	<i>RMB'000</i>	<i>RMB'000</i>	minimum
			lease payment
			<i>RMB'000</i>
Finance lease obligations			
Within one year	617,810	213,354	404,456
In the second year	455,465	155,014	300,451
In the third to fifth year	1,005,694	246,144	759,550
After fifth year	303,939	48,003	255,936
	2,382,908	662,515	1,720,393
<i>Less: no later than one year (current portion)</i>	<i>(617,810)</i>	<i>(213,354)</i>	<i>(404,456)</i>
	1,765,098	449,161	1,315,937

NOTES TO THE ACCOUNTS

24. FINANCE LEASE OBLIGATIONS (Continued)

	The Group and the Company As at 31 December, 2003		
	Minimum lease payment <i>RMB'000</i>	Finance charges <i>RMB'000</i>	Net present value of minimum lease payment <i>RMB'000</i>
Finance lease obligations			
Within one year	565,075	230,843	334,232
In the second year	564,787	178,453	386,334
In the third to fifth year	1,029,970	259,714	770,256
After fifth year	418,396	55,058	363,338
	2,578,228	724,068	1,854,160
<i>Less: no later than one year (current portion)</i>	<i>(565,075)</i>	<i>(230,843)</i>	<i>(334,232)</i>
	2,013,153	493,225	1,519,928

The above finance lease obligations are related to containers leased from a fellow subsidiary.

Interest is charged on the outstanding balances at 16% and 15.6% (2003:16% and 16%) per annum for the Group and the Company respectively.

NOTES TO THE ACCOUNTS

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

a. Reconciliation of profit before taxation to cash generated from operations:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Profit before taxation	4,709,843	1,406,918
Depreciation	800,475	537,934
Amortisation of goodwill	458	-
Share of results of associated companies	(8,000)	(8,620)
Loss on disposal of investment in associated company	-	1,663
Interest expense	245,946	192,150
Interest income from bank deposits	(14,040)	(6,319)
(Reversal of)/provision for doubtful receivables	(4,623)	68,811
Financial charge of finance lease obligations	266,549	258,767
Loss on disposal of fixed assets	270	895
Operating profit before working capital changes	5,996,878	2,452,199
Increase in bunkers	(55,010)	(23,593)
Increase in trade and notes receivables	(991,481)	(354,560)
(Increase)/decrease in prepayments and other receivables	(86,797)	66,775
Decrease in restricted bank deposits	-	83,000
Increase in trade and notes payables	656,605	265,694
(Decrease)/increase in accruals and other payables	(38,087)	231,793
Decrease in amount due to ultimate holding company	(2,925)	(288)
Net cash generated from operations	5,479,183	2,721,020

NOTES TO THE ACCOUNTS

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (Continued)

b. Analysis of changes in financing during the year:

	Share capital <i>RMB'000</i>	Capital surplus (net of share issuance costs) <i>RMB'000</i>	Bank loans <i>RMB'000</i>	Loan from ultimate holding company <i>RMB'000</i>	Finance lease obligations <i>RMB'000</i>	Minority interests <i>RMB'000</i>
At 1 January, 2003	2,801,050	1,047,367	3,634,394	1,635,000	1,511,924	14,294
Inception of finance lease obligations	-	-	-	-	621,542	-
Minority interests' share of profit	-	-	-	-	-	14,473
Conversion of liabilities into capital surplus	-	-	-	(670,000)	-	-
Cash inflow/(outflow) from financing	1,000,000	-	2,375,613	(890,466)	(279,306)	12,776
At 31 December, 2003	3,801,050	1,047,367	6,010,007	74,534	1,854,160	41,543
Transfer to paid in capital	28,950	(1,155,592)	-	-	-	-
Inception of finance lease obligations	-	-	-	-	560,741	-
Minority interests' share of profit	-	-	-	-	-	6,769
Acquisition of equity interests of a subsidiary from minority interests	-	-	-	-	-	(15,963)
Cash inflow/(outflow) from financing	2,200,000	4,959,713	(613,529)	(74,534)	(359,124)	-
At 31 December, 2004	6,030,000	4,851,488	5,396,478	-	2,055,777	32,349

c. Significant non-cash transactions

During the year ended 31 December, 2004, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB560,741,000 (2003: RMB621,542,000).

As at 30 October, 2003, the amount due to the ultimate holding company, China Shipping (Group) Company, of RMB1,048,636,000 was capitalised as capital surplus.

