CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中海發展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

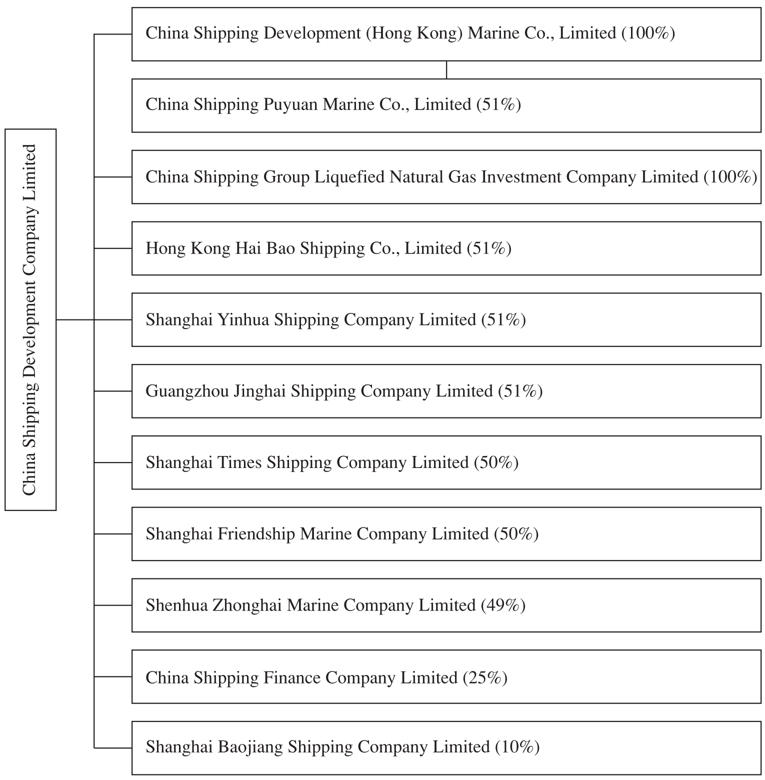
2009 ANNUAL REPORT

(Hong Kong Stock Exchange Stock Code: 1138)
(Shanghai Stock Exchange Stock Code: 600026)

CONTENT

COMPANY PROFILE

China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") is a major shipping company having its business across the coastal region of the PRC and internationally. The main business scope of the Group includes coastal, ocean and Yangtze River cargo transportation, ship leasing, cargo forwarding and cargo transportation agency, purchase and sale of ships, repair and construction of containers, ship spare parts purchase and sale agency, consultancy and transfer of shipping technology. As at 31 December 2009, the Group owns assets totaling of approximately RMB 33.930 billion, of which there are shareholders' funds of approximately RMB 21.395 billion, and a fleet of 164 vessels with an aggregate deadweight of approximately 8.89 million tons. The Group now operates one of the largest fleets of oil tankers and dry bulk cargo carriers in the Far East.



FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2009	2008	2007	2006	2005
	'000	'000	'000	'000	'000
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	**8,729,969**	17,214,283	12,394,739	9,203,557	8,114,333
Profit before tax	**1,342,337**	6,432,685	5,328,035	3,292,813	3,135,012
Profit for the year attributable to equity holders of the parent	**1,064,794**	5,373,010	4,546,383	2,758,477	2,691,199
Total assets	**33,929,549**	30,028,594	23,707,443	17,000,152	14,216,547
Non-controlling interests and Total liabilities	**12,534,976**	8,574,574	7,535,928	4,394,899	3,342,857
Equity attributable to equity holders of the parent	**21,394,573**	21,454,020	16,171,515	12,605,253	10,873,690
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.284**	6.302	4.862	3.790	3.269
Earning per share	**0.3128**	1.5864	1.3669	0.8294	0.8091
Dividend per share	**0.100**	0.300	0.500	0.300	0.300

MANAGEMENT DISCUSSION AND ANALYSIS

1. ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD

The Group is principally engaged in the cargo shipping business which mainly consists of the shipment of oil and dry bulk cargoes (primarily coal) along the coastal region of the PRC and internationally.

In 2009, the world economy is entering into a stage of adjustment and recovery after the serious impact of the financial crisis, with China's economy taking the lead to stabilize and rebound. According to National Bureau of Statistics, China's GDP grew 8.7% in 2009 compared with the same period in 2008.

In 2009, the international shipping market also underwent profound changes. Driven by the gradual economic rebound, there was a slight increase in demand for shipment. However, in light of the oversupply of shipping capacity, the shipping market was in a depressed state throughout the year, with a number of market segments operating without profit. 2009 was the most difficult year of the shipping industry in the new century.

As for the dry bulk cargo shipping market, driven by the series of stimulus policies of the Chinese Government, domestic iron ore and coal imports increased significantly. According to statistics of General Administration of Custom, China imported 628 million tons of iron ore in 2009, representing an increase of 41.6% compared with the same period in 2008. According to data released by National Energy Administration, China imported a total of 126 million tons of coal in 2009, an increase of 211.9 % compared with the same period in 2008, which is also a record high. Due to the China factor, the performance of the international dry bulk cargo shipping market fluctuated throughout the year. The Baltic Dry Bulk Freight Rate Index (the "BDI") averaged daily in 2009 at 2,617 points, down 59% compared with the same period in 2008.

As for the domestic coastal bulk shipping market, despite seasonal surge at the end of 2009, freight rates were low throughout the year, and the coastal consolidated dry bulk freight index ("CCBFI") averaged daily in 2009 at 1,218 points, fell by 41.8% compared with the same period in 2008.

In 2009, worldwide economic slowdown resulted in the negative growth in oil demand. Meanwhile, there were a large number of new tankers deliveries, leading to serious excess of shipping capacity in the tanker shipping market, and an overall significant fall in the freight rates of various routes in the international oil tanker shipping market. The Baltic Dirty Oil Tanker Freight Rate Index ("BDTI") in 2009 averaged daily at 581 points, representing a decrease of 61.5 % compared with the same period in 2008. The World Scale Index ("WSI") for the shipping routes from the Middle East to Japan, being one of the freight rate indicators for very large crude oil carriers ("VLCC") in 2009 averaged daily at 41.7 points, representing a decrease of 68.7% compared with the same period in 2008.

In 2009, the overall demand for domestic coastal oil shipment was relatively stable, and the freight rates remained stable. The Group further enhanced strategic cooperation with major customers so as to keep a stable market share in the domestic coastal oil shipping market which has become the highlight of the Group's operations.

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP

In 2009, faced with the dramatic changes in shipping market, the Group persisted in taking domestic coastal coal shipping and oil shipping business as its core business, strengthened the strategic cooperation with its major customers and made efforts to promote meticulous management and enhance various cost control, energy saving and emission reduction measures. As a result, the Group's operations and safety management worked smoothly, maintaining an overall healthy development.

During the Reporting Period, the shipping volume achieved by the Group was approximately 221.7 billion tonne-nautical miles, and the total revenue derived from shipment was approximately RMB8.73 billion (after business tax and surplus, the same below), representing a decrease of 3.30% and 49.3% as compared with those of the same period in 2008 respectively. Cost of operations was approximately RMB7.26 billion, a decrease of 34.7% as compared with that of the same period in 2008. Net profit attributable to equity holders was approximately RMB1.065 billion, representing a decrease of 80.2% as compared with that of the same period in 2008. Earnings per share was approximately RMB0.3128.

An analysis of the principal operations in terms of products transported is set out as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase in revenue as compared with 2008	Increase in operating costs as compared with 2008	Increase/(decrease) in gross profit margin as compared with 2008
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(%)
Coal shipments	2,765,739	2,265,543	18.1	-59.8	-34.1	Down 31.9 percentage points
Oil shipments	4,913,520	3,925,952	20.1	-18.0	-6.5	Down 9.8 percentage points
Other bulk shipments	854,432	870,574	-1.9	-65.7	-42.6	Down 40.9 percentage points
Rental income from vessel chartering	196,278	198,343	-1.1	-89.5	-89.9	Up 4.3 percentage points
Total	8,729,969	7,260,412	16.8	-49.3	-34.7	Down 18.6 percentage points

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

An analysis of the principal operations in terms of geographical regions is set out as follows:

Principal Operations by Geographical Regions

Regions	**Revenue** (RMB'000)	**Increase/ (decrease) in revenue as compared with 2008** (%)
Domestic shipment	5,282,014	(43.9)
International shipment	3,447,955	(55.8)

(1) Shipping business - Dry bulk shipments

In 2009, faced with the tough market conditions, the Group adjusted its operating strategy and shipping capacity layout in a timely manner. For coastal coal shipping, the Group focused on contracts of affreightment ("COA contracts"), strengthened the communication with its clients, and improved its service quality. In addition, the Group fully leveraged on the advantage of its fleet for both domestic and foreign trade, continued to strengthen the foreign trade management, with a view to forming internal and external complementary and coordinated development pattern.

In 2009, the Group achieved a shipping volume of approximately 95.44 billion tonne-nautical miles of dry bulk cargo, and derived a revenue of approximately RMB3.62 billion, representing decreases of 23.8% and 61.3% as compared with those of the same period in 2008 respectively.

An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2009 (billion tonne nautical miles)	In 2008 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2008 (%)
Domestic Shipment	**55.68**	78.93	(29.5)
Coal	**48.82**	71.27	(31.5)
Other dry bulk	**6.86**	7.66	(10.5)
International Shipment	**39.76**	46.39	(14.3)
Coal	**7.30**	3.72	96.2
Other dry bulk	**32.46**	42.67	(23.9)
Total	**95.44**	125.32	(23.8)

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

(1) Shipping business - Dry bulk shipments (Continued)

Revenue by product types

	In 2009 (RMB million)	In 2008 (RMB million)	Increase/ (decrease) in revenue as compared with 2008 (%)
Domestic Shipment	**2,808**	7,261	(61.3)
Coal	**2,521**	6,689	(62.3)
Other dry bulk	**287**	572	(49.8)
International Shipment	**812**	2,099	(61.3)
Coal	**245**	183	33.2
Other dry bulk	**567**	1,916	(70.4)
Total	**3,620**	9,360	(61.3)

Note: Other bulk cargoes include metal ore, non-metallic ore, steel, cement, timber, grain, insecticide, fertilizer etc. except for coal.

(2) Shipping business - Oil shipments

In 2009, amidst sustained market downturn, the Group focused on the operation of key routes, key vessels and key demand sources and enhanced cooperation with major customers so as to expand the COA cargo resources, and made every effort to reduce the impact resulting from market volatility. The domestic oil shipping market overall remained stable, and the Group fully leveraged on the advantage of its fleet for both domestic and foreign trade. The Group focused on stabilizing the market in the offshore oil shipment, and actively explored the refined oil shipping market, so as to achieve maximum operational effectiveness.

In 2009, the Group achieved a shipping volume of approximately 126.26 billion tonne-nautical miles of oil shipment, representing an increase of 21.4% as compared with that of the same period in 2008, and the revenue achieved was approximately RMB4.914 billion, representing a decrease of 18.0% as compared with that of the same period in 2008. In 2009, the market share of the Group in domestic crude oil shipping market exceeded 60% of this market.

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

(2) Shipping business - Oil shipments (Continued)

An analysis of the transportation volume and revenue in terms of products types is as follows:

Transportation volume and revenue in terms of products types

	In 2009 (billion tonne nautical miles)	In 2008 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2008 (%)
Domestic Shipment	**19.5**	18.09	7.8
Crude oil	**15.31**	15.34	(0.2)
Refined oil	**4.19**	2.75	52.5
International Shipment	**106.76**	85.92	24.3
Crude oil	**69.95**	48.41	44.5
Refined oil	**36.81**	37.51	(1.9)
Total	**126.26**	104.01	21.4

Revenue by product types

	In 2009 (RMB million)	In 2008 (RMB million)	Increase/ (decrease) in revenue as compared with 2008 (%)
Domestic Shipment	**2,474**	2,156	14.8
Crude oil	**2,053**	1,892	8.5
Refined oil	**421**	264	59.5
International Shipment	**2,440**	3,838	(36.4)
Crude oil	**1,028**	1,490	(31.0)
Refined oil	**1,412**	2,348	(39.9)
Total	**4,914**	5,994	(18.0)

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

(3) Vessel chartering business

To control the risks arising from significant fluctuations in the international vessel chartering market, the Group has reduced its vessels chartering business. As at 31 December 2009, there were two bulk vessels under charter with a total capacity of 98,000 deadweight tonnes and the charter party will expire in 2010.

In 2009, the Group achieved a turnover of approximately RMB 196 million from vessel chartering, and incurred chartering cost of approximately RMB 198 million, representing a decrease of approximately 89.5% and approximately 89.9% as compared with the same period in 2008 respectively.

(4) Transportation costs analysis

In 2009, the Group continued to focus on "increasing revenue, reducing expenses and improving efficiency", heavily promoted refined management and enhanced advanced control and management in various aspects. Besides, through adopting comprehensive budget management, the Group effectively controlled major transportation costs.

In 2009, affected by a reduction in global oil demand, international crude oil prices and refined oil prices experienced a relatively sharp decline as compared with the same period in 2008. However, with the Chinese economy and the world economy gradually gaining stability, international crude oil prices have rebounded after bottoming out. The average price of Singapore 380CST fuel for 2009 dropped by 26.6% as compared with the same period in 2008. The drop in oil prices is far below the drop in the freight rates in shipping market. This brought some challenge for shipping enterprises to control their fuel costs. The Group endeavoured to reduce fuel consumption by saving energy through technological management means, and achieved remarkable results in reducing fuel cost and improving energy efficiency.

The total operating cost incurred in 2009 was approximately RMB7.26 billion, a decrease of 34.7% as compared with 2008, of which the transportation cost incurred was approximately RMB7.062 billion (after deduction of the operating cost of vessel Chartering), a decrease of 22.8% as compared with that of the same period in 2008. The transportation cost compositions are specifically analysed as follows:

(a) **Fuel cost**: the Group's fuel consumption in 2009 was approximately 866,100 tonnes, and the fuel cost incurred was approximately RMB2.67 billion, a decrease of 32.8% as compared with 2008, representing 37.8% of the total transportation cost. In 2009, with the scrapping of old vessels and delivery of new large-size vessels, the Group further enhanced its fuel saving, and as a result the fuel consumption per thousand nautical miles was 3.91 kg, a decrease of 1.1% as compared with that of the same period in 2008.

(b) **Port cost**: the Group's port expenses incurred in 2009 was approximately RMB722 million, a decrease of 16.5% as compared with that of the same period in 2008, representing 10.2% of the total transportation cost.

(c) **Labor cost**: the Group's total labor cost incurred in 2009 was approximately RMB1,222 million, an increase of 5.2% as compared with that of the same period in 2008, representing 17.3% of the total transportation cost. Such change was due to the enterprise annuities of approximately RMB60 million contributed to the crew members.

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

(4) Transportation costs analysis (Continued)

(d) **Depreciation**: the Group's depreciation expenses incurred in 2009 amounted to approximately RMB1,050 million, an increase of 3.3% as compared with that of the same period in 2008, representing 14.9% of the total transportation cost. Such change was due to delivery of new vessels.

(e) **Lubricants expenses**: the Group's lubricants expenses incurred in 2009 was approximately RMB 193 million, a decrease of 14.8% as compared with that of the same period in 2008, representing 2.7% of the total transportation cost of the Group.

(f) **Insurance expenses:** the Group's insurance expenses incurred in 2009 was approximately RMB 237 million, a decrease of 1.3% as compared with that of the same period in 2008, representing 3.4% of the total transportation cost.

(g) **Repair expenses**: the Group's repair expenses incurred in 2009 amounted to approximately RMB488 million, a decrease of 7.4% as compared with that of the same period in 2008, representing 6.9% of the total transportation cost.

(5) Interests in the jointly-controlled entities' results

In 2009, the Group has recognized its interests in the jointly-controlled entities' profits of approximately RMB61.099 million, representing a decrease of 88.5% as compared with that of the same period in 2008. The main reason for such change was due to the significant decreases in the cargo volume and freight in domestic bulk shipping business, and the operating results achieved by the three jointly-controlled entities of the Group, namely Shanghai Times Shipping Co., Ltd., Zhuhai New Century Marine Co., Ltd. and Shanghai Friendship Marine Co., Ltd . In 2009, the three jointly-controlled entities achieved a shipping volume of 25.686 million tones, a decrease of 29.7% as compared with the same period in 2008. The turnover achieved by the three jointly-controlled entities in 2009 was approximately RMB1,594 million, with a net profit of approximately RMB127 million, representing decreases of 49.6% and 88.5% as compared with the same period in 2008 respectively. As at 31 December 2009, the three jointly-controlled entities owned 33 bulk vessels with a total capacity of 1,477,000 deadweight tonnes and 10 vessels under construction with the capacity of 680,000 deadweight tonnes.

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP (Continued)

(5) Interests in the jointly-controlled entities' results (Continued)

The details of the three jointly-controlled entities are as follows:

Company name	Registered capital (RMB'000)	Interest held by the Company	Total assets (RMB'000)	Total liabilities (RMB'000)	Turnover achieved in 2009 (RMB'000)	Net profit (RMB'000)
Shanghai Times Shipping Co., Ltd.	1,200,000	50%	4,549,145	2,580,822	1,072,960	60,319
Zhuhai New Century Marine Co., Ltd.	682,000	50%	1,198,502	200,222	413,777	59,154
Shanghai Friendship Marine Co., Ltd.	50,000	50%	165,969	10,907	107,257	7,078

3. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group decreased from approximately RMB6,047,060,000 for the year ended 31 December 2008 to approximately RMB1,908,308,000 for the year ended 31 December 2009, representing a decrease of 68.5%.

(2) Capital commitments

The Group and the Company had the following capital commitments as at 31 December 2009 of which approximately RMB1,509,107,000 (The Company: approximately RMB872,916,000) will be due within the next financial year. The source of funding was mainly financed by the Company's working capital, notes, bank loans and other borrowings.

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Authorized and contracted for construction and purchases of vessels (Note)	**17,464,664**	21,110,745	**7,367,064**	9,053,685
Equity Investments	**2,103,051**	—	**2,103,051**	—
	19,567,715	21,110,745	**9,470,115**	9,053,685

Note:

According to the construction purchase agreements entered into by the Group in 2006 to 2009, these capital commitments will fall due as from 2010 to 2012 respectively.

(3) Capital structure

As at 31 December 2009, the shareholders' equity, bank loans and interest-bearing borrowings amounted to approximately RMB21,394,573,000 and approximately RMB9,537,907,000 respectively. As at 31 December 2009, the debt-to-equity ratio was 44.6% (31 December 2008: 30%).

3. FINANCIAL ANALYSIS (Continued)

(4) Notes, interest-bearing bank and other borrowings

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Annual Effective interest (%)	Maturity RMB'000	Group 2009	Group 2008 RMB'000 (Restated)	Company 2009 RMB'000	Company 2008 RMB'000
Current						
(i) Bank loan						
Secured	Libor + 0.38% to 1.40%	2010	**780,963**	142,526	**—**	—
Unsecured	1.45% to 4.37% ; Libor + 0.7% to 1%	2010	**541,410**	778,422	**541,410**	778,422
Notes, interest-bearing bank and other borrowings - current portion			**1,322,373**	920,948	**541,410**	778,422
Non-current						
(ii) Bank loan						
Secured	Libor + 0.38% to 1.40%	2010-2020	**3,229,216**	2,781,121	**—**	—
Unsecured	Floating rate or 5.670% to 6.804%	2013	**—**	2,747,690	**—**	2,747,690
			3,229,216	5,528,811	**—**	2,747,690
(b) Notes						
Unsecured	3.90% to 4.18%	2012-2014	**4,986,318**	—	**4,986,318**	—
Notes, interest-bearing bank and other borrowings - Non-current portion			**8,215,534**	5,528,811	**4,986,318**	2,747,690

3. FINANCIAL ANALYSIS (Continued)

(4) Notes, interest-bearing bank and other borrowings (Continued)

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows: (Continued)

The Group's bank loans are secured by pledges or mortgages of the Group's 9 vessels (2008: 7 vessels) and another 4 vessels under construction (2008: 4 vessels under construction) with total net carrying amount of approximately RMB5,953,403,000 at 31 December 2009.

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of RMB4,010,179,000 and unsecured bank loans of RMB341,410,000 which are denominated in USD, all borrowings are denominated in Renminbi.

(b) At 31 December 2009, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	**2009 RMB'000**	2008 RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**1,322,373**	920,948	**541,410**	778,422
In the second year	**397,004**	1,288,566	**—**	594,355
In the third to fifth year, inclusive	**1,191,012**	2,967,057	**—**	2,153,335
Over five years	**1,641,200**	1,273,188	**—**	—
	4,551,589	6,449,759	**541,410**	3,526,112
(ii) Notes:				
In the third to fifth year, inclusive	**4,986,318**	—	**4,986,318**	—
	9,537,907	6,449,759	**5,527,728**	3,526,112

(c) Details of the notes at 31 December 2009 are as follows:

	2009 RMB'000
Principal amount	**5,000,000**
Notes issurance cost	**(14,496)**
Proceeds received	**4,985,504**
Accumulated amortisation	**814**
	4,986,318

3. FINANCIAL ANALYSIS (Continued)

(4) Notes, interest-bearing bank and other borrowings (Continued)

(c) Details of the notes at 31 December 2009 are as follows: (Continued)

Notes with principal amount of RMB3,000,000,000 and RMB2,000,000,000 were issued by the Group to investors on 3 August 2009 and 26 November 2009 respectively. The notes carried a fixed interest yield of 3.90% and 4.18% per annum respectively and were issued at a price of 100 per cent of their principal amount, resulting in no discount on the issue. The notes bear interest from 4 August 2009 and 27 November 2009 respectively, payable annually in arrear on 4 August and 27 November respectively of each year.

Unless previously redeemed or repurchased by the Group, the notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

As at 31 December 2009, the Group's total debt to equity ratio (the Group's total debt divided by total assets) is 36.2% (2008: 27.9%).

(5) Cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cash and bank balances	**2,222,147**	1,942,970	**1,534,421**	1,335,865
Maximum exposure to credit risk	**2,222,147**	1,942,970	**1,534,421**	1,335,865

Cash at banks generates interest income at floating rates based on daily bank deposit rates. Short-term fixed deposits are deposited for various periods of between one day to three months depending on the immediate cash requirements of the Group, and interest income shall accrue at the respective short-term fixed deposit rates. The carrying amounts of the cash and cash equivalents approximately equal to their fair values. As at 31 December 2009, the cash and bank balances of the Group denominated in USD amounted to approximately RMB493,700,000 (2008: RMB539,000,000).

3. FINANCIAL ANALYSIS (Continued)

(5) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
USD	**493,700**	539,000	**98,326**	160,220
RMB	**1,725,226**	1,402,597	**1,434,975**	1,174,585
HKD	**2,132**	342	**31**	29
EUR	**1,037**	974	**1,037**	974
GBP	**46**	51	**46**	51
JPY	**6**	6	**6**	6
	2,222,147	1,942,970	**1,534,421**	1,335,865

(6) Risk on foreign currency

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD") and Hong Kong Dollar ("HKD") against Chinese Renminibi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

As at 31 December 2009, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2009 would have been RMB37,607,000 (2008: RMB28,806,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

The Group does not have significant exposure to foreign exchange risk.

As at 31 December 2009, the Group's foreign exchange liabilities mainly comprised of bank borrowings in USD equivalent to approximately RMB4,351,589,000. In addition, the Company would pay dividend for H shares in HKD.

Given the increasing significance of the Group's international shipping business, changes in exchange rates will have certain impact on the Group's profitability. Therefore, the Group will further strengthen its efforts in monitoring and studying exchange rate fluctuations, and will actively implement effective measures to strive to avoid exchange rate fluctuation risks. Firstly, the Group will strive to break even USD for its operations. Secondly, the Group will conscientiously analyze and compare available financial instruments for averting exchange rate risks, so as to hedge and lock in financial costs, and to effectively protect against risks caused by exchange rate fluctuations.

3. FINANCIAL ANALYSIS (Continued)

(7) Derivative Financial Instruments

	Group			
	2009 Assets RMB'000	**2009 Liabilities RMB'000**	2008 Assets RMB'000 (Restated)	2008 Liabilities RMB'000 (Restated)
Carried at fair value				
Cash flow hedges:				
– Cross currency swap agreements	**—**	**—**	54,273	—
– Interest rate swap agreements	**1,326**	**(1,125)**	—	(53,697)
	1,326	**(1,125)**	54,273	(53,697)

(a) Cross currency swap agreements

As at 1 January 2009, the Group held two cross currency swap agreements designated as cash flow hedges in respect of expected future JPY bank loans for which the Group has firm commitments.

The terms of the cross currency swap agreements have been negotiated to match the terms of the commitments. In December 2009, the Group terminated the cross currency swaps and received USD8,850,000 (approximatelyRMB60,441,000) as proceeds from the termination (the "Termination"). Together with the reversal of fair value gain on the cash flow hedges arising from the cross currency swap of RMB60,441,000, which was previously recognised as derivative financial instruments in the consolidated statement of financial position, and the balance of related hedging reserve of RMB60,441,000, total net gains of RMB60,441,000 were recognised in the consolidated statement of comprehensive income for the year ended 31 December 2009.

3. FINANCIAL ANALYSIS (Continued)

(7) Derivative Financial Instruments (Continued)

The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and a net gain included in the hedging reserve are as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Net fair value gains included in the hedging reserve	**60,441**	54,273
Deferred tax on fair value gains	**(8,955)**	(8,955)
	51,486	45,318
Reversal of the deferred tax on the fair value gains	**8,955**	—
Release to consolidated statement of comprehensive income	**(60,441)**	—
Net gains on cash flow hedges of cross currency swap agreements in hedging reserve	**—**	45,318

(b) Interest rate swap agreements

As at 31 December 2009, the Group held two interest rate swap agreements, the total notional principal amount of the outstanding two interest rate swaps agreements was USD93,253,333 (approximatelyRMB636,752,000). The interest rate swaps agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with a floating interest rate.

During the year 2009, the floating rates of the bank loan were LIBOR + 0.42% or 0.45%.

In December 2009 , the Group modified the terms of the interest rate swap agreements with the bank and paid USD4,980,000 (approximatelyRMB34,011,000). The fixed rates were decreased from 4.40% per annum to 2.90% per annum.

The losses for the interest rate swap agreements during the year are as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Total fair value losses included in the hedging reserve	**(35,110)**	(53,697)
Release from hedging reserve	**35,314**	—
Losses on termination of interest rate swaps	**(34,011)**	—
Hedge loan interest included in finance cost	**(17,545)**	(4,482)
Total losses on cash flow hedges of interest rate swap agreements	**(51,352)**	(58,179)

3. FINANCIAL ANALYSIS (Continued)

(8) Contingent Liabilities

i) In December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage. After the investigation done by the Maritime Safety Administration, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. As the Company had been insured with an insurance company in the United Kingdom, the provision of its liability is limited to RMB36 million. The Company had made provision for its estimated loss. Up to 31 December 2009, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

ii) In December 2007, "Fuzhou" collided with "Chongcheong 118", which sunk afterwards. According to the judgement made by the Maritime Law Count at Shanghai on 9 March 2009, Shanghai Boshan Steel has lost its appeal and the Company is allowed to set up a Limitation Fund for Maritime Claims Liability amounted to RMB16,318,000. Since the Company had been insured, all compensation will be borne by the insurance company. Up to 31 December 2009, the Company is still in the process of settling all the issues concerned.

iii) In May 2008, one of the Company's cargo vessels "Ningan 11" collided with the pier at Shanghai resulting damages to the pier and the door. According to the judgment made by the Maritime Law Court at Shanghai on 10 June 2009, Shanghai Waigaoqiao Power Generation Co., Ltd. ("Shanghai Waigaoqiao") has lost its claim. The Company is allowed to set up a provision of liability fund which is limited to RMB25,443,000. There was a settlement agreement between the Company and Shanghai Waigaoqiao. Up to 31 December 2009, the Company is still in the process of claiming compensation from the insurance company.

iv) In September 2009, one of the Company's cargo vessels "Wanshoushan" leaked during its voyage. The Company had been insured with an insurance company and had made provision of its liability. Up to 31 December 2009, the Company is still in the process of investigating the damages.

4. INVESTMENT

In 2009, the total investment of the Group was approximately RMB3,919,435,100, of which approximately RMB3,744,158,900 was paid for the purchase of fixed assets in cash.

In 2009, ten new tankers with a total capacity of 1,486,000 deadweight tonnes and three new bulk vessels with total capacity of 172,000 deadweight tonnes have been delivered for use. In 2009, to cope with the changes in shipping market, the Group has upgraded 14 old vessels with a total net assets of approximately RMB162,591,300. In 2009, approximately RMB323,022,500 has been paid for the transformation of these old vessels.

5. MATERIAL ASSET DISPOSALS

In 2009, the Group continued to speed up adjustments to its fleet structure, and disposed of 14 old vessels of 344,000 deadweight tonnes, including 4 tankers of 21,000 deadweight tones and 10 bulk vessels of 323,000 deadweight tonnes. The details of such disposals are as follows:

Assets sold	**Price of Disposal** (RMB'000)	**Profit/(Loss) arising from disposal of assets** (RMB'000)	**Connected transaction (Yes/No)**	**Pricing Policy**
Yin Quan	12,000	8,227	No	Market price
Ming Quan	12,800	9,031	No	Market price
Jian She 9	5,080	4,302	No	Market price
Jian She 10	5,080	4,205	No	Market price
Da Qing 63	11,310	64	Yes	Market price
Dan Xia Shan	9,103	(1,340)	Yes	Market price
Fu Zhou	10,895	10,079	Yes	Market price
Lun Lun Shan	24,123	8,347	No	Market price
Da Luo Shan	27,095	8,464	No	Market price
Zhen Fen 13	39,599	18,898	No	Market price
Lu Zhou	16,564	14,232	Yes	Market price
Chang Shun	14,298	13,666	No	Market price
Chang Ji	14,363	12,675	No	Market price
Yin Shen	34,803	14,182	No	Market price
Total	237,113	125,032		

6. ASSET ACQUISITION

Counter parties	Asset acquired	Date of acquisition	Price of acquisition (RMB'000)	Connected transaction (Yes/No)	Pricing Policy
China Shipping (Group) Company	35% equity interest of China Shipping Group Liquefied Natural Gas Investment Company Limited ("China Shipping Gas")	30 April 2009	35,096.67	Yes	Appraisal price
Guangzhou Maritime Transport (Group) Co., Ltd	25% equity interest of China Shipping Gas	30 April 2009	25,069.04	Yes	Appraisal price
Shanghai Shipping (Group) Company	25% equity interest of China Shipping Gas	30 April 2009	25,069.04	Yes	Appraisal price
Dalian Shipping (Group) Company	15% equity interest of China Shipping Gas	30 April 2009	15,041.42	Yes	Appraisal price

7. OUTLOOK AND HIGHLIGHTS FOR 2010

(1) Prediction and Analysis of International and Domestic Shipping Markets

In 2010, benefiting from the worldwide implementation of large-scale fiscal stimulus and loose monetary policies, the world's economy will continue a slow recovery, and international trade and investment will show a resumption of growth. According to Organisation for Economic Cooperation and Development (OECD), the global economy is expected to grow at 3.4%, and global trade volume will grow at 6%. The improvement of the economy is favorable to the shipping industry. It is expected that in 2010 demand for bulk cargo shipping will improve, while demand for the world's oil consumption will also experience a slight rebound. However, the global economic recovery will be a slow and tortuous process, and there are many factors of instability and uncertainty. Furthermore, 2010 will be the peak year for delivery of new vessels for the shipping industry when the issue of excess shipping capacity in the market will remian prominent. In general, the shipping market is expected to be slightly better in 2010 compared with 2009.

(2) Operational target for 2010

In 2010, 23 new vessels of the Group with a total tonnage of 3.01 million deadweight tonnes are scheduled to be delivered for use, including 10 tankers of 1.69 million deadweight tonnes and 13 bulk vessels of 1.32 million deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the Group's operations in 2010 is expected to be 10.25 million deadweight tonnes, representing an increase of 22% as compared with that of the same period in 2009. Based on its view of the domestic and overseas shipping markets in 2010, and taking into account the delivery of new vessels, the Group's operating targets are as follows: shipping volume of approximately 253.5 billion tonne nautical miles, an increase of 14.3% as compared with 2009; turnover of approximately RMB11.008 billion, an increase of 23.4%; operating costs of approximately RMB9.108 billion, an increase of 25.3% as compared with 2009.

(3) Work initiatives in 2010

To cope with the current market situation, the Group will:

i) Continue to enhance strategic cooperation with major customers and maintaining long-term stable strategic cooperation relationship in 2010 so as to further consolidate and expand the Company's share in the domestic and overseas shipping markets and reduce operating risks brought about by fluctuation in shipping tariffs.

   In 2009, the Company achieved notable results in its major customers strategy. Regarding dry bulk shipping, the Group actively promoted the strategic cooperation with China Shenhua, Shougang Group, China Resources and Shenergy, while Guangzhou Jinghai Shipping Co., Ltd. (a joint venture with China Shougang International Trade and Engineering Company and Beijing Shougang Steel Trade Investment Management Co., Ltd.) has commenced operation during the year of 2009. In 2010, the Company will work hard for the increase in capital in Zhuhai New Century Shipping Co., Ltd., while Shanghai Golden Harvest Shipping Co., Ltd. (a joint venture with Shenergy Co., Ltd.) has also commenced operation in Shanghai in March, and our capital injection in China Resources Power Shipping (Tianjin) Co., Ltd. is also steadily underway.

   Regarding oil shipment, the Group will further strengthen the strategic cooperation with Sinopec, PetroChina and CNOOC. In August 2009, we amended certain provisions in the VLCC COA Contract with China Petroleum and Chemical Corporation.

7. OUTLOOK AND HIGHLIGHTS FOR 2010 (Continued)

(3) Work initiatives in 2010 (Continued)

Regarding LNG shipment, in 2009, the Company successfully acquired 100% equity interest in China Shipping Group Liquefied Natural Gas Investment Company Limited from our controlling shareholder China Shipping (Group) Company, building a solid foundation for expanding our LNG shipping business.

As of 26 March 2010, the Group has completed the signing of domestic coastal bulk cargo COA Contracts for 2010 with freight rates increased by 10.5% compared with 2009.

ii) Continue to speed up adjustments to vessel composition and further optimize fleet structure so as to improve the shipping efficiency. As at 31 December 2009, the Group had a total of 164 vessels with an aggregate of 8.89 million deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes ('000)	Average age (years)
Tankers	63	5,090	8.9
Dry bulk vessels	101	3,800	19.8
Total	164	8,890	15.6

Currently, the Group has a total of 58 new vesssels with 7,852,000 deadweight tonnes under construction, which are scheduled to be delivered for use by the end of 2012. The capital expenditure between 2010 and 2012 is expected to be approximately RMB7.03 billion, RMB7.49 billion and RMB3.04 billion respectively.

In 2010, the Group is scheduled to dispose of 11 old vessels with a total capacity of 279,000 deadweight tonnes. In addition, in accordance with China's policies for phasing out single hull vessels, the Group will propose and timely implement specific programs for scrapping or re-building our existing single-hull tankers in light of the Chinese Government's phase-out policy together with a combination of considerations regarding market conditions, policies and cost-effectiveness.

iii) Increased efforts will be made for the building of a strong workforce and the efficient acquisition, management and operation of large vessels. In 2010, several VLCCs and VLOCs of the Group will commence operation. The Group will get well-prepared in all aspects including ship construction supervision, crew training and selection as well as management and training of personnel, so as to ensure the efficient acquisition, management and operation of large vessels, and to provide powerful high-quality human resources for "building a world-class tanker fleet" and "turning a new page for bulk cargo shipment", hence achieving the coordinated development of our fleet and workforce.

iv) Cost control will be strengthened to achieve cost effectiveness. In 2010, the Group will continue to strengthen control over management and other fees to prevent the rebound thereof. Fuel costs are one of the Group's major costs. The Group will continue to strengthen energy-saving and the use of energy-saving technologies, will implement the policy of economic speed and strive to control fuel costs.

7. OUTLOOK AND HIGHLIGHTS FOR 2010 (Continued)

(3) Work initiatives in 2010 (Continued)

v) Strengthen risk precaution and internal control and establish risk dynamic management mechanism. The Group will be closely monitoring the risks generated from the new operational environment, strengthen the research and analysis of market and business risks, reinforce the management and control over significant events as well as critical steps. Since June 2009, the Group has formally implemented the establishment of a general risk management system so as to provide reliable support and protection for the stable and healthy development of the Group.

vi) Strengthen safety and security. We will work hard to avoid possibilities of ship collision, carry out anti-piracy measures, fire prevention and anti-pollution measures, and will construct and operate a comprehensive security system. Special attention shall be made to the careful formulation of security plan and the due inspection of potential security risks, so as to make positive contribution to the smooth operation of the Shanghai 2010 World Expo and the 16th Asian Games in Guangzhou.

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance will be able to maintain and balance the interests of stakeholders, to improve the capacity of the Company in the scientific decision and the guard against risks, to ensure the normal operations effectively, and to promote sustainable development of the company. The Board believes that shareholders can derive the greatest benefits from good corporate governance.

I. IMPROVEMENT OF CORPORATE GOVERNANCE

The Company has duly complied with the regulatory provisions of the domestic and overseas jurisdiction in which its shares are listed. As a listed company in Hong Kong and the PRC, the Company has been able to comply with the legal, regulatory and procedural requirements as required by the respective jurisdictions of listing. The Company has gradually improved the work systems and processes laid down by the directions under the Articles of Association of the Company. Checks and balances were achieved through the coordination among the shareholders at the general meeting, the Board of directors and its related special Board committees, the Supervisory Committee and the management headed by the President. With the implementation of the effective internal control and management systems, the Company's internal management and operations are further standardized and the corporate governance of the Company is further enhanced.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

The Company places great emphasis on internal control and risk management. The Company's management is mainly responsible for the design, implementation and improvement of the internal control system. The Board of directors and the audit Committee are responsible for supervising the activities of the management and monitoring the effectiveness of the existing internal control system.

Since its establishment, the Company has been committed to building a sound internal control system and its perfection, strictly implementing the various rules and systems that include internal control regulations. In its ordinary course of operation and management, the Company places great emphasis on the supervision and management of authorizations at different levels, the link between responsibilities and rights. It also emphasizes the supervision and examination in respect of the implementation of internal control systems and regularly assesses the system implementation status and its effectiveness and continually revises and improves the system according to the development of the Company to ensure the effectiveness of the Company's internal control system.

To reinforce and regulate internal control of enterprises, upgrade operating and management standards and risk prevention ability, and in accordance with the "Basic Regulations of Internal Control of Enterprises", jointly published by five ministries and commissions namely the Ministry of Finance, the China Securities Regulatory Commission, the National Audit Office, the China Banking Regulatory Commission, the China Insurance Regulatory Commission, etc., the Company has formulated and implemented the "Regulations of Internal Accounting Control for China Shipping Development Company Limited". The "Regulations of Internal Accounting Control for China Shipping Development Company Limited" covers key control aspects of internal control of enterprises such as currency capital, purchase and payment, external investment, construction projects, sales and payment collection, costs and charges, fund raising guarantee, preparation financial reports, budget management, taxation management, computer information system, etc. It is more systematic and can provide stronger guidance.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM (Continued)

The company places emphasis on risk management. In 2009, the Company undertook a comprehensive risk management system, formulated the "Risk Management Early Warning Mechanisms for China Shipping Development" and the "Risk Management Manual for China Shipping Development." In addition, the Company engaged Dagong Global Credit Rating Co., Ltd. to conduct assessment on the company's risk management for 2009, with a view to promoting the improvement of corporate risk management, and further strengthening internal control.

In January 2010, the Company conducted assessment tests on its internal control regulations. The main tasks included: (i) combine total risk management with the overall assessment; (ii) organize and assess important processes; (iii) test the existing system. None of the results of assessment show any significant violation of internal control regulations.

The audit committee is responsible for considering assessment and comments on the effectiveness of the internal control systems of the Company and report their opinion to the board of directors on a yearly basis. The audit committee is of the opinion that the Company is effectively implementing a sound internal control system, which has enhanced the management standards of the Company.

Looking into 2010, the focus of internal control of the Company will be centered on whether it has established an effective internal control system, to strengthen control and supervisory measures and to make further improvements in internal control in accordance with practical circumstances and regulatory requirements.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

The Company is dependent from its controlling shareholder, China Shipping Group Company, in respect of business, personnel, asset, organizational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

IV. CORPORATE GOVERNANCE REPORT

1. Compliance with Code on Corporate Governance Practices

The Company is dedicated to enhancing the levels of its corporate governance. Throughout the year of 2009, the Company has been in strict compliance with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. General Meeting

General meeting provides a good opportunity for direct communications and builds a sound relationship between the Board and the shareholders of the Company. In order to ensure that all shareholders of the Company enjoy equal status and are able to exercises their rights effectively, the Company holds shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. At the annual general meeting of the Company for 2008 held on 25 May 2009, nine resolutions were passed, among which the Report of Directors for 2008, the Report of Supervisory Committee for 2008, the profit distribution plan for 2008, the remuneration proposal of the Company's directors and Supervisors for 2009, and the appointment of directors of the six service term were adopted.

3. The Board

(1) The responsibility of the Board

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. The Company elects its directors in strict compliance with the procedures for election of directors as set out in the Articles. Each director shall act in the interests of shareholders, and shall use its best endeavors to perform his/her duties and obligations as a director in accordance with all the applicable laws and regulations. Duties of the Board include: decision of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal, and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to the management for the management of the Group. In addition, the Board delegates responsibilities to professional committees under the Board. Details of those committees are set out in this report.

IV. CORPORATE GOVERNANCE REPORT (Continued)

3. The Board (Continued)

(2) Composition of the Board

At the annual general meeting of the Company for 2008 held on 25 May 2009, directors of the board of the Company for a new service term have been elected. Pursuant to the Articles, the Directors (including the independent non-executive Directors) are appointed for a term of three years and can be re-elected; the terms of the independent non-executive directors can last for not more than six years. Therefore, the three independent non-executive directors, namely Mr. Xie Rong, Mr. Hu Honggao, and Mr. Zhou Zhanqun, cannot be re-elected since their service terms expired on 25 May 2009.

Members of the company's professional committees under the Board have also been adjusted accordingly.

The directors of the Company during 2009 were:

Executive directors:	
Mr. Li Shaode (Chairman)	
Mr. Ma Zehua (Vice Chairman)	
Mr. Lin Jianqing (Vice Chairman)	
Mr. Wang Daxiong	
Mr. Zhang Guofa	
Mr. Mao Shijia	
Mr. Wang Kunhe	(Resigned on 25 May 2009)
Mr. Qiu Guoxuan	(Appointed on 25 May 2009)
Independent non-executive directors:	
Mr. Zhu Yongguang	
Mr. Xie Rong	(Resigned on 25 May 2009)
Mr. Hu Honggao	(Resigned on 25 May 2009)
Mr. Zhou Zhanqun	(Resigned on 25 May 2009)
Mr. Gu Gongyun	(Appointed on 25 May 2009)
Mr. Zhang Jun	(Appointed on 25 May 2009)
Mr. Lu Wenbin	(Appointed on 25 May 2009)

Members of the Board, including the Chairman and the chief executive officer (the "CEO"), do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rule that at least one third of the members of the Board shall be independent non-executive directors. The biographies of all Directors are set out in the 2009 annual report on Page 151 to Page 154 and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

IV. CORPORATE GOVERNANCE REPORT (Continued)

3. The Board (Continued)

(3) The Responsibility of Directors

The Board ensures that each newly appointed Director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under the relevant rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive Directors play an active role in board meetings and can make contribution to the formulation of strategies and policies and make reliable judgments on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They also serve as members of various board committees to monitor the overall performance of the Group in achieving predetermined corporate objectives and benchmarks and making reports for such performance.

4. Performance of Independent Non-executive Directors' Duties

The Company has appointed four independent non-executive Directors, exceed to one-third of the total number of the Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The four independent non-executive Directors of the Company are professionals with extensive experience in the fields of accounting, law, shipping and economy field respectively. Pursuant to the Articles, the Directors (including the independent non-executive Directors) are appointed for a term of three years. Each of the independent non-executive Directors has entered into a service contract with the Company, which will expire on 24 May 2012.

In 2009, the independent directors of the Company earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles of Association of the Company. Independent non-executive Directors actively attended Board meetings during the reporting period, and reviewed the documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its shareholders as a whole.

The Company has received confirmation from each of the independent non-executive Directors about their independence Pursuant to Rule 3.13 of the Listing Rules,. The Company considers that the four independent non-executive Directors are completely independent of the Company, its major shareholders and its affiliates and comply fully with the requirements concerning the independent non-executive directors under the Listing Rules.

During the Reporting Period, the independent non-executive directors of the Company did not object to the motions, resolutions and other matters discussed at the meetings of the board of directors.

IV. CORPORATE GOVERNANCE REPORT (Continued)

5. Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 of Listing Rules). Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code.

6. Board Meetings

In 2009, the board of directors of the Company convened a total of 18 meetings and considered and passed 48 resolutions so as to review the financial and operating performance of the Group. The following table shows attendances at Board meetings.

Independent non-executive Directors	**the rate of attendance**
Mr. Zhu Yongguang	17/18
Mr. Xie Rong	8/8
Mr. Hu Honggao	8/8
Mr. Zhou Zhanqun	8/8
Mr. Gu Gongyun	10/10
Mr. Zhang Jun	9/10
Mr. Lu Wenbin	10/10
Executive Directors	
Mr. Li Shaode	18/18
Mr. Ma Zehua	15/18
Mr. Lin Jianqing	16/18
Mr. Wang Daxiong	17/18
Mr. Zhang Guofa	17/18
Mr. Mao Shijia	18/18
Mr. Qiu Guoxuan	8/8
Mr. Wang Kunhe	10/10

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

7. Chairman and Chief Executive Officer

The posts of Chairman of the Board and the Chief Executive Officer (the "CEO") are assumed by different individuals so as to maintain independence and balanced judgment views. The Board has appointed Mr. Li Shaode as the Chairman who is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and proper issues in a timely manner. The CEO, Mr. Mao Shijia, is an executive Director and is responsible for executing the business policy and decisions on management and operations of the Group.