NOTES TO THE ACCOUNTS

26. COMMITMENTS

a. Capital commitments

As at 31 December, 2004 and 2003, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Vessels under construction	7,567,140	6,373,195

	The Company	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Vessels under construction	7,211,014	5,063,888

b. Purchase commitments

As at 31 December, 2004 and 2003, the Group and the Company had the following significant purchase commitments of bunkers which were not provided for in the balance sheets:

	The Group and the Company	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Purchase of bunkers	–	805,375

NOTES TO THE ACCOUNTS

26. COMMITMENTS (Continued)

c. Other commitments

As at 31 December, 2004 and 2003, the Group and the Company had the following significant commitments which were not provided for in the balance sheets:

	The Group	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Contracted but not provided for:		
– Investment	222,200	–

	The Company	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Contracted but not provided for:		
– Investment	200,000	–

Pursuant to an equity transfer and capital injection agreement entered in 2004, the Group and the Company agreed to contribute in cash into Shanghai Puhui.

NOTES TO THE ACCOUNTS

26. COMMITMENTS (Continued)

d. Lease commitments

As at 31 December, 2004 and 2003, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group As at 31 December,	
	2004 RMB'000	2003 RMB'000
Land and buildings:		
– Within one year	17,979	11,294
– In the second to fifth year	44,361	27,239
– After fifth year	18,382	–
	80,722	38,533
Vessels chartered-in and containers under operating leases:		
– Within one year	2,924,159	2,942,707
– In the second to fifth year	7,549,574	8,835,086
– After fifth year	3,589,892	–
	14,063,625	11,777,793
	14,144,347	11,816,326
	The Company As at 31 December,	
	2004 RMB'000	2003 RMB'000
Land and buildings:		
– Within one year	5,675	5,675
– In the second to fifth year	22,701	22,701
– After fifth year	17,026	–
	45,402	28,376
Vessels chartered-in and containers under operating leases:		
– Within one year	2,682,241	2,385,698
– In the second to fifth year	7,619,380	5,904,629
– After fifth year	4,037,945	–
	14,339,566	8,290,327
	14,384,968	8,318,703

NOTES TO THE ACCOUNTS

27. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December, 2004 and 2003, the Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	The Group	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Vessels chartered-out under operating leases:		
– Within one year	129,462	10,094
– In the second to fifth year	70,579	7,467
	200,041	17,561

	The Company	
	As at 31 December,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Vessels chartered-out under operating leases:		
– Within one year	1,323,507	9,144
– In the second to fifth year	2,864,284	–
	4,187,791	9,144

28. CONTINGENT LIABILITIES

As at 31 December, 2004, the Group and the Company have no significant contingent liabilities.

NOTES TO THE ACCOUNTS

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decision, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

- (a) During the year, for the purpose of this report, the directors are of the view that the following companies are related parties of the Group:

Name	Relationship with the Group
China Shipping (Group) Company	Ultimate holding company
Rich Shipping Co., Ltd.	Fellow subsidiary
Shanghai Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Guangzhou Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Dalian Marine Transport (Group) Company	Fellow subsidiary
China Shipping Development Co., Ltd.	Fellow subsidiary
China Shipping Passenger Liner Co., Ltd.	Fellow subsidiary
China Shipping (Hainan) Haisheng Shipping and Enterprises Co., Ltd	Fellow subsidiary
Shanghai Inchon International Ferry Co., Ltd.	Fellow subsidiary
China Shipping Terminal Development Co., Ltd.	Fellow subsidiary
China Shipping Logistics Co., Ltd.	Fellow subsidiary
China Shipping Agency Co., Ltd.	Fellow subsidiary
China Shipping Air Cargo Co., Ltd.	Fellow subsidiary
China Shipping Industry Co., Ltd.	Fellow subsidiary
China Shipping Investment Co., Ltd.	Fellow subsidiary
China Shipping International Trading Co., Ltd.	Fellow subsidiary
China Shipping Telecommunications Co., Ltd.	Fellow subsidiary
Dong Fang International Investment Co., Ltd.	Fellow subsidiary
China Shipping Regional Holdings Pte Ltd.	Fellow subsidiary
China Shipping Agency (Australia) Co., Ltd.	Fellow subsidiary
China Shipping Japan Co., Ltd.	Fellow subsidiary
China Shipping Agency (Korea) Co., Ltd.	Fellow subsidiary
China Shipping (Europe) Holding GmbH	Fellow subsidiary
China Shipping Supplies Co., Ltd.	Fellow subsidiary
Universal Shipping Co. Ltd.	Fellow subsidiary
China Shipping (Hong Kong) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (North America) Holding Co., Ltd.	Fellow subsidiary
West Basin Container Terminals LLC	Related company

Save as disclosed elsewhere in the accounts, the Group had the following transactions and balances with related parties, which in the opinion of the directors, were carried out in the ordinary course of the Group's business.