IV. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board

In compliance with the code provisions set out in the Code in the Appendix 14 of the Listing Rules, the Company has established four professional committees under the Board, including: an audit committee, a remuneration committee, a strategy committee and a nomination committee.

(1) Audit Committee

The Audit Committee comprises four independent non-executive Directors, in which Mr. Lu Wenbin is the Chairman of the committee. The duties of the audit committee mainly include: the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least two meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2009, the Audit Committee held three meetings. In the meetings, the Audit Committee reviewed the Company's annual and interim financial statements, and submitted its audit reports and related advice to the Board. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows attendances at the Audit Committee:

Member of the Audit Committee	rate of attendance
Mr. Xie Rong	1/1
Mr. Zhou Zhanqun	1/1
Mr. Lu Wenbin	2/2
Mr. Zhang Jun	0/2
Mr. Gu Gongyun	0/2
Mr. Zhu Yongguang	2/3
Mr. Hu Honggao	0/1

The Audit Committee holds at least one meeting with the external auditor each year to discuss any issues in the course of the auditing and the management is not allowed to attend the meeting. The audit committee will first review the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the committee will not only pay attention to changes in the accounting policy and practice but also comply with the relevant requirement, under accounting policy, the Listing Rules and laws. There was no disagreement between the Board and Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

IV. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board (Continued)

(2) Remuneration Committee

The Remuneration Committee comprises four independent non-executive Directors, in which Mr. Gu Gongyun is the Chairman of the committee. The remuneration committee of the Company has adopted terms of reference which are in line with the Code Terms of reference are as follows:

(a) Make recommendations on the remuneration of executive Directors and senior management of the Company to seek approval from the Board; and

(b) Consider the remuneration package of Directors and senior management and make recommendations on salaries and bonuses, including incentives.

In 2009, the Remuneration Committee held one meeting. The three non-executive directors all attended the meeting. In that meeting, the Remuneration Committee reviewed the current emoluments of Directors and senior management, and assessed their performance. The Group's remuneration policy is based on the market practice, the qualification, duties and responsibilities of Directors and employees.

(3) Strategy Committee

The duties of the Strategy Committee include: review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns. The committee comprises of seven executive directors and two independent non-executive directors, and Mr. Li Shaode is the Chairman of the committee.

During 2009, the Strategy Committee held three meetings, advising on the fleet restructuring plan through building and purchasing vessels, selling and phrasing old ships.

(4) Nomination Committee

Pursuant to the Company's Articles of Association, election and replacement of directors shall be proposed to the shareholders' general meeting for approval. Shareholders whose shareholding represents 5% or more of the voting shares of the Company are entitled to make such proposal and request the Board of directors to authorize the Chairman to consolidate a list of the director candidates nominated by the shareholders who are entitled to make a proposal. As authorized by the Board of directors, the chairman shall consolidate a list of director candidates and order the Secretariat of the Board of directors together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Company's Articles of Association, the Company is required to give notice of the shareholders' meeting to shareholders in writing 45 days in advance and dispatch a circular to shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in the circular to shareholders to facilitate voting by shareholders. The new directors must be approved by more than half of the total voting shares held by the shareholders present in person or by proxy in the shareholders' general meeting.

IV. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board (Continued)

(4) Nomination Committee (Continued)

The committee comprises of Mr. Zhu Yongguang, Mr. Gu Gongyun, Mr. Zhang Jun, Mr. Lu Wenbin, Mr. Lin Jianqing and Mr. Zhang Guofa, and Mr. Zhu Yongguang is the Chairman of the committee.

In 2009, the Nomination Committee didn't hold any meeting.

9. The Establishment and Implementation of the Staff Salary System, Performance Appraisal and Incentive Mechanism

The Board of directors of the Company has implemented the annual salary system and formulated requirements for annual salary system assessment for the senior operating management of its cargo vessel sub-company, oil tanker sub-company, subsidiaries and the headquarters.

In terms of the staff salary system, the Company has established post wages and effectiveness wages together with years of service wages, performance wages and complementary wages. Among them, post wages reflect the responsibility difference in different posts. Years of service wages reflect the difference in labour accumulation. Performance wages reflect the difference in labour contribution. Complementary wages reflect the state's special treatment.

The Company wishes to adopt more effective measures in the future to continuously improve its internal management system so as to bring the incentive and restriction functions of the distribution system into full play.

10. Accountability and Audit

The management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the financial position of the Group in a true and fair way for each financial year. When submitting quarterly results, interim and annual financial statements and announcement to shareholders, directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group.

The Board of Directors is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the accounts.

The Board of Directors has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2009.

IV. CORPORATE GOVERNANCE REPORT (Continued)

10. Accountability and Audit (Continued)

Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited, the domestic and international auditors of the Company, acknowledge reporting responsibilities in the auditors' report on the financial statements for the year ended 31st December 2009.

In 2009, the Group paid an audit fee of RMB1,300,000 to Vocation International Certified Public Accountants Co., Ltd. and RMB1,680,000 to UHY Vocation HK CPA Limited respectively.

11. Internal Control

Through the internal audit group of the Company, the Directors reviewed the effectiveness of internal control covering all significant control of the Company and its subsidiary, including finance, operation and compliance control and risk management functions. The report prepared by the internal audit group and its findings will be submitted to the Audit Committee for circulation and to the external auditor for reference. If necessary, the internal audit group will seek approval from the Audit Committee of the findings and forward-looking audit plan submitted at the meeting of the Audit Committee.

The Board monitors its internal control system through the internal audit procedure. The internal audit group reports to the Chairman of the Audit Committee.

The CEO will submit updated long-term strategies and objectives at Board meetings regularly. This aims to ensure all Directors are aware of the objectives pursued by the Group.

The CEO will submit quarterly results to the Board. At the meeting, the CEO will explain the analysis of the difference between actual performance and intended objectives. This helps the Board in monitoring the business operations of the Group and amending the targets when necessary.

12. Delegation by the Board of Directors

The management is authorized to carry out daily management of the Company. Department heads are responsible for various aspects of the operations.

The major corporate matters delegated by the Board to the management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

IV. CORPORATE GOVERNANCE REPORT (Continued)

13. Supervisory Committee

The Supervisory Committee of the Company consists of six members, of which two supervisors are elected from the staff as representatives of the employees of the Company. The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of shareholders, the Company and its staff. In 2009, the Supervisory Committee convened nine meetings, at which the Company's financial position, the significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2009, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions.

14. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness, and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for the matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organizing results presentation, roadshow and telephone conference, a corporate website, investors' visits to the Company, and answering the investors' enquires, the Company's management strengthens close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company.

In order to further improve information disclosure management system, to enhance the quality of annual report disclosure and transparency of the Company, the Company has, in accordance with relevant state laws and regulations, regulatory documents and the Company's Articles of Association, formulated the "Annual Report Disclosure of major accountability system for China Shipping Development. " Accordingly, if there are significant errors in information disclosure of annual report, the responsibility of the person concerned should be held accountable and make the appropriate treatment.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of the Company hereby presents their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company's principal activities consist of investment holding, and the shipment of oil and cargoes along the coast of PRC and internationally.

The principal activities of the Company's principal subsidiaries and jointly-controlled entities are oil and cargo shipment, and vessel chartering. There have been no significant changes in the nature of the Group's principal activities during the year.

SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

Results	2009	2008	2007	2006	2005
	Year ended 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**8,729,969**	17,214,283	12,394,739	9,203,557	8,114,333
Operating costs	**(7,260,412)**	(11,110,771)	(7,329,308)	(5,916,742)	(4,833,463)
Gross profit	**1,469,557**	6,103,512	5,065,431	3,286,815	3,280,870
Other income and gains	**251,572**	460,900	542,947	311,251	154,003
Marketing expenses	**(38,955)**	(37,907)	(36,744)	(32,933)	—
Administrative expenses	**(286,756)**	(256,883)	(214,841)	(196,458)	(240,823)
Other expenses	**(44,397)**	(284,429)	(21,374)	(30,542)	(3,566)
Share of profits of jointly-controlled entities	**61,099**	531,566	165,745	75,170	60,926
Finance costs	**(69,783)**	(84,074)	(173,129)	(120,490)	(116,398)
Profit before tax	**1,342,337**	6,432,685	5,328,035	3,292,813	3,135,012
Tax	**(277,696)**	(1,056,690)	(781,652)	(531,339)	(441,134)
Profit for the year	**1,064,641**	5,375,995	4,546,383	2,761,474	2,693,878
Attributable to:					
Equity holders of the parent	**1,064,794**	5,373,010	4,546,383	2,758,477	2,691,199
Non-controlling interests	**(153)**	2,985	—	2,997	2,679
	1,064,641	5,375,995	4,546,383	2,761,474	2,693,878
Basic earnings per share	**RMB31.28 cents**	RMB158.64 cents	RMB136.69 cents	RMB82.94 cents	RMB80.91cents
Diluted earnings per share	**RMB31.28 cents**	RMB158.64 cents	RMB135.09 cents	RMB82.94 cents	RMB80.91cents
Assets, liabilities and non-controlling interests					
Total assets	**33,929,549**	30,028,594	23,707,443	17,000,152	14,216,547
Total liabilities and non-controlling interests	**(12,534,976)**	(8,574,574)	(7,535,928)	(4,394,899)	(3,342,857)
	21,394,573	21,454,020	16,171,515	12,605,253	10,873,690

This summary does not form part of the audited financial statements.

Notes:

1. The consolidated results, total assets, total liabilities and non-controlling interests of the Group for the four years ended 31 December 2008 are extracted from the Company's 2008 annual report dated 17 March 2009, while those for the year ended 31 December 2009 were prepared based on the consolidated statement of comprehensive income and consolidated balance sheet as set out on pages 52 and 54, respectively, of the financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company for the year ended 31 December 2009 of RMB1,064,794,000 and 3,404,552,270 ordinary shares. Earnings per share for the year ended 31 December 2009 is RMB0.3128 and diluted earnings per share is RMB0.3128.

   The calculation of basic earnings per share for the year ended 31 December 2008 was based on the profit attributable to equity holders of the Company for the year ended 31 December 2008 of RMB5,373,010,000 and the weighted average number of 3,386,989,000 ordinary shares in issue during the year as adjusted to reflect the weighted average number of convertible bonds converted in 2008. Earnings per share for the year ended 31 December 2008 was RMB1.5864. Diluted earnings per share for the year ended 31 December 2008 was RMB1.5864.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 52 and 54.

The net profit of the Company for 2009, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP") , was RMB1,064,794,000, 10% of which will be transferred to the statutory surplus reserve. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP.

The directors recommend the payment of a final dividend of RMB0.10 per share in respect of the year to shareholders on the register of members at the close of business on 7 May 2010. There was no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends. This recommendation has been incorporated in the financial statements as an allocation of retained profits (note 32) within the equity section of the balance sheet.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB377,417 (2008: RMB2,648,998).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company, the existing shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP, amounted to RMB9,352,839,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB3,947,214,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

NOTES AND BANK BORROWINGS

Details of the notes and bank borrowings of the Company and the Group are set out in Note 27 to the financial statements.

MAJOR CUSTOMERS

In the year under review, the five largest customers of the Group accounted for less than 30% (2008: less than 30%) of the Group's total revenue. None of the directors, supervisors, their associates, or any shareholders, which, to the best knowledge of the directors and supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the year under review, the five largest suppliers of materials and services to the Group accounted for 45% (2008: 61%) of the Group's total purchases. The largest supplier is a jointly-controlled entity of China Shipping (Group) Company ("China Shipping", the Company's holding company), and the purchases from it accounted for 24% (2008: 33%) of the Group's total purchases in that year. A subsidiary of China Shipping constituted one of the remaining four largest suppliers of the Group.

Except as mentioned above, none of the directors, supervisors, their associates of any shareholders, who, to the best knowledge of the directors and supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year were:

Executive directors:

Mr. Li Shaode	
Mr. Ma Zehua	
Mr. Lin Jianqing	
Mr. Wang Daxiong	
Mr. Zhang Guofa	
Mr. Mao Shijia	
Mr. Wang Kunhe	(resigned on 25 May 2009)
Mr. Qiu Guo Xuan	(appointed on 25 May 2009)

Independent non-executive directors:

Mr. Zhou Zhanqun	(resigned on 25 May 2009)
Mr. Hu Honggao	(resigned on 25 May 2009)
Mr. Xie Rong	(resigned on 25 May 2009)
Mr. Zhu Yongguang	
Mr. Gu Gongyun	(appointed on 25 May 2009)
Mr. Zhang Jun	(appointed on 25 May 2009)
Mr. Lu Wenbin	(appointed on 25 May 2009)

Supervisors:

Mr. Kou Laiqi
Mr. Yan Zhichong
Mr. Xu Hui
Mr. Yu Shicheng
Mr. Luo Yuming
Ms. Chen Xiuling

Pursuant to the Company's articles of association, all the directors of the Company are appointed for a term of three years.

The Company has received annual confirmations of independence from Messrs. Mr. Gu Gongyun, Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Zhu Yongguang, and as at the date of this report still considers them to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out pages 151 to 156 of the annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the executive directors and supervisors has entered into a service contract with the Company, which will expire on 24 May 2012 and is subject to termination by either party giving not less than three months' written notice.

No director or supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION COMMITTEE

The remuneration committee is headed by Mr. Gu Gongyun, and executive director of the Company. The other three members of the remuneration committee are Messrs. Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Zhu Yongguang, all being independent non-executive directors of the Company. The remuneration committee of the Company has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 38(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB36,035,000 (2008: RMB26,065,000).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PENSIONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the following shareholders held 5% or more of the nominal value of any class of share capital of the Company, carrying rights to vote in all circumstances at any shareholders' general meeting of the Company, according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company	A	1,578,500,000 (long)	74.86%	46.36%
JPMorgan Chase & Co.	H	116,731,077 (long)	9.01%	3.43%
	H	6,350,000 (short)	0.49%	0.19%
	H	37,502,714 (pool)	2.89%	1.10%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	H	117,041,570 (long)	9.03%	3.44%
Mondrian Investment Partners Ltd.	H	102,358,000 (long)	7.90%	3.01%
Halbis Capital Management (Hong Kong) Limited	H	90,978,000 (long)	7.02%	2.67%
Morgan Stanley International Incorporated	H	68,047,176 (long)	5.25%	2.00%
	H	499,400 (short)	0.04%	0.01%
Templeton Asset Management Ltd.	H	66,186,000 (long)	5.11%	1.94%
Morgan Stanley Asia Pacific (Holdings) Limited	H	65,992,776 (long)	5.09%	1.94%
	H	424,000 (short)	0.03%	0.01%
Morgan Stanley Asia Regional (Holdings) III LLC	H	65,399,000 (long)	5.05%	1.92%
Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd	H	65,399,000 (long)	5.05%	1.92%
Morgan Stanley Investment Management Company	H	65,399,000 (long)	5.05%	1.92%

Note: A - A shares
H - H shares
Long - represents long position
Short - means short position
Pool - denotes lending pool

Save as disclosed above, as at 31 December 2009, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2009 or during the year, none of the directors or supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, none of the directors, supervisors, chief executive or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or supervisors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2009, none of our Directors had any interest in any business which competes or may compete with the business of our Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2009 are set out in Note 35 to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the transactions are set out in note 38 to the financial statements.

The EGM held on 28th December 2006 has approved the continuing connected transactions for term of three years commenced from 1 January 2007.

The independent non-executive directors of the Company have reviewed the connected transactions and continuing connected transactions set out in note 38 to the financial statements, and have confirmed that, during the year ended 31 December 2009, such transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Each of the independent non-executive directors has further confirmed that, the values of all connected transactions and continuing connected transactions between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors and confirmed that for the year 2009 the Continuing Connected Transactions (i) have received approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the terms of the agreements governing the transactions; (iii) have not exceeded the respective cap amounts for the financial year ended 31st December 2009 as set out in the Announcements and (iv) are in accordance with the pricing policies of the Company.

EMPLOYEES

As at the end of 2009, the Company had approximately 4,038 employees. Adjustment of employee remuneration are calculated in accordance with the Company’s turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results of the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry knowhow and policies and laws. These training maybe in different forms, such as seminars, site visits and study tours.

In 2009, the total staff costs was RMB1,330,349,000 (2008: RMB1,399,125,000)

EMPLOYEE HOUSING

According to the relevant local laws and regulations in the People’s Republic of China (the “PRC”), both the Group and its employees in PRC are required to contribute to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant contributory obligations beyond the contributions to the said fund.

The Company provided staff quarters to selected employees and, according to a housing reform scheme in Shanghai, the PRC, arrangements were made to transfer the staff quarters to employees who agreed to remain in service for the Company for a period of 10 years. As of the date of this report, nearly all of the staff quarters have been transferred to employees on the above basis.

MEDICAL INSURANCE SCHEME

As required by the regulations of the local government in PRC effective from 1 July 2001, the Company participates in a defined contribution medical insurance scheme organized by local social security authorities. Under the scheme, the Company is required to make monthly contributions at the rate of 12% of the total salaries of the employees, after certain adjustments on individual employee's salary in accordance with the applicable regulations, In addition, pursuant to the aforementioned regulations, the contributions are accounted for as staff welfare payables accrued by the Company. The Company has no obligation for the payment of medical benefits beyond such contributions to the registered insurance companies.

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Company are set out in note 34 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER REPORTING PERIOD

Details of a significant post balance sheet event of the Group are set out in note 41 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, in which Mr. Lu Wenbin is the Chairman of the committee. The duties of the audit committee mainly include: the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies.

The Audit Committee has reviewed our Group's financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by our Group.

AUDITORS

UHY VOCATION HK CPA LIMITED retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Li Shaode
Chairman

Shanghai, People's Republic of China
26 March 2010

REPORT OF THE INDEPENDENT BOARD COMMITTEE

Being independent Directors of China Shipping Development Company Limited, in accordance with the provisions and requirements of laws, regulations and rules, including the Company Law, the Guiding Opinion Concerning the Establishment of an Independent Director's System in Listed Companies and the Articles of Association of the Company, we performed our duties independently, diligently and sincerely, safeguarding the legal interests of all its shareholders as a whole according to the laws during our work in 2009. We are now presenting the report of the performance of duties by independent Directors for the year 2009 as follows:

1. OFFICE HOLDING OF INDEPENDENT DIRECTORS

At the Annual General Meeting held on 25 May 2009 by the Company, a re-election of the Board was held, thus giving rise to the sixth Board. In accordance with the Articles and Association of the Company concerning the provision of "the term of independent Directors shall not exceed six years", among the four independent Directors of the last Board, three of them should not be re-elected because of the expiration of their term. Since the date of office holding, all the four new independent Directors of the current Board, namely Zhu Yongguang, Gu Gongyun, Zhang Jun and Lu Wenbin, have been performing their duties earnestly and diligently, in the interests of all its shareholders, strictly in accordance with the relevant laws and regulations.

Currently, the Company has four independent Directors, exceeding one-third of the total number of Directors and in compliance with the minimum number of independent directors required under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Stocks on Stock Exchange of Hong Kong Limited. They are of professional backgrounds and experience in the fields of shipping, law, economics and finance respectively, and they all serve as chairmen or members in the four professional committees of the Board of the Company.

2. ATTENDANCE OF THE BOARD MEETINGS

In 2009, the Company held a total of 18 Board meetings on-site and by way of communication, in which the sixth Board held the tenth meeting in 2009. Being the independent Directors of the new Board, we actively performed our duties, carefully reviewing various kinds of documents submitted by the Company, providing professional and constructive opinions for the Company in its major decisions. We also attended in person all the meetings held on-site or by way of communication for the review and voting of all resolutions, safeguarding the legal interests of the Company and its shareholders as a whole.

3. DAILY WORK

In accordance with relevant requirements, we, the four independent Directors, played an active role in the Company's decision-making. Prior to the Board meetings, we actively understood and acquired information required to make resolutions. We focused on the understanding of the production management and operation of the Company, making good preparations for the Board in important decisions. According to relevant regulations and the Articles of Association of the Company, we expressed our independent opinions concerning relevant matters and pre-approved statements, so as to ensure the scientificity and impartiality of the Company's decisions.

The Board meetings and the Annual General Meeting held in 2009 by the Company were in compliance with the requirements of the law, and relevant procedures were implemented in the decisions of major matters. The resolutions of meetings were therefore legal and valid. The agreements and pricing principals in relation to the connected transactions were in consistent with commercial practice, representing the impartial, fair and just principal. In considering and approving the connected transactions, there were no cases of damage to the interest of the Company and its shareholders found.

4. THE WORK OF THE PROFESSIONAL COMMITTEES OF THE BOARD

1) The Strategy Committee comprises seven executive Directors and two independent Directors, and Mr. Li Shaode, chairman of the Board, is the Chairman of the Strategy Committee. The independent Directors made use of their professional knowledge and working experience, actively offering their advice and suggestions for the steady and healthy long-term development of Company so that they could play their role as a think-tank.

2) The Audit Committee comprises four members, all of whom are independent Directors, and Mr. Lu Wenbin is the Chairman of the Audit Committee. Three meetings were held in 2009, at which the Audit Committee mainly reviewed the Company's 2008 annual report, the accounting policies adopted by the Company, the effectiveness of the internal control system and relevant financial matters, and submitted its opinions for the reference of the Board, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

3) The Remuneration Committee comprises four members, all of whom are independent Directors, and Mr. Gu gongyun is the Chairman of the Remuneration. A meeting was held on 3 March 2009, on which a resolution was reviewed and approved the Company's Assessment Concerning the Emoluments of the Company's Directors, Supervisors and Senior Management in 2008 and the Assessment Concerning the Emoluments in 2009 and Distribution Plan.

4) The Nomination Committee of the Company comprises four independent Directors and two executive Directors, and Mr. Zhu Yongguan is the Chairman of the Nomination Committee.

   In the above four professional committees of the Board of the Company, we could perform, in the capacity of independent Directors, our duties in accordance with the law.

5. SAFEGUARDING THE LEGAL INTERESTS OF THE PUBLIC SHAREHOLDERS

1) Strengthening supervision on information disclosure. In 2009, the Company was able to strictly abide by the requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Rules Governing the Listing of Stocks on Stock Exchange of Hong Kong Limited and the Information Disclosure Management System of the Company, to disclose information in a true, accurate, timely and complete manner, so as to enhance the public investors' recognition of the Company.

2) Assessment on the standards of the internal control of the Company. The Audit Committee of the Board of the Company is responsible for considering the assessment and opinions of the Company's management concerning the effectiveness of the internal control system of the Company, and reporting their review comments to the Board. In our opinion, the internal control system was operated effectively by the Company, as so to enhance the management level of the Company.

6. OTHER WORK DURING THE YEAR

1) No suggestions were raised to hold Board meetings.