NOTES TO THE ACCOUNTS

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

During the year, the Group had the following significant transaction with related parties:

	<i>Notes</i>	2004 RMB'000	2003 <i>RMB'000</i>
Revenue:			
Information technology services	<i>(i)</i>	24,029	10,380
Lease of containers	<i>(ii)</i>	3,472	2,790
Liner services	<i>(i)</i>	1,137,246	1,306,542
Expense:			
Agency management services	<i>(i)</i>	8,120	464
Interest element of finance lease obligations in connection with lease of containers	<i>(ii)</i>	259,285	258,767
Lease of chassis	<i>(i)</i>	13,286	15,922
Lease of properties	<i>(ii)</i>	13,622	12,337
Cargo and liner agency services	<i>(i)</i>	286,409	291,979
Container management services	<i>(i)</i>	562,967	507,108
Time charter services	<i>(i)</i>	291,965	331,704
Bareboat charter services	<i>(i)</i>	42,747	74,894
Ship repair services	<i>(i)</i>	19,380	29,061
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	<i>(i)</i>	297,685	252,127
Depot services	<i>(i)</i>	17,726	21,092
Information technology services	<i>(i)</i>	22,448	22,670
Provision of motor vehicles	<i>(i)</i>	1,002	433
Provision of crew members	<i>(i)</i>	114,796	59,860
Loading and unloading services	<i>(i)</i>	541,480	579,492
Sub-route services	<i>(i)</i>	47,876	38,796
Ground container transport costs	<i>(i)</i>	30,359	36,180

Notes:

- (i) The transactions were conducted in accordance with various master agreements entered into between the Company and the related parties on 10 May, 2004.
- (ii) The transactions were conducted in accordance with relevant agreements entered into between the Company and fellow subsidiaries.

NOTES TO THE ACCOUNTS

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at 31 December,	
	2004 RMB'000	2003 RMB'000
Balances with fellow subsidiaries		
Trade receivables <i>(note (i))</i>	1,955,125	1,164,643
Trade payables <i>(note(i))</i>	(268,862)	(200,591)
Finance lease obligations <i>(note (ii))</i>	(1,720,393)	(1,854,160)
	(34,130)	(890,108)
	2004 RMB'000	2003 RMB'000
Amount due to ultimate holding company <i>(note (iii))</i>		
Loan from ultimate holding company	-	(74,534)
Other liabilities due to ultimate holding company	-	(2,925)
	-	(77,459)

(i) These balance arose from the ordinary course of the Group's business and are unsecured, interest free and settle in accordance with the normal industry practice.

(ii) The Group has entered into finance lease arrangement to lease containers from its fellow subsidiaries. These balances carry interest at rates agreed between both parties and are repayable in accordance with the relevant lease agreement.

(iii) As at 31 December, 2003, the loan from ultimate holding company was unsecured, carried interest at 3.5% per annum and was fully repayable within one year from the date of advance.

Other liabilities represented advances from ultimate holding company for working capital purpose. This balance was unsecured and interest free.

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

As at 31 December, 2004, the Company has direct and indirect interests in the following subsidiaries:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Established and operate in the PRC						
China Shipping Container Lines Dalian Co., Ltd.	5 January, 2003	Limited liability company	RMB10,000,000	90%	-	Cargo and liner agency
China Shipping Container Lines Guangzhou Co., Ltd.	26 January, 2003	Limited liability company	RMB10,000,000	90%	-	Cargo and liner agency
China Shipping Container Lines Hainan Company Limited (note (j))	14 January, 2003	Limited liability company	RMB10,000,000	40%	-	Cargo and liner agency
China Shipping Container Lines Qingdao Company Limited	13 January, 2003	Limited liability company	RMB10,000,000	90%	-	Cargo and liner agency
China Shipping Container Lines Shanghai Co., Ltd.	13 January, 2003	Limited liability company	RMB15,000,000	90%	-	Cargo and liner agency
China Shipping Container Lines Shenzhen Co., Ltd.	15 January, 2003	Limited liability company	RMB10,000,000	90%	-	Cargo and liner agency
China Shipping Container Lines Tianjin Company Limited	3 January, 2003	Limited liability company	RMB10,000,000	90%	-	Cargo and liner agency

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
China Shipping Container Lines Xiamen Co., Ltd.	6 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines (Yangpu) Co., Ltd.	5 December, 2002	Limited liability company	RMB38,000,000	90%	4%	Domestic containers shipping cargo sales, slot booking, container transportation centre, transshipment, depot construction, repair leasing, sale and purchasing containers, leasing, sales and purchase of vessels and container related business
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. <i>(note (j))</i>	13 December, 2001	Limited liability company	RMB6,000,000	40%	–	Transportation, placement and storage of containers, refrigeration, warehousing and storage business, the examination and repair of containers and chassis, leasing, import and export, and supply of equipment and external technology consulting, the importations of generators used for refrigerated containers