2) No external audit organizations or consultation organizations were employed independently;

3) No suggestions were raised to dismiss the accounting firms.

The above is the report mainly on the performance of duties by the independent Directors of the current Board for the year 2009. In 2010, we will take more time and energy to understand the businesses of the Company and study the documents relating to strengthening of supervision on listed companies. We will also continue to comply with the laws and regulations and the provisions and requirements of the Articles of Association of the Company, in the spirit of integrity and diligence, to perform well our duties as independent Directors and play the role of being independent Directors, in order to legally safeguard the legal interests of all shareholders, especially the small and medium shareholders.

In conclusion, we would like to take this opportunity to express our respect and gratitude to the Board, the management and relevant staff of the Company, for their positive and effective cooperation and support in the process of our performing duties.

In the coming year, hopefully the Company will further develop the markets, regulate its operations and continue to develop in a sustained and steady manner, so as to create greater returns for all its shareholders with better results.

Independent Directors:

Zhu Yongguang, Gu Gongyun
Zhang Jun, Lu Wenbin

26 March 2010

1. WORK OF THE SUPERVISORY COMMITTEE

(1) During the Reporting Period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations of the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, general manager and other senior managerial staff.

(2) Members of the Supervisory Committee were present at the 18 meetings of the 2009 Board. The following were presented to the supervisors: the 2008 audited financial report of the Company; the proposed profit distribution plan of the Company for 2008; the 2009 interim financial report of the Company. Through attendance at these meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.

(3) In 2009, the Supervisory committee held eleven meetings. Members of the Supervisory Committee of the Company were present at the 2008 AGM, at which the Supervisory Committee gave an account of the 2008 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2009:

(1) The Company followed legitimate decision-making process and established a comparatively complete internal controlling system. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. In performing their duties, the directors, managers and the senior management of the Company strictly executed the resolutions passed at the annual general meeting and board meetings. As far as the Supervisory Committee is aware, the directors, managers and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties; and

(2) During the reporting period, the Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2009 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2009. The audited financial reports prepared by UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd respectively are objective and fair.

(3) As far as the Supervisory Committee is aware, connected transactions entered into during the reporting period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.

(4) The Company was approved to issue Medium-Term Notes in 2009 with a principal amount of RMB 5 billion in order to settle the amount for building vessels. The Company has issued the first batch of Medium-Term Notes in April 2009 with a principal amount of RMB 3 billion and issued the second batch of Medium-Term Notes in November 2009 with a principal amount of RMB 2 billion. All the money collected from the above Medium-Term Notes has been settled for relevant vessel building.

(5) During the reporting period, according to the requirements in the PRC Company Law and the CSRC and Articles of Association of the Company, the Company made amendments to the implementary detail regulation for the four professional committees of the Board of the Company, which mainly involving the member composition and discussion regulation of the professional committees of the Board. In addition, the Company has further standardized corporate governance and improve internal management system gradually.

(6) The Company's important issues and the big investment projects were in strict compliance with relevant laws and regulations of the PRC, which will help the Company a better future and are in the interest of the shareholders, especially the public shareholders.

By order of the Supervisory Committee

Kou Laiqi
Chairman of the Supervisory Committee

Shanghai, People's Republic of China
26 March 2010

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
(Established in the People's Republic of China as joint stock company with limited liability)

We have audited the consolidated financial statements of China Shipping Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 148, which comprise the consolidated and company statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

UHY VOCATION HK CPA LIMITED
Certified Public Accountants
David Tze Kin Ng, Auditor
Practising Certificate Number P553
Hong Kong, 26 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Continuing operations			
Revenue			
Turnover	4	**8,729,969**	17,214,283
Operating costs		**(7,260,412)**	(11,110,771)
Gross Profit		**1,469,557**	6,103,512
Other income and gains	5	**251,572**	460,900
Marketing expenses		**(38,955)**	(37,907)
Administrative expenses		**(286,756)**	(256,883)
Other expenses		**(44,397)**	(284,429)
Share of profits of jointly-controlled entities		**61,099**	531,566
Finance costs	7	**(69,783)**	(84,074)
PROFIT BEFORE TAX	6	**1,342,337**	6,432,685
Tax	10	**(277,696)**	(1,056,690)
PROFIT FOR THE YEAR		**1,064,641**	5,375,995
Other comprehensive income			
Exchange realignment		**(10,353)**	(244,750)
Net gain / (loss) on cash flow hedges		**7,738**	(22,064)
Other comprehensive losses for the year (net of tax)		**(2,615)**	(266,814)
Total comprehensive income for the year		**1,062,026**	5,109,181
Profit attributable to:			
Equity holders of the parent		**1,064,794**	5,373,010
Non-controlling interests		**(153)**	2,985
		1,064,641	5,375,995
Total comprehensive income attributable to:			
Equity holders of the parent		**1,062,195**	5,105,800
Non-controlling interests		**(169)**	3,381
		1,062,026	5,109,181
Earnings per share			
From continuing operations	13	**31.28 cents**	158.64 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the consolidated financial statements.

The accompanying notes from pages 60 to 148 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)	2007 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**28,648,891**	25,100,467	20,002,439
Investments in jointly-controlled entities	16	**1,614,781**	1,628,682	1,162,971
Available-for-sale investments	17	**4,300**	4,300	4,300
Derivative financial instruments	25	**1,326**	54,273	17,610
Total non-current assets		**30,269,298**	26,787,722	21,187,320
CURRENT ASSETS				
Bunker oil inventories		**349,736**	272,245	285,606
Trade and bills receivables	20	**670,257**	784,542	559,437
Prepayments, deposits and other receivables	21	**362,996**	241,115	250,807
Assets classified as held for sale	18	**55,115**	—	—
Equity investments at fair value through profit or loss		**—**	—	257,400
Cash and cash equivalents	22	**2,222,147**	1,942,970	1,166,873
Total current assets		**3,660,251**	3,240,872	2,520,123
CURRENT LIABILITIES				
Trade and bills payables	23	**1,037,843**	528,827	462,146
Other payables and accruals	24	**839,735**	321,327	478,062
Provisions - current portion	26	**20,000**	—	—
Tax payable	10	**9,745**	63,039	50,514
Current portion of notes, interest-bearing bank and other borrowings	27	**1,322,373**	920,948	721,825
Total current liabilities		**3,229,696**	1,834,141	1,712,547
NET CURRENT ASSETS		**430,555**	1,406,731	807,576
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,699,853**	28,194,453	21,994,896

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)	2007 RMB'000 (Restated)
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	31	**3,404,552**	3,404,552	3,326,000
Reserves	32	**17,649,566**	17,028,102	11,143,005
Proposed final dividend	12	**340,455**	1,021,366	1,702,510
		21,394,573	21,454,020	16,171,515
Non-controlling interests		**243,281**	194,450	98,000
Total equity		**21,637,854**	21,648,470	16,269,515
NON-CURRENT LIABILITIES				
Convertible bonds		**—**	—	1,871,438
Other loan	19	**441,658**	442,067	—
Provisions	26	**81,000**	177,347	54,000
Derivative financial instruments	25	**1,125**	53,697	—
Notes, interest-bearing bank and other borrowings	27	**8,215,534**	5,528,811	3,554,841
Deferred tax liabilities	28	**322,682**	344,061	245,102
Total non-current liabilities		**9,061,999**	6,545,983	5,725,381
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**30,699,853**	28,194,453	21,994,896

Li Shaode
Director

Mao Shijia
Director

The accompanying notes from pages 60 to 148 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus/ distribution deficit RMB'000	Convertible bonds equity reserve RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Dividend RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total equity RMB'000
At 1 January 2008	3,326,000	2,037,884	–	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	1,702,510	16,071,515	98,000	16,169,515
Prior year adjustment															
Adjustment on accounting															
for common control entity (Note 29)	–	–	100,000	–	–	–	–	–	–	–	–	–	100,000	–	100,000
As restated	3,326,000	2,037,884	100,000	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	1,702,510	16,171,515	98,000	16,269,515
Profit for the year	–	–	–	–	–	–	–	–	–	–	5,373,010	–	5,373,010	2,985	5,375,995
Net loss on cash flow hedges	–	–	–	–	–	–	–	(22,064)	–	–	–	–	(22,064)	–	(22,064)
Exchange realignment	–	–	–	–	–	–	–	–	–	(245,146)	–	–	(245,146)	396	(244,750)
Total comprehensive income for the year	–	–	–	–	–	–	–	(22,064)	–	(245,146)	5,373,010	–	5,105,800	3,381	5,109,181
Issue of new shares:															
Convertible bonds equity	78,552	1,909,606	–	(109,177)	–	–	–	–	–	–	–	–	1,878,981	–	1,878,981
Transfer from/(to) reserves	–	–	–	–	–	461,057	–	–	–	–	(461,057)	–	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(1,702,276)	(1,702,276)	–	(1,702,276)
Release on 2007 Proposed final dividend	–	–	–	–	–	–	–	–	–	–	234	(234)	–	–	–
2008 Proposed final dividend	–	–	–	–	–	–	–	–	–	–	(1,021,366)	1,021,366	–	–	–
Contribution from non-controlling															
shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	93,069	93,069
At 31 December 2008 and at 1 January 2009	3,404,552	3,947,490	100,000	–	168,829	2,466,455	93,158	(8,326)	1,019	(455,436)	10,714,913	1,021,366	21,454,020	194,450	21,648,470
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,064,794	–	1,064,794	(153)	1,064,641
Net gain on cash flow hedges	–	–	–	–	–	–	–	32,865	–	–	–	–	32,865	–	32,865
Release to consolidated statement															
of comprehensive income	–	–	–	–	–	–	–	(25,127)	–	–	–	–	(25,127)	–	(25,127)
Exchange realignment	–	–	–	–	–	–	–	–	–	(10,337)	–	–	(10,337)	(16)	(10,353)
Total comprehensive income for the year	–	–	–	–	–	–	–	7,738	–	(10,337)	1,064,794	–	1,062,195	(169)	1,062,026
Deemed distribution	–	(276)	(100,000)	–	–	–	–	–	–	–	–	–	(100,276)	–	(100,276)
Transfer (from)/to reserves	–	–	–	–	–	114,222	–	–	–	–	(114,222)	–	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(1,021,366)	(1,021,366)	–	(1,021,366)
2009 Proposed final dividend	–	–	–	–	–	–	–	–	–	–	(340,455)	340,455	–	–	–
Contribution from non-controlling	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	49,000	49,000
At 31 December 2009	3,404,552	3,947,214	–	–	168,829	2,580,677	93,158	(588)	1,019	(465,773)	11,325,030	340,455	21,394,573	243,281	21,637,854

The accompanying notes from pages 60 to 148 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Net cash inflow from operating activities	33	**1,908,308**	6,047,060
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**30,429**	25,617
Payments for construction in progress		**(3,739,485)**	(6,882,893)
Purchases of property, plant and equipment		**(4,674)**	(6,264)
Proceeds from disposal of property, plant and equipment		**205,379**	573,506
Dividends received from jointly-controlled entities		**150,000**	149,855
Dividends received from available-for-sale investments		**1,319**	932
Dividends received from equity investments at fair value through profit or loss		**—**	1,420
Investments in jointly-controlled entities increased		**(75,000)**	(84,000)
Proceeds from disposal of equity investments at fair value through profit or loss		**—**	88,131
Acquisition of subsidiary under common control		**(100,276)**	—
Net cash outflow used in investing activities		**(3,532,308)**	(6,133,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(246,303)**	(296,911)
Dividend paid		**(1,021,366)**	(1,702,276)
Proceeds from issue of medium-term notes		**5,000,000**	—
Payments for redemption of convertible bonds		**—**	(11,827)
Proceeds from termination of cross currency swaps		**60,441**	—
Payments for termination of interest rate swaps		**(34,011)**	—
New bank loans		**6,025,904**	4,332,452
Repayment of bank loans		**(7,920,648)**	(1,978,013)
Loan from minority shareholder of subsidiary		**—**	455,726
Contribution from minority shareholders of subsidiaries		**49,000**	94,846
Net cash inflow from financing activities		**1,913,017**	893,997

CONSOLIDATED STATEMENT OF CASH FLOWS(Continued)

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**289,017**	807,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,942,970**	1,166,873
Effect of foreign exchange rate changes, net	**(9,840)**	(31,264)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,222,147**	1,942,970
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,222,147**	1,942,970

The accompanying notes from pages 60 to 148 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**18,615,832**	16,921,010
Investments in jointly-controlled entities	16	**1,202,839**	1,127,839
Interests in subsidiaries	15	**283,438**	133,959
Available-for-sale investments	17	**4,300**	4,300
Long term receivable	30	**459,674**	460,105
Total non-current assets		**20,566,083**	18,647,213
CURRENT ASSETS			
Bunker oil inventories		**262,858**	245,192
Trade and bills receivables	20	**552,018**	674,426
Prepayments, deposits and other receivables	21	**3,543,606**	2,849,877
Cash and cash equivalents	22	**1,534,421**	1,335,865
Total current assets		**5,892,903**	5,105,360
CURRENT LIABILITIES			
Trade and bills payables	23	**933,225**	504,982
Other payables and accruals	24	**343,401**	215,208
Provisions - current portion	26	**20,000**	—
Tax payable		**10,028**	61,628
Current portion of notes, interest-bearing bank and other borrowings	27	**541,410**	778,422
Total current liabilities		**1,848,064**	1,560,240
NET CURRENT ASSETS		**4,044,839**	3,545,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,610,922**	22,192,333

	Note	2009 RMB'000	2008 RMB'000 (Restated)
EQUITY			
Issued capital	31	**3,404,552**	3,404,552
Reserves	32	**15,798,597**	14,909,725
Proposed final dividend	12	**340,455**	1,021,366
Total equity		**19,543,604**	19,335,643
NON-CURRENT LIABILITIES			
Provision	26	**81,000**	109,000
Notes, interest-bearing bank and other borrowings	27	**4,986,318**	2,747,690
Total non-current liabilities		**5,067,318**	2,856,690
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**24,610,922**	22,192,333

Li Shaode
Director

Mao Shijia
Director

The accompanying notes from pages 60 to 148 form an integral part of the financial statements.

1. CORPORATE INFORMATION

China Shipping Development Company Limited (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office of the Company is located at 168 Yuan Shen Road, Shanghai, the PRC. During the year, the Company and its subsidiaries (the “Group”) were involved in the following principal activities:

a) investment holding; and/or

b) oil and cargo shipment along the PRC coast and international shipment; and/or

c) vessel chartering.

In the opinion of the directors, the Company’s ultimate holding company is China Shipping (Group) Company (“China Shipping”), a state-owned enterprise established in the PRC.

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

On 30 April 2009, the Group acquired from China Shipping, and its wholly-owned subsidiaries, Shanghai Shipping, Guangzhou Maritime Transport and Dalian Shipping the entire equity interests in China Shipping Group Liquefied Natural Gas Investment Co., Limited (“China Shipping Gas”).

The aforesaid transaction is regarded as business combinations under common control (note 2.2, 2.3 and 29). Details of the relevant statements of adjustments for the common control combinations on the Group’s financial position as at 31 December 2009 and 2008 and the Group’s results for the years then ended are set out in note 29.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 26 March 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guildeline 5 "Merger Accounting for Common Control Combination". All significant intercompany transactions and balances within the Group are eliminated on consolidation. The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which have been measured at fair value.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group, and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.3 Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group using the purchase method of accounting. They are de-consolidated from the date that control ceases.

Purchase method of accounting

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to equity holders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity jointly.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

Results of subsidiaries are accounted for in accordance with the policy as disclosed in note 2.3.

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Interests in jointly-controlled entities and associates are accounted for in the consolidated financial statements under the equity method and are stated at cost plus the Group's share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit-sharing ratios.

Results of equity investments as described in (d) are accounted for by the Group to the extent of dividends received and receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the statement of financial position reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

2.6 Related parties

A party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the periods of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	5 - 10 years
Vessels	17 - 22 years (Note)
Machinery and equipment	5 years
Motor vehicles	5 - 10 years
Buildings	10 - 50 years

Note: Second-hand vessels are depreciated over its estimated remaining useful life.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each consolidated statement of financial position reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the periods of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leasehold land and land use rights

Leasehold land and land use rights represent prepaid operating lease payments for land less accumulated amortization and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

2.9 Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each statement of financial position reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements. In which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivates are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the statement of financial position reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment, or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the statement of financial position reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis, and other valuation models.

2.12 Impairment of financial assets

The Group assesses at each statement of comprehensive income reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original transaction. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Impairment losses on equity investments classified as available for sale are not reversed through the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.14 Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method, except when the effect of discounting would be insignificant in which case, they are carried at cost.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

2.15 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as convertible bonds equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bonds.

When the bonds are converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

2.17 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as cross currency swap agreements and interest rate swap agreements to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the statement of comprehensive income.

The fair value of cross currency swap agreements is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap agreements is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Derivative financial instruments and hedging (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item of transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects the statement of comprehensive income, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) from shipping operations, on the percentage of completion basis;

(b) rental income arising from assets leased out under operating leases are recognised on a straight-line basis over the period of each lease;

(c) from vessel management, in the period in which the vessels are managed in accordance with the respective agreement;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(f) dividend income, when the shareholders' right to receive payment has been established;

(g) other service income is recognised when the services are rendered.

2.19 Bunker oil inventories and ship stores and spare parts

Bunker oil inventories are stated at cost less any impairment losses considered necessary by the directors. Cost is determined on the weighted average cost method basis.

Ship stores and spare parts are charged as operating expenses when purchased.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

(c) Translation for foreign operations

For the foreign operations, the Company translated all items into reporting currency - RMB. All the assets and liabilities accounts at the statement of financial position reporting date are translated into RMB at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profits" are translated into RMB at the exchange rate on the date of occurrence. Income and expenses for each statement of comprehensive income are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as a separate item behind "undistributed profits". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

2.23 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

2.25 Government subsidy

Subsidy from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Subsidy relating to income are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

2.26 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 Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises 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 Consolidated Financial Statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.27 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economics environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Accounting estimates and judgements

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimates is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation of vessels

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at each statement of financial position reproting date. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations and scrap value of vessels in future. The carrying amount of the Group's vessels as at 31 December 2009 was RMB18,484,316,000 (2008: RMB13,612,102,000).

Estimated impairment of oil vessels and dry bulk vessels

The Group's major operating assets represent oil vessels and dry bulk vessels. Management performs review for impairment of the oil vessels and dry bulk vessels whenever events or changes in circumstances indicate that the carrying amounts of the oil vessels and dry bulk vessels may not be recoverable.

The recoverable amounts of oil vessels and dry bulk vessels have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the consolidated statement of financial position date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of oil vessels and dry bulk vessels (including the amount to be received for the disposal of oil vessels and dry bulk vessels) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was no impairment loss for container vessels, dry bulk vessels and containers recognised during the year. (2008: RMB108,546,000)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Accounting estimates and judgements (Continued)

Estimated net realizable value of inventories

The Group makes provision for slow-moving or obsolete inventories based on an assessment of the net realizable value of the inventories. Provisions are applied to the inventories where events or changes in circumstances indicate that net realizable value is less than cost. The determination of net realizable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on carrying value of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

Estimated provision for impairment of trade, prepayments, deposits and trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade, prepayments, deposits and trade and other receivables. Provisions are applied to trade, prepayments, deposits and trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Valuation of convertible bonds

On initial recognition date, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 30.

Provision for losses incurred in accidents

Provision for losses incurred in accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation and the recoverability of losses from insurance companies, which requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying value of the provisions and losses incurred in accidents/write-back in the period in which such estimate has been changed.

Acquisition of a business and additional interest in an associate

The initial accounting on the acquisition of a business and additional interest in an associate involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of property, plant and equipment, leasehold land and land use rights and intangible assets are determined by reference to market prices or by using financial models. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Accounting estimates and judgements (Continued)

Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remains incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period.

Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

2.29 Assets held for sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.30 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the consolidated statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Housing funds

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

Retirement benefit costs

For employees in the Mainland China, the Group contributes to a defined contribution retirement scheme managed by the local municipal government in Mainland China. The local municipal government in the Mainland China undertakes to assume the retirement benefit obligations payable to the qualified employees in Mainland China for post-retirement benefits beyond the contributions made. The Group's contributions to the retirement scheme are expensed as incurred.

For Hong Kong employees, the Group contributes to Mandatory Provident Fund ("MPF") scheme in accordance with Hong Kong Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF scheme by the Group and employees are calculated as a percentage of employees' remuneration received. The Group's contributions to MPF scheme are expensed as incurred. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

Enterprise annuity

The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be 5 times more than the staff average. The Group's contributions to the enterprise annuity scheme are expensed as incurred.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred. The liabilities recognised in the statement of financial position is the present value of the obligation of the one-off housing subsidies at the statement of financial position date and the past-service costs are recognised immediately in statement of comprehensive income.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN ACCOUNTING POLICIES

3.1 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements, the adoption of these new and revised standards and interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives and Financial Instrument: Recognition and Measurement
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 Impact of HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Presentation - Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirment[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HK-Int 4 (Amendment)	Determination of Length of Lease Term in respect of Hong Kong Land Leases[3]

In May 2009, the HKICPA issued Improvements to HKFRSs* which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

1 Effective for annual periods beginning on or after July 1, 2009
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate
3 Effective for annual periods beginning on or after January 1, 2010
4 Effective for annual periods beginning on or after February 1, 2010
5 Effective for annual periods beginning on or after July 1, 2010
6 Effective for annual periods beginning on or after January 1, 2011
7 Effective for annual periods beginning on or after January 1, 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

4. REVENUE AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

(i) oil shipment;

(ii) dry bulk shipment;

— coal shipment

— other dry bulk shipment

(iii) rental income from vessel chartering

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

There is seasonality for the Group's turnover but the effect is small. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year is set out as follows:

	2009		2008	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000 (Restated)	Contribution RMB'000 (Restated)
By principal activity :				
Oil shipment	**4,913,520**	**987,568**	5,994,525	1,795,648
Dry bulk shipment				
– Coal shipment	**2,765,739**	**500,196**	6,872,280	3,436,601
– Other dry bulk shipment	**854,432**	**(16,142)**	2,487,621	970,955
Rental income from vessels chartering	**196,278**	**(2,065)**	1,859,857	(99,692)
	8,729,969	**1,469,557**	17,214,283	6,103,512
Other income and gains		**251,572**		460,900
Marketing expenses		**(38,955)**		(37,907)
Administrative expenses		**(286,756)**		(256,883)
Other expenses		**(44,397)**		(284,429)
Share of profits of jointly-controlled entities		**61,099**		531,566
Finance costs		**(69,783)**		(84,074)
Profit before tax		**1,342,337**		6,432,685
Total segment assets				
Oil shipment		**18,747,527**		15,604,206
Dry bulk shipment		**12,827,768**		12,054,454
Unallocated corporate assets		**2,354,254**		2,369,934
		33,929,549		30,028,594
Total segment liabilities				
Oil shipment		**8,140,444**		4,248,368
Dry bulk shipment		**3,813,646**		3,791,674
Unallocated corporate liabilities		**337,605**		340,082
		12,291,695		8,380,124

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

The Group determines its operating segments based on the reports reviewed by the Chief operating decision-makers that are used to make strategic decisions.