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Shanghai Puhai Shipping Lines Co., Ltd.	19 November, 1992	Limited liability company	RMB11,800,000	90%	9%	International container shipping, transportation of goods (including containers) between ports along with the mainland domestic coast and Chang Jiang (Yangtze) River, construction, repair, leasing and sales of containers, vessel leases and sales, crew labour services and training and other shipping services, cargo agency for water transportation and shipping agency services
China Shipping Container Lines (Fuzhou) Co., Ltd.	20 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
China Shipping Container Lines (Haikou) Co., Ltd. <i>(note (i))</i>	5 November, 2003	Limited liability company	RMB3,000,000	–	36%	Cargo and liner agency
China Shipping Container Lines (Jiangsu) Co., Ltd.	19 September, 2003	Limited liability company	RMB6,500,000	45%	49.5%	Transportation

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
China Shipping Container Lines Lianyungang Co., Ltd.	12 March, 2003	Limited liability company	RMB5,000,000	10%	81%	Cargo and liner agency
China Shipping Container Lines (Qinghuangdao) Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
China Shipping Container Lines (Rizhao) Co., Ltd.	18 July, 2003	Limited liability company	RMB500,000	–	90.1%	Cargo and liner agency
China Shipping Container Lines (Zhejiang) Co., Ltd.	18 June, 2003	Limited liability company	RMB7,000,000	45%	49.5%	Cargo and liner agency
Dandong China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	–	90.01%	Cargo and liner agency
Dongguan China Shipping Container Lines Co., Ltd.	14 May, 2004	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Fangchenggang China Shipping Container Lines Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Jiangmen China Shipping Container Lines Co., Ltd.	21 August, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Jinzhou China Shipping Container Lines Co., Ltd.	18 March, 2003	Limited liability company	RMB500,000	-	90.1%	Cargo and liner agency
Quanzhou China Shipping Container Lines Co., Ltd.	2 September, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Shantou China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Yingkou China Shipping Container Lines Co., Ltd.	9 January, 2003	Limited liability company	RMB1,000,000	10%	81%	Cargo and liner agency
Zhanjiang China Shipping Container Lines Co., Ltd.	23 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Zhongshan China Shipping Container Lines Co., Ltd.	15 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Incorporated and operate in Hong Kong						
China Shipping Container Lines (Hong Kong) Co., Ltd.	3 July, 2002	Limited liability company	HK\$1,000,000	100%	-	International container shipping and liner agency

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name	Date of incorporation/establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Incorporated in the British Virgin Islands						
China Shipping Container Lines (Asia) Co., Ltd.	28 October, 2002	Limited liability company	US\$50,000	100%	–	Sales, purchase and lease of vessels
Intercontinental Computer Co., Ltd.	8 April, 2003	Limited liability company	US\$50,000	–	100%	Development of information technology systems and provision of information technology services
Yangshan A Shipping Company Limited	23 December, 2003	Limited liability company	US\$50,000	–	100%	Owning of vessel
Yangshan B Shipping Company Limited	23 December, 2003	Limited liability company	US\$50,000	–	100%	Owning of vessel
Yanshan C Shipping Company Limited <i>(note (ii))</i>	23 April, 2004	Limited liability company	US\$50,000	100%	–	Owning of vessel
Yanshan D Shipping Company Limited <i>(note (ii))</i>	23 April, 2004	Limited liability company	US\$50,000	100%	–	Owning of vessel
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June, 2002	Limited liability company	CYP1,000	100%	–	Owning of vessel

NOTES TO THE ACCOUNTS

30. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Note:

- (i) According to respective Memorandum and Articles of Association, the Company has the power to appoint more than half of the total number of directors of these companies. These companies are therefore accounted for as subsidiaries.
- (ii) Shares of the subsidiaries were charged for certain long term bank loans as at 31 December, 2004.

(b) Associated company

As of 31 December, 2004, the Group had direct equity interests in the following associated company:

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC						
Shanghai HaiXin YuanCang International Logistics Co., Ltd.	18 May, 1995	Limited liability company	PRC	US\$ 11,600,000	40%	Cargo and liner agency

All subsidiaries and associated company are private companies, or if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The English name of certain subsidiaries and the associated company referred to in these accounts represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

NOTES TO THE ACCOUNTS

31. ULTIMATE HOLDING COMPANY

The Directors regard China Shipping (Group) Company, a state-owned enterprise established in the PRC as being the ultimate holding company of the Group.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8 March, 2005.