The net book values of oil vessels and dry bulk vessels at 31 December 2009 amounted to RMB13,168,917,000 and RMB5,315,399,000 respectively.

Geographical segments

	2009		2008	
	Turnover	**Contribution**	Turnover	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
			(Restated)	(Restated)
By geographical area :				
Domestic	**5,282,014**	**1,434,987**	9,417,115	4,211,445
International	**3,447,955**	**34,570**	7,797,168	1,892,067
	8,729,969	**1,469,557**	17,214,283	6,103,512
Other income and gains		**251,572**		460,900
Marketing expenses		**(38,955)**		(37,907)
Administrative expenses		**(286,756)**		(256,883)
Other expenses		**(44,397)**		(284,429)
Share of profits of jointly-controlled entities		**61,099**		531,566
Finance costs		**(69,783)**		(84,074)
Profit before tax		**1,342,337**		6,432,685
Turnover				
Total segment turnover		**8,729,969**		17,214,283
Less: inter-company transactions		**—**		—
Total consolidated turnover		**8,729,969**		17,214,283

The principal assets employed by the Group are located in the PRC, and accordingly, no segment analysis of assets and expenditure has been prepared for the year.

5. OTHER INCOME AND GAINS

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Other income		
Interest income	**30,429**	25,617
Government subsidy (Note)	**33,377**	25,000
Others	**4,561**	16,401
	68,367	67,018
Gains		
Gain on disposal of property, plant and equipment, net	**125,311**	385,334
Exchange losses, net	**(5,096)**	(2,121)
Dividends receive from equity investment	**1,319**	—
Gains on termination of cross currency swaps	**60,441**	—
Others	**1,230**	10,669
	183,205	393,882
Other income and gains	**251,572**	460,900

Note: During the year, the Group, received government subsidy for business development purpose. There were no unfulfilled conditions or contingencies relating to these subsidy.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**3,269,953**	4,704,521
Others (Including vessel depreciation and crew expenses)	**3,990,459**	6,406,250
Depreciation	**1,071,585**	1,039,505
Operating lease rentals:		
Land and buildings	**37,575**	26,236
Vessels	**418,276**	2,690,387
Total operating lease rentals	**455,851**	2,716,623
Auditors' remuneration	**2,980**	2,800
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries, crew expenses and related expenses	**1,198,250**	1,299,082
Pension scheme contributions	**132,099**	100,043
Total staff costs	**1,330,349**	1,399,125
Gain on disposal of property, plant and equipment, net	**(125,311)**	(385,334)
Provision/(reversal of provision) for bad and doubtful debts	**207**	(8,161)
Impairment loss on property, plant and equipment	**—**	108,546
Loss on disposal of equity investments at fair value through profit or loss	**—**	169,269
Gains on termination of cross currency swaps	**(60,441)**	—
Losses on termination of interest rate swaps	**34,011**	—
Dry-docking and repairs	**487,851**	534,599
Government subsidy	**(33,377)**	(25,000)

7. FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Total finance costs		
Interest expenses on :		
– Convertible bonds	**—**	19,739
– Bank loans		
Interest on bank loans, overdraft or loan from capital market wholly repayable or by installment within five years	**116,028**	171,342
Interest on bank loans, overdraft or loan from capital market not required wholly repayable or by installment within five years	**49,927**	113,625
– Notes	**56,553**	—
Hedge loan interest	**17,545**	4,482
Other loan or borrowings costs and charges	**6,251**	—
	246,304	309,188
Less: Interest capitalised	**(176,521)**	(225,114)
Finance costs	**69,783**	84,074

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Directors		Supervisors	
	2009 RMB'000	2008 RMB'000 (Restated)	**2009 RMB'000**	2008 RMB'000 (Restated)
Fees	**320**	360	**—**	—
Salaries, allowances and benefits in kind	**1,309**	1,732	**1,022**	1,053
Pension scheme costs	**54**	44	**50**	44
Total	**1,683**	2,136	**1,072**	1,097

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Mr. Zhou Zhanqun	**33**	80
Mr. Hu Honggao	**33**	80
Mr. Xie Rong	**33**	80
Mr. Zhu Yongguang	**80**	80
Mr. Ma Xun	**—**	40
Mr. Lu Wenbin	**47**	—
Mr. Gu Gongyun	**47**	—
Mr. Zhang Jun	**47**	—
	320	360

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2009	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Li Shaode	—	—	—	—
Mr. Ma Zehua	—	—	—	—
Mr. Lin Jianqing	—	—	—	—
Mr. Wang Daxiong	—	—	—	—
Mr. Zhang Guofa	—	—	—	—
Mr. Mao Shijia	—	760	25	785
Mr. Wang Kunhe	—	82	4	86
Mr. Qiu Guoxuan	—	467	25	492
	—	1,309	54	1,363
Supervisors:				
Mr. Kou Laiqi	—	—	—	—
Mr. Yan Zhichong	—	—	—	—
Mr. Xu Hui	—	—	—	—
Mr. Yu Shicheng	—	80	—	80
Mr. Luo Yuming	—	483	25	508
Ms. Chen Xiuling	—	459	25	484
	—	1,022	50	1,072

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year. No directors of the Company waived or agreed to waive any emoluments during the year.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

2008	Fees RMB'000 (Restated)	Salaries, allowance and benefits in kind RMB'000 (Restated)	Pension scheme contributions RMB'000 (Restated)	Total remuneration RMB'000 (Restated)
Executive directors:				
Mr. Li Shaode	—	—	—	—
Mr. Ma Zehua	—	—	—	—
Mr. Lin Jianqing	—	—	—	—
Mr. Wang Daxiong	—	—	—	—
Mr. Zhang Guofa	—	—	—	—
Mr. Mao Shijia	—	928	22	950
Mr. Wang Kunhe	—	804	22	826
	—	1,732	44	1,776
Supervisors:				
Mr. Kou Laiqi	—	—	—	—
Mr. Yan Zhichong	—	—	—	—
Mr. Xu Hui	—	—	—	—
Mr. Yu Shicheng	—	80	—	80
Mr. Luo Yuming	—	527	22	549
Ms. Chen Xiuling	—	446	22	468
	—	1,053	44	1,097

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join an upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one (2008: two) director or supervisor, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2008: three) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Salaries, allowances and benefits in kind	**3,547**	2,540
Pension scheme contributions	**126**	66
	3,673	2,606

The number of non-director, non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2009	2008
		(Restated)
Nil to HKD1,000,000	**4**	3

10. TAX

(i) Hong Kong Profits Tax

On 26 June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong profits tax was not provided for in the financial statements as the Group did not have any assessable profits arising in Hong Kong during the year ended 31 December 2009.

10. TAX (Continued)

(ii) PRC Corporate Income Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The Company is entitled to a preferential income tax rate of 18%-24% effective from 1 January 2008. The existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. Accordingly, the People's Republic of China ("PRC") corporate income tax of the Company has been provided at the rate of 20% (2008:18%) on the estimated assessable profits for the year.

Non-resident enterprises without an establishment or a place of business in the PRC or which have an establishment or a place of business in the PRC but which relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group.

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Group :		
Current - Hong Kong	**—**	—
Current - PRC		
Charge for the year	**259,933**	935,635
Under provision in prior years	**30,187**	27,969
Deferred tax (note 28)	**(12,424)**	93,086
Total tax charge for the year	**277,696**	1,056,690

	Company	
	2009	2008
	RMB'000	RMB'000
Company :		
Tax	**289,412**	962,183
Deferred tax (note 28)	**—**	(45,800)
Total tax charge for the year	**289,412**	916,383

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB14,189,000 (2008: RMB117,177,000).

10. TAX (Continued)

(ii) PRC Corporate Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	2009 RMB'000	%	2008 RMB'000 (Restated)	%
Profit before tax	**1,342,337**		6,432,685	
Tax at the statutory tax rate	**268,468**	**20.0**	1,157,883	18.0
Higher/(Lower) tax rate for specific provinces	**6,981**	**0.5**	(12,231)	(0.2)
Adjustments in respect of current tax of previous periods	**30,187**	**2.2**	27,969	0.4
Expenses not deductible for tax	**6,556**	**0.5**	6,084	0.1
Income not subject to tax	**(34,496)**	**(2.6)**	(123,015)	(1.9)
Tax charge at the Group's effective rate	**277,696**	**20.6**	1,056,690	16.4

Tax payable in the consolidated statement of financial position represented by:

	2009 RMB'000	2008 RMB'000 (Restated)
Income tax payable at the beginning of the year	**63,039**	50,514
Provision for Corporate income tax during the year	**259,933**	935,635
Increase of provision tax of previous year	**30,187**	27,969
Income tax paid	**(343,414)**	(951,079)
Income tax payable at the end of the year	**9,745**	63,039

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2009 includes a profit of RMB1,231,123,000 (2008: RMB4,228,863,000) which has been dealt within the financial statements of the Company (note 32).

12. DIVIDEND

The dividend paid in 2009 was RMB1,021,366,000 (representing 2008 final dividend of RMB0.30 per share).

	2009	2008
	RMB'000	RMB'000
		(Restated)
Proposed final: RMB 0.10 (2008: RMB 0.30) per ordinary share	**340,455**	1,021,366

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	**1,064,794**	5,373,010
Weighted average number of ordinary shares in issue (thousands)	**3,404,552**	3,386,989
Basic earnings per share (RMB cents per share)	**31.28**	158.64

Diluted earnings per share is the same as the basic earnings per share, as the Company does not have any potential dilutive ordinary shares during the year ended 31 December 2009 (2008: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2009 (Restated)	34,103	20,871,804	63,661	15,371	8,404	11,436,372	32,429,715
Transfers	74,413	6,234,268	10,159	—	—	(6,318,840)	—
Additions	18	4	4,078	574	—	4,982,753	4,987,427
Disposals	—	(1,531,883)	(1,071)	(1,380)	—	—	(1,534,334)
Reclassified as held for sale	—	(84,586)	—	—	—	—	(84,586)
Exchange realignment	—	(8,165)	(1)	—	—	(7,299)	(15,465)
At 31 December 2009	108,534	25,481,442	76,826	14,565	8,404	10,092,986	35,782,757
Accumulated depreciation							
At 1 January 2009 (Restated)	6,926	7,151,156	50,698	8,637	3,285	—	7,220,702
Charge for the year	6,726	1,057,178	5,862	1,457	362	—	1,071,585
Disposals	—	(1,160,711)	(1,007)	(1,320)	—	—	(1,163,038)
Eliminated on reclassification as held for sale	—	(29,471)	—	—	—	—	(29,471)
Exchange realignment	—	(1,849)	(1)	—	—	—	(1,850)
At 31 December 2009	13,652	7,016,303	55,552	8,774	3,647	—	7,097,928
Impairment losses							
At 31 December 2009	—	35,938	—	—	—	—	35,938
At 31 December 2008 (Restated)	—	108,546	—	—	—	—	108,546
Accumulated depreciation and Impairment losses							
At 31 December 2009	13,652	7,052,241	55,552	8,774	3,647	—	7,133,866
At 31 December 2008 (Restated)	6,926	7,259,702	50,698	8,637	3,285	—	7,329,248
Net carrying amount							
At 31 December 2009	94,882	18,429,201	21,274	5,791	4,757	10,092,986	28,648,891
At 31 December 2008 (Restated)	27,177	13,612,102	12,963	6,734	5,119	11,436,372	25,100,467

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						
	Leasehold improvements RMB'000 (Restated)	Vessels RMB'000 (Restated)	Machinery and equipment RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Buildings RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
Cost or valuation							
At 1 January 2008	55,911	22,183,554	46,638	15,893	16,419	5,744,416	28,062,831
Transfers	—	1,712,078	—	—	—	(1,712,078)	—
Additions	21,019	2,741	14,375	1,259	—	7,677,560	7,716,954
Disposals	(42,827)	(2,880,663)	(1,005)	(1,781)	—	(17,692)	(2,943,968)
Exchange realignment	—	(145,906)	3,653	—	(8,015)	(255,834)	(406,102)
At 31 December 2008	34,103	20,871,804	63,661	15,371	8,404	11,436,372	32,429,715
Accumulated depreciation							
At 1 January 2008	28,974	7,971,415	41,750	7,500	9,817	—	8,059,456
Charge for the year	5,200	1,024,726	7,831	1,386	362	—	1,039,505
Disposals	(27,248)	(1,821,913)	(1,412)	(249)	—	—	(1,850,822)
Exchange realignment	—	(23,072)	2,529	—	(6,894)	—	(27,437)
At 31 December 2008	6,926	7,151,156	50,698	8,637	3,285	—	7,220,702
Impairment losses							
At 31 December 2008	—	108,546	—	—	—	—	108,546
At 31 December 2007	—	—	—	936	—	—	936
Accumulated depreciation and Impairment losses							
At 31 December 2008	6,926	7,259,702	50,698	8,637	3,285	—	7,329,248
At 31 December 2007	28,974	7,971,415	41,750	8,436	9,817	—	8,060,392
Net carrying amount							
At 31 December 2008	27,177	13,612,102	12,963	6,734	5,119	11,436,372	25,100,467
At 31 December 2007	26,937	14,212,139	4,888	7,457	6,602	5,744,416	20,002,439

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2009	21,019	17,731,379	62,905	14,433	8,404	5,206,793	23,044,933
Transfers	74,413	1,650,532	10,159	—	—	(1,735,104)	—
Additions	18	4	3,445	—	—	2,827,002	2,830,469
Disposals	—	(1,546,114)	(1,049)	(1,381)	—	—	(1,548,544)
Exchange realignment	—	—	—	—	—	—	—
At 31 December 2009	95,450	17,835,801	75,460	13,052	8,404	6,298,691	24,326,858
Accumulated depreciation							
At 1 January 2009	3,741	5,950,037	50,079	8,235	3,285	—	6,015,377
Charge for the year	4,290	843,968	5,723	1,281	362	—	855,624
Disposals	—	(1,157,648)	(1,007)	(1,320)	—	—	(1,159,975)
Exchange realignment	—	—	—	—	—	—	—
At 31 December 2009	8,031	5,636,357	54,795	8,196	3,647	—	5,711,026
Impairment losses							
At 31 December 2009	—	—	—	—	—	—	—
At 31 December 2008	—	108,546	—	—	—	—	108,546
Accumulated depreciation and impairment losses							
At 31 December 2009	8,031	5,636,357	54,795	8,196	3,647	—	5,711,026
At 31 December 2008	3,741	6,058,583	50,079	8,235	3,285	—	6,123,923
Net carrying amount							
At 31 December 2009	87,419	12,199,444	20,665	4,856	4,757	6,298,691	18,615,832
At 31 December 2008	17,278	11,672,796	12,826	6,198	5,119	5,206,793	16,921,010

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company						
	Leasehold Improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor Vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2008	—	18,288,405	49,549	15,477	6,395	2,378,817	20,738,643
Transfers	—	1,379,748	—	—	—	(1,379,748)	—
Additions	21,019	2,359	14,037	670	—	4,225,416	4,263,501
Disposals	—	(1,939,133)	(734)	(1,714)	—	(17,692)	(1,959,273)
Exchange realignment	—	—	53	—	2,009	—	2,062
At 31 December 2008	21,019	17,731,379	62,905	14,433	8,404	5,206,793	23,044,933
Accumulated depreciation							
At 1 January 2008	—	6,677,129	43,055	8,527	1,358	—	6,730,069
Charge for the year	3,741	888,439	7,505	1,085	362	—	901,132
Disposals	—	(1,615,531)	(568)	(249)	—	—	(1,616,348)
Exchange realignment	—	—	87	(1,128)	1,565	—	524
At 31 December 2008	3,741	5,950,037	50,079	8,235	3,285	—	6,015,377
Impairment losses							
At 31 December 2008	—	108,546	—	—	—	—	108,546
At 31 December 2007	—	—	—	936	—	—	936
Accumulated depreciation and impairment losses							
At 31 December 2008	3,741	6,058,583	50,079	8,235	3,285	—	6,123,923
At 31 December 2007	—	6,677,129	43,055	9,463	1,358	—	6,731,005
Net carrying amount							
At 31 December 2008	17,278	11,672,796	12,826	6,198	5,119	5,206,793	16,921,010
At 31 December 2007	—	11,611,276	6,494	6,014	5,037	2,378,817	14,007,638

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain of the Group's and the Company's property, plant and equipment are leased to other parties under operating leases. Further details of the assets under operating lease arrangements are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Vessels				
Cost at 31 December	**1,582,714**	1,070,645	**1,091,828**	756,744
Accumulated depreciation				
at 31 December	**631,686**	319,712	**434,252**	245,316

Further details of the operating leases are included in note 36(a) to the financial statements.

Certain of the Group's vessels existing as at 31 August 1994 were revalued at that date by Colliers Jardine Appraisals Limited, independent professionally qualified valuers, on an open market existing use basis. Since then, no further revaluation of the Group's vessels has been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out revaluations on a regular basis of its vessels which were stated at valuation at that time. Had these vessels been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately RMB574,566,000 (2008: RMB655,915,000).

At 31 December 2009, certain of the Groups' vessels and vessels under construction with a net carrying amount of approximately RMB5,953,403,000(2008: RMB3,948,717,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**283,438**	133,959

Name	Place of incorporation and operations / legal status	Nominal value of issued / registered capital	Class of shares in issue	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong Limited liability company	USD500,000	Ordinary	100%	—	Investment holding
China Shipping Group Liquefied Natural Gas Investment Co., Limited	PRC Limited liability company	RMB100,000,000	Ordinary	100%	—	Investment holding
Shanghai Yinhua Shipping Co., Limited	PRC Limited liability company	RMB200,000,000	Ordinary	51%	—	Provision of shipping services
Hong Kong Hai Bao Shipping Co., Limited	Hong Kong Limited liability company	USD8,000,000	Ordinary	51%	—	Investment holding
Guangzhou Jinghai Shipping Co., Limited	PRC Limited liability company	RMB100,000,000	Ordinary	51%	—	Provision of shipping services

On 30 April 2009, the Company acquired 100% equity interest of China Shipping Group Liquefied Natural Gas Investment Co., Limited ("China Shipping Gas"), from China Shipping, and its wholly-owned subsidiaries, Shanghai Shipping, Guangzhou Maritime Transport and Dalian Shipping. Details are included in the note 29 to the financial statements.

In 2009, the Company formed a shipping company, Guangzhou Jinghai Shipping Co., Limited, with registered capital RMB100,000,000 by the Company and Beijing Shougang Investment Management Limited and China Shougang International Trade & Engineering Corp. (CSITEC), a wholly-owned subsidiary of Shougang Group. The Company acquired for 51% equity holding of the shipping company by contributing RMB51,000,000 (in the form of two 10,000 to 15,000 tons vessels to the company with references to the valuation cash was delivered to the company for the difference between RMB51,000,000 and the valuation of the two vessels).

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Equity method	**1,614,781**	1,628,682

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**1,202,839**	1,127,839

As at 31 December 2009, particulars of the jointly-controlled entities are as follows:

Name	**Nominal value of issued / registered capital**	**Place of incorporation and operations / legal status**	**Percentage of ownership interest, voting power and profit sharing attributable to the Group**	**Principal activities**
			Directly held by the Company	
Shanghai Friendship Marine Co., Limited	Registered Capital of RMB1 each (RMB50,000,000)	PRC Limited liability company	50%	Provision of shipping services
Zhuhai New Century Marine Co., Limited	Registered Capital of RMB1 each (RMB682,000,000)	PRC Limited liability company	50%	Provision of shipping services
Shanghai Times Shipping Co., Limited	Registered Capital of RMB1 each (RMB1,200,000,000)	PRC Limited liability company	50%	Provision of shipping services
China Shipping Finance Co., Limited	Registered Capital of RMB1 each (RMB300,000,000)	PRC Limited liability company	25%	Financial services

The financial statements of the above jointly-controlled entities are coterminous with those of the Group. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

16. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (Continued)

There are no contingent liabilities relating to the Group and the Company's investments in jointly controlled entities, and no contingent liabilities of the ventures themselves.

The Group's share of the results of its jointly controlled entities, all of which are unlisted, and their aggregated assets and liabilities are as follows:

	Total Assets RMB'000	Total Liabilities RMB'000	Revenues RMB'000	Profit for the year RMB'000
2009	**2,956,808**	**1,395,976**	**796,998**	**61,099**
2008	2,689,985	1,034,046	1,580,706	531,566

17. AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2009, the Group has not provide impairments on available-for-sale financial assets (2008: Nil).

	Group and Company	
	2009 RMB'000	2008 RMB'000 (Restated)
Unlisted equity investments, at cost	**4,300**	4,300

During the year, the gain on the equity investment of the Group's available-for-sale investments, net of tax, recognised in equity amounted to Nil (2008: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2009, unlisted equity investments with a carrying amount of RMB4,300,000 (2008: RMB4,300,000) were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably.

Available-for-sale financial assets are denominated in the following currencies:

	Group and Company	
	2009 RMB'000	2008 RMB'000 (Restated)
Renminbi (RMB)	**4,300**	4,300

18. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Dry bulk vessels (note)	**55,115**	—

Note:

At the board meeting held on17 November 2009, the Company passed the resolution regarding the intention to dispose certain of dry bulk vessels. In February 2010, sales agreements were signed between the buyers for 2 of the vessels and the considerations are determined by reference to the valuation report by independent valuer. The management estimates the transactions will be completed in 2010. As a results, the vessels were classified as held for sale as at 31 December 2009.

19. OTHER LOAN

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Baosteel Resources Co., Ltd.	**441,658**	442,067

According to the contract signed between Hong Kong Hai Bao Shipping Co., Limited and its non-controlling shareholder, Baosteel Resources Co., Ltd. USD64,680,000 was granted to Hong Kong Hai Bao Shipping Co., Limited by their shareholding percentage. The loan is mainly used to finance the vessels in construction designated on a ten-year period since the date of actual repayment.

The loan is unsecured and non-interest-bearing before the date of transferring the vessels.

20. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade and bills receivables	**670,464**	784,542	**552,018**	674,426
Provision for doubtful debts	**(207)**	—	**—**	—
Trade and bills receivables, net	**670,257**	784,542	**552,018**	674,426

The carrying amounts of trade and bills receivables approximate their fair values.

20. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade and bills receivables of the Group and the Company as at the statement of financial position reporting date, based on the invoice date, is as follows:

	Group			
	2009		2008	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
			(Restated)	(Restated)
1 - 3 months	**649,721**	**97**	716,890	92
4 - 6 months	**12,949**	**2**	63,548	8
7 - 9 months	**984**	**—**	1,557	—
10 - 12 months	**—**	**—**	2,547	—
1 - 2 years	**6,810**	**1**	—	—
	670,464	**100**	784,542	100
Provision for doubtful debts	**(207)**		—	
Trade and bills receivables, net	**670,257**		784,542	

	Company			
	2009		2008	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**538,467**	**98**	612,413	91
4 - 6 months	**12,594**	**2**	61,695	9
7 - 9 months	**957**	**—**	318	—
10 - 12 months	**—**	**—**	—	—
1 - 2 years	**—**	**—**	—	—
	552,018	**100**	674,426	100
Provision for doubtful debts	**—**		—	
Trade and bills receivables, net	**552,018**		674,426	

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

20. TRADE AND BILLS RECEIVABLES (Continued)

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history of those receivables of the Group which are past due but not impaired for the year, the directors of the Company consider that no allowance is required.

Included in trade receivables are debtors with carrying amounts of approximately RMB20,743,000 (2008:RMB67,652,000) which are past due as at the reporting date for which the Group had not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. Included in RMB20,743,000 is an amount of approximately RMB207,000 (2008: nil), the directors of the Company consider that allowance is required.

Ageing of trade receivables which are past due but not impaired:

	2009	2008
	RMB'000	RMB'000
1 - 6 months	**12,949**	63,548
7 months - above 1 year	**7,587**	4,104
	20,536	67,652

The Group normally allows an average credit period of 30 days to its major customers. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

IMPAIRMENT OF TRADE RECEIVABLES

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements on the provision for impairment of trade receivables are as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**—**	9,495	**—**	—
Provision/(reversal of provision) for bad and doubtful debts	**207**	(9,495)	**—**	—
At 31 December	**207**	—	**—**	—

The Group does not hold any collateral over these balances.

20. TRADE AND BILLS RECEIVABLES (Continued)

IMPAIRMENT OF TRADE RECEIVABLES (Continued)

The carrying amounts of the trade and bills receivables of the Group and the Company are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
USD	**217,539**	206,757	**104,411**	149,263
RMB	**452,718**	577,785	**447,607**	525,163
	670,257	784,542	**552,018**	674,426

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Prepayments	**42,692**	31,347	**33,749**	26,328
Deposits and other receivables	**222,283**	151,766	**181,904**	124,929
Due from fellow subsidiaries	**98,021**	58,002	**64,950**	50,975
Due from subsidiaries	**—**	—	**3,263,003**	2,647,645
	362,996	241,115	**3,543,606**	2,849,877

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The carrying amounts of the prepayments, deposits and other receivables of the Group and Company are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
USD	**199,517**	51,294	**3,192,470**	1,879,159
RMB	**145,419**	176,059	**337,040**	958,402
AUD	**6,146**	4,528	**3,641**	3,172
JPY	**4,428**	4,041	**4,762**	4,034
HKD	**3,862**	1,059	**2,234**	976
EUR	**1,696**	2,812	**1,649**	2,812
GBP	**1,350**	919	**1,350**	919
Others	**578**	403	**460**	403
	362,996	241,115	**3,543,606**	2,849,877

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cash and bank balances	**2,222,147**	1,942,970	**1,534,421**	1,335,865
Maximum exposure to credit risk	**2,222,147**	1,942,970	**1,534,421**	1,335,865

Cash at banks generates interest income at floating rates based on daily bank deposit rates. Short-term fixed deposits are deposited for various generate periods of between one day to three months depending on the immediate cash requirements of the Group, and interest income at the respective short-term fixed deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair values. At the statement of financial position date, the cash and bank balances of the Group denominated in USD amounted to approximately RMB493,700,000 (2008:RMB539,000,000).

22. CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
USD	**493,700**	539,000	**98,326**	160,220
RMB	**1,725,226**	1,402,597	**1,434,975**	1,174,585
HKD	**2,132**	342	**31**	29
EUR	**1,037**	974	**1,037**	974
GBP	**46**	51	**46**	51
JPY	**6**	6	**6**	6
	2,222,147	1,942,970	**1,534,421**	1,335,865

23. TRADE AND BILLS PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade and bills payables	**792,686**	247,243	**723,147**	194,783
Due to subsidiaries	**—**	—	**—**	36,894
Due to fellow subsidiaries	**245,157**	281,584	**210,078**	273,305
	1,037,843	528,827	**933,225**	504,982

The carrying amount of trade and bills payables approximate their fair values.

23. TRADE AND BILLS PAYABLES (Continued)

An aged analysis of trade and bills payables as at the statement of financial position reporting date , base on the invoice date, is as follows:

Group

	2009		2008	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
			(Restated)	(Restated)
1 - 3 months	**921,661**	**89**	410,973	79
4 - 6 months	**30,978**	**3**	12,914	2
7 - 9 months	**46,084**	**4**	7,566	1
10 - 12 months	**20,415**	**2**	91,525	17
1 - 2 years	**14,316**	**1**	5,849	1
Over 2 years	**4,389**	**1**	—	—
	1,037,843	**100**	528,827	100

Company

	2009		2008	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**821,806**	**88**	400,925	80
4 - 6 months	**31,071**	**3**	6,888	1
7 - 9 months	**45,381**	**5**	4,681	1
10 - 12 months	**14,209**	**2**	86,741	17
1 - 2 years	**16,480**	**2**	5,747	1
Over 2 years	**4,278**	**—**	—	—
	933,225	**100**	504,982	100

The trade and bills payables are non-interest-bearing and are normally settled in 1 - 3 months.

23. TRADE AND BILLS PAYABLES (Continued)

The trade and bills payables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
USD	**229,579**	201,563	**129,874**	198,892
RMB	**790,498**	307,417	**785,900**	286,413
JPY	**7,542**	8,791	**7,430**	8,790
AUD	**4,795**	4,482	**4,702**	4,464
GBP	**2,042**	2,756	**2,042**	2,756
EUR	**—**	2,465	**—**	2,465
HKD	**2,977**	802	**2,922**	651
Others	**410**	551	**355**	551
	1,037,843	528,827	**933,225**	504,982

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Accruals	**174,623**	145,247	**170,118**	142,333
Other payables	**527,446**	160,762	**156,930**	72,716
Due to subsidiaries	**—**	—	**—**	85
Due to fellow subsidiaries	**137,666**	15,318	**16,353**	74
	839,735	321,327	**343,401**	215,208

The carrying amount of other payables and accruals approximate their fair values.

Accruals and other payables are non-interest-bearing and are normally settled in 1 - 3 months.

24. OTHER PAYABLES AND ACCRUALS (Continued)

The carrying amounts of other payables and accruals of the Group and Company are denominated in the following currencies:

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	**2009 RMB'000**	2008 RMB'000
USD	**473,407**	103,118	**22,911**	—
RMB	**340,568**	218,058	**320,014**	215,208
HKD	**15,320**	—	**—**	—
Others	**10,440**	151	**476**	—
	839,735	321,327	**343,401**	215,208

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2009 Assets RMB'000	**2009 Liabilities RMB'000**	2008 Assets RMB'000 (Restated)	2008 Liabilities RMB'000 (Restated)
Carried at fair value				
Cash flow hedges:				
– Cross currency swap agreements	**—**	**—**	54,273	—
– Interest rate swap agreements	**1,326**	**(1,125)**	—	(53,697)
	1,326	**(1,125)**	54,273	(53,697)

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Cross currency swap agreements

As at 1 January 2009, the Group held two cross currency swap agreements designated as cash flow hedges in respect of expected future JPY bank loans for which the Group has firm commitments.

The terms of the cross currency swap agreements have been negotiated to match the terms of the commitments. In December 2009, the Group terminated the cross currency swaps and received USD8,850,000 (approximatelyRMB60,441,000) as proceeds from the termination (the "Termination"). Together with the reversal of fair value gain on the cash flow hedges arising from the cross currency swap of RMB60,441,000, which was previously recognised as derivative financial instruments in the consolidated statement of financial position, and the balance of related hedging reserve of RMB60,441,000, total net gains of RMB60,441,000 were recognised in the consolidated statement of comprehensive income for the year ended 31 December 2009.

The cash flow hedges of the expected future JPY bank loans were assessed to be highly effective and a net gain included in the hedging reserve are as follows:

	2009 **RMB'000**	2008 RMB'000 (Restated)
Net fair value gains included in the hedging reserve	**60,441**	54,273
Deferred tax on fair value gains	**(8,955)**	(8,955)
	51,486	45,318
Reversal of the deferred tax on the fair value gains	**8,955**	—
Release to consolidated statement of comprehensive income	**(60,441)**	—
Net gains on cash flow hedges of cross currency swap agreements in hedging reserve	**—**	45,318

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate swap agreements

As at 31 December 2009, the Group held two interest rate swap agreements, the total notional principal amount of the outstanding two interest rate swaps agreements was USD93,253,333 (approximatelyRMB636,752,000). The interest rate swaps agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with a floating interest rate.

During the year 2009, the floating rates of the bank loan were LIBOR + 0.42% or 0.45%.

In December 2009 , the Group modified the terms of the interest rate swap agreements with the bank and paid USD4,980,000 (approximatelyRMB34,011,000). The fixed rates were decreased from 4.40% per annum to 2.90% per annum.

The losses for the interest rate swap agreements during the year are as follows:

	2009 **RMB'000**	2008 RMB'000 (Restated)
Total fair value losses included in the hedging reserve	**(35,110)**	(53,697)
Release from hedging reserve	**35,314**	—
Losses on termination of interest rate swaps	**(34,011)**	—
Hedge loan interest included in finance cost	**(17,545)**	(4,482)
Total losses on cash flow hedges of interest rate swap agreements	**(51,352)**	(58,179)

26. PROVISIONS

	Group		
	Legal claims (Note i) RMB'000	Other provisions (Note ii) RMB'000	Total RMB'000
At 1 January 2009 (Restated)	**134,347**	**43,000**	**177,347**
Additional provisions recognised	**—**	**15,000**	**15,000**
Reductions	**(68,347)**	**(23,000)**	**(91,347)**
At 31 December 2009	**66,000**	**35,000**	**101,000**

	Company		
	Legal claims (Note i) RMB'000	Other provisions (Note ii) RMB'000	Total RMB'000
At 1 January 2009	**66,000**	**43,000**	**109,000**
Additional provisions recognised	**—**	**15,000**	**15,000**
Reductions	**—**	**(23,000)**	**(23,000)**
At 31 December 2009	**66,000**	**35,000**	**101,000**

Provisions analysed as:

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	**2009 RMB'000**	2008 RMB'000
Current portion	**20,000**	—	**20,000**	—
Non-current portion	**81,000**	177,347	**81,000**	109,000
	101,000	177,347	**101,000**	109,000

26. PROVISIONS (Continued)

Note:

(i) Legal claims

a. Issue concerning compensation for pollution caused by vessel "Daiqing 91"

The Company is still in the process of settling for this issue, it is expected that the court may not conclude the case in the next year. A provision of RMB50,000,000 has been recognized for the pending lawsuit brought against the Company. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2009. Please refer to notes 35(i) for details.

b. Issue concerning collision of vessel "Fuzhou"

The Company is still in the process of settling for this issue, it is expected that the court may not conclude the case in the next year. A provision of total of RMB16,000,000 was recognized. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2009. Please refer to note 35(ii) for details.

(ii) Other provisions

a. Issue concerning collision of vessel "Ningan 11"

The Company is still in the process of settling for this issue, it is expected that the court will conclude the case in the next year. A provision of total of RMB20,000,000 was recognized. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the compensation will not give rise to any significant loss beyond the amount provided at 31 December 2009. Please refer to note 35(iii) for details.

b. Issue concerning compensation for pollution caused by vessel "Wanshoushan"

The estimated provision amount for this issue is RMB15,000,000. The board of directors expected that no decision will be concluded in the next year. Provision has been made based on the amount expected to be paid for the compensation after reasonable estimation. In the board of directors' opinion, after taking appropriate legal advice, the outcome of the compensation will not give rise to any significant loss beyond the amounts provided at 31 December 2009. Please refer to note 35 (iv).

27. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows:

	Annual Effective interest (%)	Maturity	Group 2009 RMB'000	Group 2008 RMB'000 (Restated)	Company 2009 RMB'000	Company 2008 RMB'000
Current						
(i) Bank loan						
Secured	Libor + 0.38% to 1.40%	2010	**780,963**	142,526	**—**	—
Unsecured	1.45% to 4.37%, Libor + 0.70%to1%	2010	**541,410**	778,422	**541,410**	778,422
Notes, interest-bearing bank and other borrowings – current portion			**1,322,373**	920,948	**541,410**	778,422
Non-current						
(i) Bank loan						
Secured	Libor + 0.38% to 1.40%	2010-2020	**3,229,216**	2,781,121	**—**	—
Unsecured	Floating rate or 5.670% to 6.804%	2013	**—**	2,747,690	**—**	2,747,690
			3,229,216	5,528,811	**—**	2,747,690
(ii) Notes						
Unsecured	3.90% to 4.18%	2012-2014	**4,986,318**	—	**4,986,318**	—
Notes, interest-bearing bank and other borrowings – Non-current portion			**8,215,534**	5,528,811	**4,986,318**	2,747,690

27. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) The Group's notes, interest-bearing bank and other borrowings are analysed as follows: (Continued)

The Group's bank loans are secured by pledges or mortgages of the Group's 9 vessels (2008: 7 vessels) and another 4 vessels under construction (2008: 4 vessels under construction) with total net carrying amount of RMB5,953,403,000 at 31 December 2009.

The carrying amounts of the Group's and the Company's notes, interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of RMB4,010,179,000 and unsecured bank loans of RMB341,410,000 which are denominated in USD, all borrowings are denominated in Renminbi.

(b) At 31 December 2009, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**1,322,373**	920,948	**541,410**	778,422
In the second year	**397,004**	1,288,566	**—**	594,355
In the third to fifth year, inclusive	**1,191,012**	2,967,057	**—**	2,153,335
Over five years	**1,641,200**	1,273,188	**—**	—
	4,551,589	6,449,759	**541,410**	3,526,112
(ii) Notes:				
In the third to fifth year, inclusive	**4,986,318**	—	**4,986,318**	—
	9,537,907	6,449,759	**5,527,728**	3,526,112

27. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(c) Details of the notes at 31 December 2009 are as follows:

	2009 RMB'000
Principal amount	5,000,000
Notes issuance cost	(14,496)
Proceeds received	4,985,504
Accumulated amortisation	814
	4,986,318

Notes with principal amount of RMB3,000,000,000 and RMB2,000,000,000 were issued by the Group to investors on 3 August 2009 and 26 November 2009 respectively. The notes carried a fixed interest yield of 3.90% and 4.18% per annum respectively and were issued at a price of 100 per cent of their principal amount, resulting in no discount on the issue. The notes bear interest from 4 August 2009 and 27 November 2009 respectively, payable annually in arrear on 4 August and 27 November of each year.

Unless previously redeemed or repurchased by the Group, the notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

28. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Unremitted earnings RMB'000	Cash flow hedge RMB'000	Total RMB'000
At 1 January 2009	**335,106**	**8,955**	**344,061**
Deferred tax			
charged to statement of changes in equity during the year	**—**	**(8,955)**	**(8,955)**
charged to the statements of comprehensive income during the year (note 10)	**(12,424)**	**—**	**(12,424)**
Deferred tax liabilities at 31 December 2009	**322,682**	**—**	**322,682**

Group

	Unremitted earnings RMB'000	Cash flow hedge RMB'000	Equity investments at fair value through profit or loss RMB'000	Total RMB'000 (Restated)
At 1 January 2008	196,220	3,082	45,800	245,102
Deferred tax				
charged to statement of changes in equity during the year	—	5,873	—	5,873
charged to the statements of comprehensive income during the year (note 10)	138,886	—	(45,800)	93,086
Deferred tax liabilities at 31 December 2008	335,106	8,955	—	344,061

28. DEFERRED TAX (Continued)

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Company

No deferred tax was charged into the Statement of Comprehensive Income or Statement of Changes in Equity for the year 2009.

Company

	Equity investments at fair value through profit or loss RMB'000
At 1 January 2008	45,800
Deferred tax charged to the statements of comprehensive income during the year	(45,800)
Deferred tax liabilities at 31 December 2008	—

29. BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL

Acquisition of subsidiary in 2009

On 30 April 2009, the Company acquired 100% equity interest of China Shipping Group Liquefied Natural Gas Investment Co., Limited ("China Shipping Gas"), from China Shipping, and its wholly-owned subsidiaries, Shanghai Shipping, Guangzhou Maritime Transport and Dalian Shipping. As at the valuation date of 31 December 2008, the valuation of the China Shipping Gas is RMB100,276,000. China Shipping Gas starts its operation in 2009.

Since the Company and China Shipping Gas are both under the ultimate control of China Shipping both before and after the business combination, and the control is not transitory, the acquisition is dealt with as business combination under common control. The consolidated financial statements have been prepared based on the principles of merger accounting as if the business combination under common control had occurred from the date when China Shipping Gas first came under the control of China Shipping.

The details of the net assets acquired from the China Shipping Gas are as follows:

	30/4/2009 RMB'000
Property, plant and equipment	551
Prepayments, deposits and other receivables	15,215
Cash and cash equivalents	83,110
Other payables and accruals	(396)
	98,480
Excess of purchase consideration over share of net assets acquired	1,796
	100,276
Satisfied by:	
Cash consideration paid	100,276

29. BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL (Continued)

Acquisition of subsidiary in 2009 (Continued)

The operating results previously reported by the Group for the year ended 31 December 2008 have been restated to include the operating results of the acquired company and business as set out below:

	The Group RMB'000 (As previously Reported)	Acquired company and business under common control RMB'000	Total RMB'000	Consolidation adjustment RMB'000	The Group RMB'000 (Restated)
Operating profit:					
Turnover	17,214,283	—	17,214,283	—	17,214,283
Profit before tax	6,432,685	—	6,432,685	—	6,432,685
Profit for the period	5,375,995	—	5,375,995	—	5,375,995

The operating results reported by the Group for the year ended 31 December 2009 included the operating results of the acquired company and business as set out below:

	The Group excluding the acquired subsidiary RMB'000	**Acquired company and business under common control RMB'000**	**Total RMB'000**	**Consolidation adjustment RMB'000**	**The Group RMB'000**
Operating profit:					
Turnover	**8,729,969**	**—**	**8,729,969**	**—**	**8,729,969**
Profit/(loss) before tax	**1,363,090**	**(20,753)**	**1,342,337**	**—**	**1,342,337**
Profit/(loss) for the year	**1,085,394**	**(20,753)**	**1,064,641**	**—**	**1,064,641**

29. BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL (Continued)

Acquisition of subsidiary in 2009 (Continued)

The financial position previously reported by the Group at 31 December 2008 has been restated to include the assets and liabilities of the acquired company and business as set out below:

	The Group RMB'000 (As previously Reported)	Acquired company and business under common control RMB'000	Total RMB'000	Consolidation adjustment RMB'000	The Group RMB'000 (Restated)
Financial position:					
Non-current assets	26,787,125	597	26,787,722	—	26,787,722
Current assets	3,141,088	99,784	3,240,872	—	3,240,872
Current liabilities	1,833,760	381	1,834,141	—	1,834,141
Non-current liabilities	6,545,983	—	6,545,983	—	6,545,983
Equity	21,548,470	100,000	21,648,470	—	21,648,470

The financial position reported by the Group at 31 December 2009 included the assets and liabilities of the acquired company and business as set out below:

	The Group excluding the acquired subsidiary RMB'000	**Acquired company and business under common control RMB'000**	**Total RMB'000**	**Consolidation adjustment RMB'000**	**The Group RMB'000**
Financial position:					
Non-current assets	**30,367,319**	**459**	**30,367,778**	**(98,480)**	**30,269,298**
Current assets	**3,580,654**	**79,597**	**3,660,251**	**—**	**3,660,251**
Current liabilities	**3,228,887**	**809**	**3,229,696**	**—**	**3,229,696**
Non-current liabilities	**9,061,999**	**—**	**9,061,999**	**—**	**9,061,999**
Equity	**21,657,087**	**79,247**	**21,736,334**	**(98,480)**	**21,637,854**

30. LONG TERM RECEIVABLE

	Company	
	2009	2008
	RMB'000	RMB'000
Equity loan (Note)	**459,674**	460,105

Note: Equity loan to a subsidiary is unsecured, non-interest-bearing and has no fixed repayment term.

31. ISSUED CAPITAL

	Group and Company			
	2009 Number of shares	**2009 RMB'000**	2008 Number of shares (Restated)	2008 RMB'000 (Restated)
Registered, issued and fully paid:				
Listed H shares of RMB1.00 each	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A shares of RMB1.00 each	**2,108,552,270**	**2,108,552**	2,108,552,270	2,108,552
	3,404,552,270	**3,404,552**	3,404,552,270	3,404,552

Convertible bonds amounting to RMB2,000,000,000 were issued on 2 July 2007 and since 2 January 2008 started conversion. Face value of RMB1,988,173,000 had been converted into 78,552,270 ordinary Listed A shares of the Company. The remaining convertible bonds with face value of RMB11,827,000 have been redeemed by the Company during the year. After the conversion, the total number of share is 3,404,552,270 shares.

At 30 December 2008, 1,578,500,000 ordinary shares with trading restriction held by China Shipping (Group) Company, were converted to Listed A shares without trading restriction. All of the 3,404,552,270 ordinary shares were circulated without trading restriction at the year end date.

32. RESERVES

	Group										
	Share premium	**Contributed surplus/ distribution deficit**	**Convertible bonds equity reserve**	**Revaluation reserve**	**Statutory surplus reserve**	**General surplus reserve**	**Hedging reserve**	**Available-for-sale investment revaluation reserve**	**Translation reserve**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	2,037,884	—	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	11,043,005
Prior year adjustment											
Adjustment on accounting for common control entity (Note 29)	—	100,000	—	—	—	—	—	—	—	—	100,000
As restated	2,037,884	100,000	109,177	168,829	2,005,398	93,158	13,738	1,019	(210,290)	6,824,092	11,143,005
Profit for the year	—	—	—	—	—	—	—	—	—	5,373,010	5,373,010
Net loss on cash flow hedges	—	—	—	—	—	—	(22,064)	—	—	—	(22,064)
Exchange realignment	—	—	—	—	—	—	—	—	(245,146)	—	(245,146)
Total comprehensive income for the year	—	—	—	—	—	—	(22,064)	—	(245,146)	5,373,010	5,105,800
Issue of new shares:											
Converted convertible bonds	1,909,606	—	(109,177)	—	—	—	—	—	—	—	1,800,429
Transfer (from)/to reserves	—	—	—	—	461,057	—	—	—	—	(461,057)	—
Release on 2007 Proposed final dividend	—	—	—	—	—	—	—	—	—	234	234
2008 Proposed final dividend	—	—	—	—	—	—	—	—	—	(1,021,366)	(1,021,366)
At 31 December 2008 and at 1 January 2009	**3,947,490**	**100,000**	**—**	**168,829**	**2,466,455**	**93,158**	**(8,326)**	**1,019**	**(455,436)**	**10,714,913**	**17,028,102**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,064,794**	**1,064,794**
Net gain on cash flow hedges	**—**	**—**	**—**	**—**	**—**	**—**	**32,865**	**—**	**—**	**—**	**32,865**
Release to consolidated statement of comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(25,127)**	**—**	**—**	**—**	**(25,127)**
Exchange realignment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,337)**	**—**	**(10,337)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**7,738**	**—**	**(10,337)**	**1,064,794**	**1,062,195**
Deemed distribution	**(276)**	**(100,000)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(100,276)**
Transfer (from)/to reserves	**—**	**—**	**—**	**—**	**114,222**	**—**	**—**	**—**	**—**	**(114,222)**	**—**
2009 Proposed final dividend	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(340,455)**	**(340,455)**
At 31 December 2009	**3,947,214**	**—**	**—**	**168,829**	**2,580,677**	**93,158**	**(588)**	**1,019**	**(465,773)**	**11,325,030**	**17,649,566**

32. RESERVES (Continued)

	Company								
	Share premium	Revaluation reserve	Other reserve	Statutory surplus reserve	General surplus reserve	Available-for-sale investment revaluation reserve	Convertible bonds	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	2,037,884	165,665	—	2,005,398	93,158	1,019	109,177	5,489,264	9,901,565
Profit for the year	—	—	—	—	—	—	—	4,228,863	4,228,863
Issue of new shares:									
Converted convertible bonds	1,909,606	—	—	—	—	—	(109,177)	—	1,800,429
Transfers (from)/to reserves	—	—	—	461,057	—	—	—	(461,057)	—
2008 Proposed final dividend	—	—	—	—	—	—	—	(1,021,366)	(1,021,366)
Release on 2007 Proposed final dividend	—	—	—	—	—	—	—	234	234
At 31 December 2008 and at 1 January 2009	**3,947,490**	**165,665**	**—**	**2,466,455**	**93,158**	**1,019**	**—**	**8,235,938**	**14,909,725**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,231,123**	**1,231,123**
Transfers (from)/to reserves	**—**	**—**	**—**	**114,222**	**—**	**—**	**—**	**(114,222)**	**—**
2009 Proposed final dividend	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(340,455)**	**(340,455)**
Merger reserve arising from common control combination	**—**	**—**	**(1,796)**	**—**	**—**	**—**	**—**	**—**	**(1,796)**
At 31 December 2009	**3,947,490**	**165,665**	**(1,796)**	**2,580,677**	**93,158**	**1,019**	**—**	**9,012,384**	**15,798,597**

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC and the Company's articles of association, part of SSR may be converted to increase share capital, provided that the remaining balance after capitalisation is not less than 25% of the registered capital.

32. RESERVES (Continued)

The directors have proposed to transfer RMB114,222,000 (2008: RMB461,057,000) to SSR, represents 10% (2008: 10%) of the Company's profit after tax of RMB1,142,223,000 (2008: RMB4,610,575,000), as determined in accordance with PRC GAAP. The transfer to the SSR is subject to shareholders' approval at the forthcoming annual general meeting.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. On this basis, as at 31 December 2009, before the proposed final dividend, the Company had reserve of RMB9,352,839,000 (2008: RMB9,257,304,000)

In addition, in accordance with the Company Law of the PRC, an amount of approximately RMB3,947,490,000 (2008: RMB3,947,490,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

Share premium

Share premium arose from the issuance of shares at prices in excess of their par value.

Convertible bonds equity reserve

The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds equity reserve.

Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

Statutory surplus reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must before distribution of a dividend to shareholders.

32. RESERVES (Continued)

General surplus reserve

When the public welfare fund is utilized, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

Hedging reserve

Changes in the fair values of derivative financial instruments and hedged items are to be charged directly and transferred to hedging reserve.

Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the statement of financial position reporting date.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Other reserve

The reserve arises from the acquisition of subsidiary under common control in April 2009.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash inflow from operating activities

	2009 RMB'000	2008 RMB'000 (Restated)
Profit before tax	**1,342,337**	6,432,685
Adjustments for:		
Interest income	**(30,429)**	(25,617)
Depreciation and amortisation	**1,071,585**	1,039,505
Share of profits of jointly-controlled entities	**(61,099)**	(531,566)
Dividends receive from equity investment	**—**	(2,352)
Gains on termination of cross currency swaps	**(60,441)**	—
Losses on termination of interest rate swaps	**34,011**	—
Impairment/(reversal of impairment) for bad and doubtful debts	**207**	(8,161)
Impairment for property, plant and equipment	**—**	108,546
Gain on disposal of property, plant and equipment	**(125,311)**	(107,646)
Provisions	**15,000**	134,347
Fair value loss on equity investments at fair value through profit or loss	**—**	169,269
Operating profit before working capital changes	**2,185,860**	7,209,010
Decrease/(increase) in trade and bills receivables	**114,078**	(216,944)
Decrease/(increase) in bunker oil inventories	**(77,491)**	13,361
Decrease/(increase) in prepayments	**(11,345)**	126,326
Decrease/(increase) in deposits and other receivables	**(66,120)**	(58,632)
Decrease/(increase) in amounts due from fellow subsidiaries	**(40,019)**	(58,002)
Increase/(decrease) in trade payables	**227,066**	(41,045)
Increase/(decrease) in accruals	**29,376**	37,020
Increase/(decrease) in other payables	**56,918**	(187,978)
Increase/(decrease) in provisions	**(91,347)**	(11,000)
Increase/(decrease) in amounts due to fellow subsidiaries	**(145,037)**	101,949
Cash generated from operation	**2,181,939**	6,914,065
Finance costs	**69,783**	84,074
Income tax paid	**(343,414)**	(951,079)
Net cash inflow from operating activities	**1,908,308**	6,047,060

34. PENSION AND ENTERPRISE ANNUITY SCHEMES

i) PRC (other than Hong Kong)

Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 18%-22% (2008: 18%-22%) of the basic salaries of the Group's employees, after certain adjustments on individual employee's salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2009 amounted to RMB132,099,329 (2008: RMB99,827,332).

Enterprise annuity scheme

In the year 2009, after the resolution held between the representatives of the Group's Labour Union and the Board of Directors, a scheme on the enterprise annuity has been set up. The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be 5 times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2008. According to the scheme, actual amount incurred as labour cost in 2009 amounted to RMB73,570,000.

The Group has no further obligations beyond the annual contributions. In the opinion of the directors of the Group, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

ii) Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

35. CONTINGENT LIABILITIES

i) In December 2005, one of the Company's oil tankers "Daiqing 91" leaked fuel during its voyage. After the investigation done by the Maritime Safety Administration, the leakage polluted the sea. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province, the Company would assume responsibility of the accident. As the Company had been insured with an insurance company in the United Kingdom, the provision of its liability is limited to RMB36 million. The Company had made provision for its estimated loss. Up to 31 December 2009, the Company is still in the process of settlement, litigation and claiming compensation from the insurance company.

ii) In December 2007, "Fuzhou" collided with "Chongcheong 118", which sunk afterwards. According to the judgement made by the Maritime Law Count at Shanghai on 9 March 2009, Shanghai Boshan Steel has lost its appeal and the Company is allowed to set up a Limitation Fund for Maritime Claims Liability amounted to RMB16,318,000. Since the Company had been insured, all compensation will be borne by the insurance company. Up to 31 December 2009, the Company is still in the process of settling all the issues concerned.

iii) In May 2008, one of the Company's cargo vessels "Ningan 11" collided with the pier at Shanghai resulting damages to the pier and the door. According to the judgment made by the Maritime Law Court at Shanghai on 10 June 2009, Shanghai Waigaoqiao Power Generation Co., Ltd. ("Shanghai Waigaoqiao") has lost its claim. The Company is allowed to set up a provision of liability fund which is limited to RMB25,443,000. There was a settlement agreement between the Company and Shanghai Waigaoqiao. Up to 31 December 2009, the Company is still in the process of claiming compensation from the insurance company.

iv) In September 2009, one of the Company's cargo vessels "Wanshoushan" leaked during its voyage. The Company had been insured with an insurance company and had made provision of its liability. Up to 31 December 2009, the Company is still in the process of investigating the damages.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years.

As at 31 December 2009, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follow:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within one year	**132,858**	344,173	**78,929**	99,114
In the second to fifth year, inclusive	**5,986**	16,585	**5,986**	16,585
After five years	**—**	1,497	**—**	1,497
	138,844	362,255	**84,915**	117,196

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from 1 to 4 years.

As at 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within one year	**152,803**	353,764	**3,600**	75,422
In the second to fifth year, inclusive	**129,589**	175,480	**4,800**	—
After five years	**—**	—	**—**	—
	282,392	529,244	**8,400**	75,422

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group and the Company had capital commitments as at 31 December 2009, which RMB1,509,107,000 from the Group and RMB872,916,000 from the Company will be due within the next financial year.

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Authorized and contracted for construction and purchases of vessels (Note)	**17,464,664**	21,110,745	**7,367,064**	9,053,685
Equity Investments	**2,103,051**	—	**2,103,051**	—
	19,567,715	21,110,745	**9,470,115**	9,053,685

Note: According to the construction purchase agreements entered into by the Group in 2006 to 2009, these capital commitments will fall due as from 2010 to 2012 respectively.

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balance detailed elsewhere in these financial statements, business transactions between the Group and its holding company, fellow subsidiaries and jointly-controlled entities of the Group as well as related parties for the year ended 31 December 2009, which are also considered by the directors as related party transactions, are set out below:

(1) A services agreement signed in October 2006 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting and class meeting for holders of H shares and A shares held on 28 December 2006. Pursuant to the services agreement and a supplementary agreement entered into in 2006, China Shipping, its subsidiaries or jointly-controlled entities will provide to the Group the necessary supporting shipping materials and services for the ongoing operating of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The service agreement has been updated by a new agreement between China Shipping (and its subsidiaries and jointly-controlled entities) and is effective for 3 years from 1 January 2007 to 31 December 2009. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state price, market price or cost.

In October 2009, the Group has entered into the "New Services Agreement" with China Shipping. The agreement is effective for 3 years from 1 January 2009 to 31 December 2012 and became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting which was held on 22 December 2009. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state price, market price or cost.

38. RELATED PARTY TRANSACTIONS (Continued)

Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or jointly-controlled entities in respect of the services agreement for the year ended 31 December 2009 are set out below:

	Pricing basis	**2009 Total value RMB'000**	2008 Total value RMB'000 (Restated)
Dry-docking, repairs and vessels restructuring expenses	State-fixed prices or market prices	**255,389**	222,792
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	Market prices	**1,849,453**	2,783,385
Installation, repairs and maintenance of telecommunication and navigational services	State-fixed prices	**56,497**	52,046
Crew expenses	Market prices	**56,142**	34,719
Accommodation, lodging and transportation for employees	Market prices	**8,418**	8,522
Medical services (for existing employees)	State-fixed prices	**—**	15
Miscellaneous management services	Market prices	**36,035**	31,114
Agency commissions	Market prices	**102,644**	153,428
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**10,387**	8,578

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to subsidiaries and jointly-controlled entities of China Shipping from time to time.

38. RELATED PARTY TRANSACTIONS (Continued)

(2) Save for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, jointly-controlled entities and related companies are as follows:

	Notes	**2009 RMB'000**	2008 RMB'000 (Restated)
Vessel chartering charges paid	(v), (vi)	**83,546**	71,481
Vessel chartering income received		**—**	(15,846)
Sale of vessels	(i)	**(47,872)**	(274,450)
Vessel management fees		**(1,962)**	(2,089)
Purchases of vessels, construction in progress and other non-current assets	(iv)	**1,008,078**	1,377,484
Shipment income		**(83,691)**	—
Purchase of subsidiary	(ii)	**100,276**	—
Loan borrowed	(iii)	**3,000,000**	—
Loan interest payment	(iii)	**56,088**	—

Note: The Group has entered into the following agreements:

i) On 28 February 2009 and 31 May 2009, the Group has entered into four sales and purchase agreements with China Shipping Industry Co., Ltd. The Company agrees to sell and China Shipping Industry Co., Ltd. agrees to buy four dry bulk vessels. The total consideration amounted to RMB47,872,000 and it is determined by reference to the assets valuation report.

ii) The amount is used for the purchase of all the equity interest of China Shipping Group Liquefied Natural Gas Investment Co., Limited ("China Shipping Gas") from China Shipping, Shanghai Shipping (Group) Company ("Shanghai Shipping"), Guangzhou Maritime Transport (Group) Co., Ltd. ("Guangzhou Maritime Transport") and Dalian Shipping (Group) Company ("Dalian Shipping"). Please refer to Note 29 for details.

iii) On 12 March 2009, the Company has received a loan of RMB3 billion from China Shipping. The loan is used for early repayment of other borrowings with higher interest rate and is to be settled on 11 September 2009. The annual interest rate is 4.61% and the related interest expenses RMB56,088,000 for the period have been included in the finance cost.

iv) The transaction consists mainly for construction in progress with one of the fellow subsidiary of China Shipping, China Shipping Industry Co., Ltd.

38. RELATED PARTY TRANSACTIONS (Continued)

Note: The Group has entered into the following agreements: (Continued)

v) On 30 December 2008, China Shipping (Hong Kong) Holdings Co., Limited ("CSHK") and Xi Chuan Shipping S.A., a wholly-owned subsidiary of the Company, entered into a bare-boat charter where CSHK will lease the vessel Song Lin Wan to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2009 to 31 December 2009 (both dates inclusive). The aggregate payment will be USD6,935,000, such payments are to be made in cash.

On 29 December 2009, CSHK and Xi Chuan Shipping S.A., a wholly-owned subsidiary of the Company, entered into a bare-boat charter where CSHK will lease the vessel Song Lin Wan to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2010 to 31 December 2010 (both dates inclusive). The aggregate payment will be up to USD5,292,500.

vi) On the 30 December 2008, Shanghai Shipping (Group) Company and the Company entered into a bare-boat charter where Shanghai Shipping (Group) Company will lease the vessel Da Qing 88 to the Company for a term of one year commencing from 1 January 2009 to 31 December 2009 (both dates inclusive). The aggregate payment will be USD3,193,750, such payments are to be made in cash.

On the 29 December 2009, Shanghai Shipping (Group) Company and the Company entered into a bare-boat charter where Shanghai Shipping (Group) Company will lease the vessel Da Qing 88 to the Company for a term of one year commencing from 1 January 2010 to 31 December 2010 (both dates inclusive). The aggregate payment will be up to USD3,193,750.

(3) In October 2009, the Group has entered into the "Financial Services Framework Agreement" with China Shipping. The agreement has been approved by the independent shareholders at an extraordinary general meeting which was held on 22 December 2009. Pursuant to which China Shipping shall procure China Shipping Finance Co., Limited ("CS Finance") to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) other financial services as approved by China Banking Regulatory Commission. The Financial Services Framework Agreement will be effective for a term of 3 years commencing from the date when all conditions precedent under the Financial Services Framework Agreement are satisfied to the day immediately before the third anniversary of the commencement date.

i) The legal representative or authorized person between the China Shipping and the Company have signed and stamped the Companies chops;

ii) The resolution has been approved by the independent shareholders;

iii) CS Finance has receive its《Business Registration Certificate》and《Financial Certificate》;

iv) On the ground that the relevant laws and regulations (including "Listing rules") have been fulfilled, except either party address not to continue the transactions, the "Financial Services Framework Agreement" will automatically renewed for a period of three years on each three years period ended.

38. RELATED PARTY TRANSACTIONS (Continued)

(4) Outstanding balances with related parties:

Details of the Group's current account balances with its fellow subsidiaries as at the statement of financial position reporting date are disclosed in notes 21, 23 and 24 to the financial statements.

(5) Compensation of key management personnel of the Group:

	2009	2008
	RMB'000	RMB'000
		(Restated)
Fees	**400**	440
Other emoluments:		
Salaries, allowances and benefits in kind	**5,878**	5,325
Pension scheme contributions	**230**	154
	6,508	5,919

Details of directors' and supervisor's emoluments are included in note 8 to the financial statements.

The related party transactions as disclosed in paragraphs (1), (2) and (3) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include bank loans, cash and short-term deposits and medium-term notes. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally including interest rate swap agreements and cross currency swap agreements. The purpose is to manage the interest rate and foreign exchange arising from the Group's operations and its sources of finance.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group has use derivative financial instruments to manage interest rate risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD") and Hong Kong Dollar ("HKD") against Chinese Renminibi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

At 31 December 2009, if USD and HKD had weakened/strengthened by 1% against Renminibi with all other variables held constant, post-tax profit for the year would have been RMB37,607,000 (2008: RMB28,806,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

The Group does not have significant exposure to foreign exchange risk.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

Borrowings at floating rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 27. To minimize its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31 December 2009, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB18,640,000 (2008: RMB38,794,000) lower/higher, the Company's post-tax profit for the year would have been RMB7,939,000 (2008: RMB18,297,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents as well as trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31 December 2009 and 2008, all the cash and cash equivalents were deposited in the high quality financial institutions without significant credit risk.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

The table below shows the bank balances of the 5 major banks at the statement of financial position reporting date. Management does not expect any losses from non-performance by these banks.

Counterparty	**Bank credit rating**	**2009 RMB'000**
Industrial Bank Co., Ltd.	D[2]	502,560
China Merchants Bank	Baa3/P-3/Stable[1]	434,611
Bank of Communications	D[2]	301,207
Citibank	A1/P-1/Stable[1]	290,718
Industrial and Commercial Bank of China Limited	A1/P-1/Stable[1]	201,047

Counterparty	**Bank** Credit rating	**2008** RMB'000 (Restated)
Bank of Tokyo-Mitsubishi UFJ, Ltd.	Aa2/P-1/Negative[1]	496,949
China Merchants Bank	Baa3/P-3/Stable[1]	434,611
Bank of China (Hong Kong) Limited	Aa3/P-1/Stable[1]	254,686
Industrial and Commercial Bank of China Limited	A1/P-1/Stable[1]	201,047
Hua Xia Bank	D/E[2]	100,000

The Group does not have significant exposure to credit risk.

1 Rating information provided by Moody's.
2 Rating information provided by Fitch Ratings.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The table below shows the balance of the five major debtors at the statement of financial position reporting date.

Counterparty	**2009** **RMB'000**
聯合石化亞洲有限公司	**56,868**
寧波中海油船務有限公司	**26,224**
上海電力燃料股份有限公司	**20,469**
SK ENERGY CO., LTD.	**19,162**
中國石油天然氣股份有限公司大連海運分公司	**17,680**

Counterparty	2008 RMB'000 (Restated)
寧波中海油船務有限公司	32,813
華陽電業有限公司	28,874
揚州第二發電有限公司	26,584
BAOSTEEL RESOURCES CO., LTD.	20,818
U.S. AGENCY FOR INTERNATIONAL	18,453

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities.

The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

The table below analyses the Group's financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Group

At 31 December 2009	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Contractual undiscounted cash flows RMB'000	Total RMB'000
Bank borrowings	1,367,561	450,183	2,904,643	4,722,387	4,551,589
Notes	144,047	200,600	5,420,918	5,765,565	4,986,318
Derivative financial instruments	—	1,125	—	1,125	1,125
Trade and bills payables	1,019,138	14,316	4,389	1,037,843	1,037,843
Other payables and accruals	777,095	—	—	777,095	777,095
Interest payments on notes and bank borrowings	62,640	—	—	62,640	62,640
Other loan	—	—	441,658	441,658	441,658
Provisions	20,000	—	81,000	101,000	101,000
	3,390,481	666,224	8,852,608	12,909,313	11,959,268

Group

At 31 December 2008	Less than 1 year RMB'000 (Restated)	Between 1 and 2 years RMB'000 (Restated)	Over 2 years RMB'000 (Restated)	Contractual undiscounted cash flows RMB'000 (Restated)	Total RMB'000 (Restated)
Bank borrowings	4,258,481	322,188	1,955,304	6,535,973	6,449,759
Derivative financial instruments	—	7,333	46,364	53,697	53,697
Trade and bills payables	522,978	5,849	—	528,827	528,827
Other payables and accruals	294,912	—	—	294,912	294,912
Interest payments on bank borrowings	26,415	—	—	26,415	26,415
Other loan	—	—	442,067	442,067	442,067
Provisions	—	—	177,347	177,347	177,347
	5,102,786	335,370	2,621,082	8,059,238	7,973,024

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2009	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Contractual undiscounted cash flows RMB'000	Total RMB'000
Bank borrowings	541,410	—	—	541,410	541,410
Notes	144,047	200,600	5,420,918	5,765,565	4,986,318
Trade and bills payables	912,467	16,480	4,278	933,225	933,225
Other payables and accruals	286,462	—	—	286,462	286,462
Interest payments on notes and bank borrowings	56,939	—	—	56,939	56,939
Provisions	20,000	—	81,000	101,000	101,000
	1,961,325	217,080	5,506,196	7,684,601	6,905,354

Company

At 31 December 2008	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Contractual undiscounted cash flows RMB'000	Total RMB'000
Bank borrowings	778,422	594,355	2,153,335	3,526,112	3,526,112
Trade and bills payables	499,235	5,747	—	504,982	504,982
Other payables and accruals	203,684	—	—	203,684	203,684
Interest payments on bank borrowings	11,524	—	—	11,524	11,524
Provisions	—	—	109,000	109,000	109,000
	1,492,865	600,102	2,262,335	4,355,302	4,355,302

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of derivative financial instruments are determined based on the valuation provided by counterparty financial institutions for equivalent instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(e) Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2009			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Derivative financial instruments	—	1,326	—	1,326
Financial liabilities:				
Derivative financial instruments	—	1,125	—	1,125

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Determination of fair value and fair value hierarchy (Continued)

	2008			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Derivative financial instruments	—	54,273	—	54,273
Financial liabilities:				
Derivative financial instruments	—	53,697	—	53,697

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

No comprehensive income reported in Statement of comprehensive income and Statement of Comprehensive Income respectively related to the level 3 financial instruments.

For fair value measurements in Level 3, changing one or more of the inputs to reasonably possible alternative assumptions would not change fair value significantly.

There were no financial assets and financial liabilities that offset against each other at 31 December 2009 and 2008.

40. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debt which includes interest-bearing bank borrowings, notes and other loan less cash and cash equivalents.

The Group's and Company's net debt-to-equity ratio at 31 December 2009 and 2008 was as follow:

	Group		**Company**	
	2009 RMB'000	2008 RMB'000 (Restated)	**2009 RMB'000**	2008 RMB'000
Total borrowings	**9,979,565**	6,891,826	**5,527,728**	3,526,112
Less: Cash and cash equivalents	**(2,222,147)**	(1,942,970)	**(1,534,421)**	(1,335,865)
Net debt	**7,757,418**	4,948,856	**3,993,307**	2,190,247
Total equity	**21,637,854**	21,648,470	**19,543,604**	19,335,643
Debt to equity ratio	**36%**	23%	**20%**	11%

41. EVENTS AFTER REPORTING PERIOD

i) At the 2009 13th board meeting held on 21 August 2009, the Company passed the resolution regarding the capital contribution to China Resources Power Shipping (Tianjin) Company Limited (China Resources Shipping), a subsidiary of China Resources Power Holdings Company Limited. The registered capital is RMB300,000,000 The Company will account for 51% equity holding of China Resources Shipping and will contribute RMB153,000,000 in the form of one 35,000 tons vessel to the joint venture with reference to the valuation (Cash will be delivered to the company for the difference between RMB153,000,000 and the valuation of the vessel, if the valuation of the vessel is lower than RMB153,000,000). Up to the date of the financial statements were approved and authorised for issue, the Company has contributed a vessel valued at RMB103,652,600 and RMB49,347,400 in cash, with a total amount of RMB153,000,000.

ii) At the 2009 17th board meeting held on 27 November 2009, the Company passed the resolution regarding the formation of a joint venture shipping company with registered capital RMB240,000,000 by the Company and Shenergy Group. The Company agreed to contribute RMB122,400,000, representing 51% of the registered capital. Up to the date of the financial statements were approved and authorised for issue, the Company has contributed RMB122,400,000 to the joint venture.

iii) At the 2010 first board meeting held on 29 January 2010, the Company passed the resolution regarding the Capital Contribution Agreement signed by the Company and China Shenhua in relation to the increase in registered capital in Zhuhai New Century Shipping Co., Limited. The name of Zhuhai New Century Shipping Co., Limited will be changed to Shenhua Zhonghai Marine Co., Limited (Shenhua Zhonghai). The Company agreed to contribute RMB2,250,000,000 during the period from 2010 to 2013, representing 49% of the registered capital. The registered capital will become RMB4,600,000,000 after contributions by both parties. Up to the date of the financial statements were approved and authorised for issue, the Company has contributed RMB149,000,000 to Shenhua Zhonghai for the first installment.

iv) According to the second board resolution of Board meeting held on 26 March 2010, the Company will distribute 10% of its net profit of RMB1,142,223,000 to the statutory surplus reserve, the directors also proposed to pay a final dividend for the year 2009 of RMB0.10 per share based on the number of shares issued as at 31 December 2009. The resolution proposing the final dividend will be passed after the Annual General Meeting.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

44. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are include in note 27 to the financial statements.

CORPORATE INFORMATION

Legal name:	China Shipping Development Company Limited
English name:	China Shipping Development Company Limited
Registered office:	168 Yuanshen Road, Shanghai The People's Republic of China
Postal Code:	200120
Tel:	(8621) 65966666
Fax:	(8621) 65966160
Business address in Hong Kong:	20th Floor, Alerandra House 16-20 Chater Road, Central, Hong Kong
Legal representative:	Mr. Li Shaode
Company secretary:	Ms. Yao Qiaohong
Business registration number:	Qi Gu Hu Zong Zi No.022594
Principal bankers:	Bank of China The Industrial and Commercial Bank of China Bank of Communications China Merchants Bank
International auditors:	UHY Vocation HK CPA Limited 3/F, Malaysia Building, 50 Gloucester Road, Wanchai, Hong Kong
Domestic auditors:	Vocation International Certified Public Accountants Co., Ltd. No.19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, PRC
Legal advisors:	Jun He Law Offices Shanghai Office Suite 2501, Kerry Centre1515 Nanjing Road West, Shanghai, The People's Republic of China Richards Butler in association with Reed Smith LLP 20th Floor, Alerandra House 16-20 Chater Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

CORPORATE INFORMATION (Continued)

Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138
	A shares Shanghai Stock Exchange Share code: 600026

Corporate information is available at Secretary's office of the Board

China Shipping Development Company Limited

Room 1601, Shipping Tower, 700 Dong Da Ming Road, Shanghai, The People's Republic of China

Company's website:	www.cnshippingdev.com

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Shaode, born in 1950 and aged 59, is a senior economist. He is currently the chairman of the Company, president of China Shipping (Group) Company and the chairman and executive director of China Shipping Container Lines Co., Ltd.. Mr. Li joined Shanghai Bureau of Maritime Transportation Administration ("BOMTA") in 1968, and was formerly the Deputy Secretary of the Oil Tanker Branch and the Head of Employment Relationship Department. Since 1988, he has been a Deputy Head of Shanghai BOMTA. Mr. Li joined the Company when the Company was established in 1994 and then the General Manager of Shanghai Shipping (Group) Company in 1995, and the Chairman of Shanghai Hai Xing Shipping Co., Ltd. in 1996. Mr. Li has been engaging in enterprise management, human resources development and planning of adjustment work. Mr. Li has directed the business development of the SHS Group for a considerable period. He is very experienced in enterprise management. He graduated in 1983 from Shanghai Maritime University with a professional qualification in maritime transportation management. Mr. Li was conferred a master degree in mechanical engineering in 1987, and was engaged as a visiting professor by Shanghai Maritime University. Mr. Li is also the Deputy Chairman of the China Ship-owners Association and a chief commissioner of the Navigation Technology magazine.

Mr. Ma Zehua, born in January 1953 and aged 57, is a master and a senior economist. He is currently the vice chairman of the Company, the Secretary of the Party Committee and vice-president of China Shipping (Group) Company and the vice chairman and non-executive director of China Shipping Container Lines Co., Ltd.. He was formerly the deputy chief and the section chief of the shipping department of COSCO (Group) Company ("COSCO"), the general manager of COSCO (UK) Company, the general manager of the development department and the section chief of the foreign business department of COSCO, the vice-president and the section chief of the development department of COSCO, the president of COSCO (US) Company, the deputy general manager of Guangzhou COSCO, the general manager of Qingdao COSCO and vice-president of COSCO. He joined China Shipping from November 2006 and then joined the Company in April 2007 as an executive director.

Mr. Lin Jianqing, born in February 1954 and aged 56, is a senior engineer. He is currently the vice chairman of the Company, the vice-president of China Shipping (Group) Company and a non-executive director of China Shipping Container Lines Co., Ltd.. He was formerly a captain, a section chief of the engineering section, assistant general Manager and deputy general manager of Guangzhou Maritime Transport (Group) Co., Ltd. He joined China Shipping (Group) Company in July 1997 and held the position of Vice-president. Mr. Lin graduated from East China Normal University and was a student seating for doctoral degree. He has been engaged in the shipping business for many years, and possesses extensive experience in navigation and shipping enterprise management. Mr. Lin joined the Company in December 2006 as an executive director.

Mr. Wang Daxiong, born in December 1960 and aged 49, is a senior accountant. He is currently an executive director of the Company, the vice president and of China Shipping (Group) Company, a non-executive director of China Shipping Container Lines Co., Ltd., the director of China Merchant Bank Co., Ltd. and the chairman of China Shipping Haisheng Co., Ltd.. Mr. Wang joined Guangzhou BOMTA in 1983, and was formerly a section chief, then assistant head of Finance Division of Guangzhou BOMTA. Since 1996, he has been a director and the chief accountant of Guangzhou Shipping (Group) Company and joined the Company in 1997. Mr. Wang has a good command of financial and accounting knowledge and has acquired substantial experience in finance, accounting, enterprise operation and coordination. Mr. Wang graduated from Shanghai Maritime University with a professional qualification in finance and accounting in 1983.

Mr. Zhang Guofa, born in October 1956 and aged 53, is a Doctor of economics at Wuhan University. He is currently an executive director of the Company, the vice president of China Shipping (Group) Company and the vice chairman and an executive director of China Shipping Container Lines Co., Ltd.. Mr. Zhang was the deputy chief of the water transport department of Ministry of Communications, the chief of the department and the section chief of international shipping management division in 1991. Since 2000, he has been the assistant to the director and the deputy director of Ministry of Communications. Mr. Zhang joined the Company in May 2006 as an executive director.

Mr. Mao Shijia, born in March 1950 and aged 60, is currently a director and the general manager of the Company. Mr. Mao graduated from Shanghai Maritime University in 1974, having majored in maritime piloting. Mr. Mao joined Shanghai COSCO in 1974, and was formerly a captain and manager of Shanghai COSCO International Cargo Transportation Company and Beijing COSCO International Cargo Transportation Company, the Deputy General Manager of Shanghai COSCO, the General Manager of China Merchants Group Ming Hua Shipping Company and China Merchant Transportation Group. Mr. Mao joined the Group Company in January 2001, and was General Manager of China Shipping Terminal Development Co., Ltd (a subsidiary of Group Company) and China Shipping Logistics Co., Ltd. (a subsidiary of Group Company). Since November 2002, Mr. Mao has served as an assistant president of Group Company and then joined the Company in 2004. In addition, Mr. Mao has been engaged in shipping enterprise management and operation for a considerable period. He is well experienced in navigation and enterprise operation and management.

Mr. Qiu Guoxuan, born in August 1957 and aged 52, has a master's degree in business administration and is a senior engineer. He is currently a director and the deputy general manager of the Company. Mr. Qiu joined Guangzhou BOMTA in 1974 as a ship pilot and later as a captain. Mr. Qiu was also a deputy chief of Sailing Department, a deputy chief of Shipping Department, a deputy chief of Business Department, a chief of Shipping Department of China Shipping Development Co., Ltd. Tramp Co. and an assistant to the general manager of China Shipping Development Co., Ltd. Tramp Co.. Since January 2002, Mr. Qiu has been the deputy general manager of China Shipping Development Co., Ltd. Tramp Co. until March 2009. Since March 2009, Mr. Qiu has been the deputy general manager of the Company, and has been an executive director of the Company since May 2009.

Mr. Wang Kunhe, born in September 1948 and aged 61, is a senior engineer. He joined Guangzhou BOMTA in 1974, and has been its chief engineer and mechanical director. In 1995, he was the deputy general manager, general manager of Guangzhou Maritime Xinghua Shipping Company. In 1998, he was the Deputy General Manager of the cargo vessel branch of the Company, Genral Manager of China Shipping Supply and Trading Company Limited. Mr. Wang joined the Company as the deputy general manager in March 2003. Mr. Wang graduated from Jimei University, and has been engaging in navigation and shipping management for many years, and has extensive experience in corporate management. Since March 2003, Mr. Wang has been the deputy general manager of the Company until March 2009, and has been an executive director of the Company during the period from August 2004 to May 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongguang, born in June 1945 and aged 64, is a senior economist. He is currently an independent non-executive director of the Company. Mr. Zhu graduated from Wuhan School of River Transportation in 1965 majoring in navigation. Since 1984, Mr. Zhu has been Chief of Production Scheduling Division of Oceanic Administration under the Ministry of Communications, Chief of Integrated Transport Division of the Air Transport Regulation Department under the Ministry of Communications, and from 1992 onwards, Mr. Zhu has been Director General of Air Transport Regulation Department and Deputy Director General of Water and Transport Department. From July 1988 to April 2007, Mr. Zhu served as the Director General of the Department of Restructuring, Laws and Regulations. Mr. Zhu joined the Company in January 2008.

Mr. Gu Gongyun, born in July 1957 and aged 52, is a doctoral supervisor and the vice president of East China University of Political Science and Law. He is currently an independent non-executive director of the Company. He is also the vice president of the Commercial Law Society of China Law Society, the president of the Commercial Law Society of Shanghai Law Society and a member of the Expert Consultative Committee for Legislation of Shanghai Municipal People's Congress. Mr. Gu is mainly engaged in the research on economic law, commercial law and the legal system of state-owned economy and has profound theoretical attainments in such fields. Mr. Gu was honored as a Model Worker in Shanghai in 2001, granted the National "May 1st" Labor Medal in 2002 and honored as an Excellent Talent in Shanghai in 2004. Mr. Gu was also an independent non-executive director of Jiangxi Ganyue Expressway Co., Ltd., Shanghai DaZhong Public Utilities (Group) Co., Ltd., Shanghai Highly (Group) Co., Ltd. and Industrial Bank Co., Ltd., all of which are companies listed on the Shanghai Stock Exchange. Currently, he is an independent director of Haitong Securities Company Limited, a company listed on the Shanghai Stock Exchange. Mr. Gu joined the Company as an independent non-executive director in May 2009.

Mr. Zhang Jun, born in January 1963 and aged 47, is a doctoral supervisor. He is currently an independent non-executive director of the Company. Previously, he was a tutor, lecturer, associate professor and professor in economics at Fudan University. Mr. Zhang has acted as a visiting professor and a visiting scholar at a number of universities and research institutes in the United States of America, the United Kingdom and Japan since 1994. He acted as a visiting research fellow in the "World Research Institute on Economic Development" of the United Nations University, Helsinki, Finland from June to September 2005 and a Changjiang special professor of "Modern Chinese Economy" at Fudan University in April 2006. Currently, he is the director of the "Research Center of Chinese Economy", a key research base of the Ministry of Education, and the chief editor of the "World Economic Papers", a major journal in economics. Mr. Zhang Jun is currently an independent director of Tengda Construction Group Co., Ltd and Deluxe Family Co., Ltd., both being companies listed on the Shanghai Stock Exchange. Mr. Zhang joined the Company as an independent non-executive director in May 2009.

Mr. Lu Wenbin, born in September 1967 and aged 42, is a Ph.D. in accounting. He is currently an independent non-executive director of the Company. Mr. Lu started his career in July 1992 as an assistant accountant in the Finance Department of Changzhou Wireless General Factory, Jiangsu Province. In March 1993, he served as a lecturer in the Department of Business Administration at Jiangsu Institute of Petrochemical Technology. From September 2000, he acted as the head and subsequently the director of the Office of Academic Affairs of Shanghai National Accounting Institute. Currently, he is a member of the Accounting Education Committee of the Accounting Society of China and an independent director of Science City Development Public Co., Ltd., and Shanghai Bestway Marine Engineering Design Co., Ltd., both being companies listed on the Shenzhen Stock Exchange. Mr. Lu joined the Company as an independent non-executive director in May 2009.

Mr. Xie Rong, born in November 1952 and aged 57, is an accountant, Doctor and professor. He is currently the vice dean of Shanghai National Accounting Institute, an independent non-executive director of China Eastern Airlines Corporation Limited, an external director of Shanghai Automotive Company Limited., an independent non-executive director of China CITIC Bank Corporation Limited and an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited. Mr. Xie joined the Company as an independent non-executive director in May 2003 and now serves as a part-time accounting master degree demonstration expert of China, executive director of China Accounting Professor Seminar. From May 2003 to May 2009, Mr. Xie has been an independent non-executive director of the Company.

Mr. Hu Honggao, born in September 1954 and aged 55, is a professor and doctorate program tutor. He is a vice dean of the school of law of Fudan University and an independent non-executive director of China Eastern Airlines Corporation Limited. Mr. Hu joined the Company as an independent non-executive director in May 2003 and now serves as a part-time director of China Law & Commercial Law Seminar, Director of China Law & Economic Law Seminar, Vice Director of Shanghai Economic Law Seminar, member of Shanghai Municipal Legislation Advisory Committee. From May 2003 to May 2009, Mr. Hu has been an independent non-executive director of the Company.

Mr. Zhou Zhanqun, born in November 1942 and aged 67, is a researcher. Mr. Zhou graduated from the ship-building department of Dalian Institute of Technology and formerly served as a director of the transportation technology division of Shanghai Ship and Shipping Research Institute. From May 2003 to May 2009, Mr. Zhou has been an independent non-executive director of the Company.

SUPERVISORS

Mr. Kou Laiqi, was born in October 1950 and aged 59. He is currently the chairman of the supervisory committee of the Company, the head of the discipline inspection group of China Shipping (Group) Company and a supervisor of China Shipping Container Lines Co., Ltd.. Mr. Kou was formerly the deputy director of the organization department, director of the personnel department of Shanghai BOMTA, general manager of the organization division of China Shipping (Group) Company. Since December 1997, Mr. Kou has been the secretary of the discipline inspection committee and party committee member of China Shipping (Group) Company and joined the Company as a supervisor in 2003. Mr. Kou graduated in 2001 from the economic management department of the Distance Learning College of the CPC Party School. Mr Kou has been engaging in shipping business management for many years.

Mr. Yan Zhichong, born in May 1957 and aged 52, is a Senior Engineer. He is currently a supervisor of the Company, the general manager of Guangzhou Marine Transport (Group) Company Limited and a supervisor of China Shipping Container Lines Co., Ltd.. He was formerly the general manager of China Shipping Development Company Limited Guangzhou Tanker Branch, the general manager of the transportation department of China Shipping (Group) Company, the vice president of China Shipping (H.K.) Holdings Co., Ltd., and the general manager of China Shipping International Ship Management Co., Ltd. Mr. Yan joined the Company in October 2007 as a supervisor.

Mr. Xu Hui, was born in April 1962 and aged 48. He is currently a supervisor of the Company, the general manager of the Shanghai Shipping (Group) Company and non-executive director of China Shipping Container Lines Co., Ltd. Mr. Xu joined Oil Tanker Company of Shanghai Bureau of Maritime Transportation Administration (BOMTA) in 1984 and was formerly the chief engineer and guidance of chief engineers. Since December 1996, Mr. Xu had been the deputy chief of the shipping technology division of Shanghai Hai Xing Shipping Company Limited and since 1997 he had been the chief of the technology division, Deputy General Manager and General Manager of Shanghai Shipping (Group) Company. Mr. Xu Hui graduated in 1983 from the ship management department of Jimei University.He has been engaging in navigation for many years and has extensive experience in enterprise management. Mr. Xu joined the Company in May 2006 as a supervisor.

Mr. Yu Shicheng, born in August 1954 and aged 55, is a doctor in law science, a lawyer and a professor. Mr. Yu is currently the independent supervisor of the Company, the independent supervisor of China COSCO Holdings Company Limited and the independent supervisor of COSCO Shipping Co., Ltd. Mr. Yu graduated from Shanghai Maritime University majoring in ocean shipping and obtained a master's degree in law science in 1986 from the same university. He obtained his doctoral degree in law science in 2007 from East China University of Political Science. Mr. Yu is currently a professor and the president of Shanghai Maritime University, vice chairman of China Navigation Association, vice chairman of China Maritime Law Association, member of the Expert Committee of the Ministry of Communications of P.R.C. and an arbitrator of China Maritime Arbitration Commission. Mr. Yu joined the Company as an independent supervisor in January 2008.

Ms. Chen Xiuling, born in May 1965 and aged 44, is a master. She is currently a supervisor of the Company as a representative of staff and the section chief of shipping department in China Shipping Development Co., Ltd Tramp Co. She joined Guangzhou BOMTA in 1990, and was formerly an office clerk of transportation department, then a director and assistant head of the container transportation department in Guangzhou BOMTA Southern Company and a deputy chief of business department in China Shipping Development Co., LTD TRAMP CO. Since January 2001, she has been a section chief of shipping department and served as a part-time director of operation department in China Shipping Development Co., LTD TRAMP CO. She became a supervisor of the Company as a representative of staff in May 2006. Ms. Chen graduated from Navigation department of Wuhan University of Technology in May 1990.

Mr. Luo Yuming, born in December, 1967 and aged 42, is a senior engineer. He is currently a supervisor of the Company as a representative of staff and the general manager of the shipping department of China Shipping Development Company Limited Tanker Company. Mr. Luo joined the Company in August, 1989 and was captain of oil tankers of Guangzhou Maritime Transport Group Co., Ltd., head of maritime section, assistant to general manager and deputy general manager of China Shipping Development Company Limited Tanker Company - (Guangzhou Branch). He was appointed the director of the vessel adminstration department of China Shipping Development Co., Ltd. Tanker Company on September, 2005 and the general manager of the shipping department on January, 2007. Mr. Luo graduated in July, 1989 from the Dalian Maritime University majoring in vessel driving. Mr. Luo became a supervisor of the Company in Octorber 2007, who is a representative of staff of the Company.

As at December 31, 2009, none of the Directors or Supervisors had any interest and short positions in any shares, underlying shares of debentures of the Company or any associated corporation within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notify to the Company and the HKSE by the Directors and Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Codes").

SENIOR MANAGEMENT

Mr. Mao Shijia, born in March 1950 and aged 60, is currently a director and the general manager of the Company. Mr. Mao graduated from Shanghai Maritime University in 1974, having majored in maritime piloting. Mr. Mao joined Shanghai COSCO in 1974, and was formerly a captain and manager of Shanghai COSCO International Cargo Transportation Company and Beijing COSCO International Cargo Transportation Company, the Deputy General Manager of Shanghai COSCO, the General Manager of China Merchants Group Ming Hua Shipping Company and China Merchant Transportation Group. Mr. Mao joined the Group Company in January 2001, and was General Manager of China Shipping Terminal Development Co., Ltd (a subsidiary of Group Company) and China Shipping Logistics Co., Ltd. (a subsidiary of Group Company). Since November 2002, Mr. Mao has served as an assistant president of Group Company and then joined the Company in 2004. In addition, Mr. Mao has been engaged in shipping enterprise management and operation for a considerable period. He is well experienced in navigation and enterprise operation and management.

Mr. Qiu Guoxuan, born in August 1957 and aged 52, has a master's degree in business administration and is a senior engineer. He is currently a director and the deputy general manager of the Company. Mr. Qiu joined Guangzhou BOMTA in 1974 as a ship pilot and later as a captain. Mr. Qiu was also a deputy chief of Sailing Department, a deputy chief of Shipping Department, a deputy chief of Business Department, a chief of Shipping Department of China Shipping Development Co., Ltd. Tramp Co. and an assistant to the general manager of China Shipping Development Co., Ltd. Tramp Co.. Since January 2002, Mr. Qiu has been the deputy general manager of China Shipping Development Co., Ltd. Tramp Co. until March 2009. Since March 2009, Mr. Qiu has been the deputy general manager of the Company, and has been an executive director of the Company since May 2009.

Mr. Wang Kunhe, born in September 1948 and aged 61, is a senior engineer. He joined Guangzhou BOMTA in 1974, and has been its chief engineer and mechanical director. In 1995, he was the deputy general manager, general manager of Guangzhou Maritime Xinghua Shipping Company. In 1998, he was the Deputy General Manager of the cargo vessel branch of the Company, Genral Manager of China Shipping Supply and Trading Company Limited. Mr. Wang joined the Company as the deputy general manager in March 2003. Mr. Wang graduated from Jimei University, and has been engaging in navigation and shipping management for many years, and has extensive experience in corporate management. Since March 2003, Mr. Wang has been the deputy general manager of the Company until March 2009, and has been an executive director of the Company during the period from August 2004 to May 2009.

Mr. Wang Kangtian, born in March 1966 and age 44, has a master's degree in economics and is a deputy manager and the Chief Accountant of the Company. Mr. Wang joined Guangzhou BOMTA in 1988, and was formerly a section chief, then assistant head of the financial and accounting department in Guangzhou Maritime Transport Group. Mr. Wang joined China Shipping (Group) Company in 1997, accumulating substantial experience in finance and accounting and joined the Company in 1999. Mr. Wang graduated from the Finance Department in Anhui Institute of Finance and Trade in 1988 and obtained a master's degree in economics in 2005 from Renmin University of China.

Mr. Tan Weixin, born in 1958 and age 51, is a master and an economist. He joined in the Company in February 2007 as a deputy manager. He was formerly the Company Secretary of the Shanghai Hai Xing Shipping Company Limited (the former name of the Company), the general manager of the China Shipping International Trading Co., Ltd., the deputy manager of the China Shipping Logistic Co., Ltd, the deputy manager and general manager of the development department of China Shipping (Group) Company.

Ms. Yao Qiaohong, born in September 1969 and age 40, is an economist, the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretarties. She joined Shanghai Hai Xing Shipping Company Limited in 1997. Since 2002, she has been the Securities Affairs Representative of the Company, Vice Manager and Manager of the secretary office of the Board of the Company. Ms. Yao graduated from Shanghai Maritime University in 1997 with a master degree in literature.

中海發展股份有限公司
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