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)

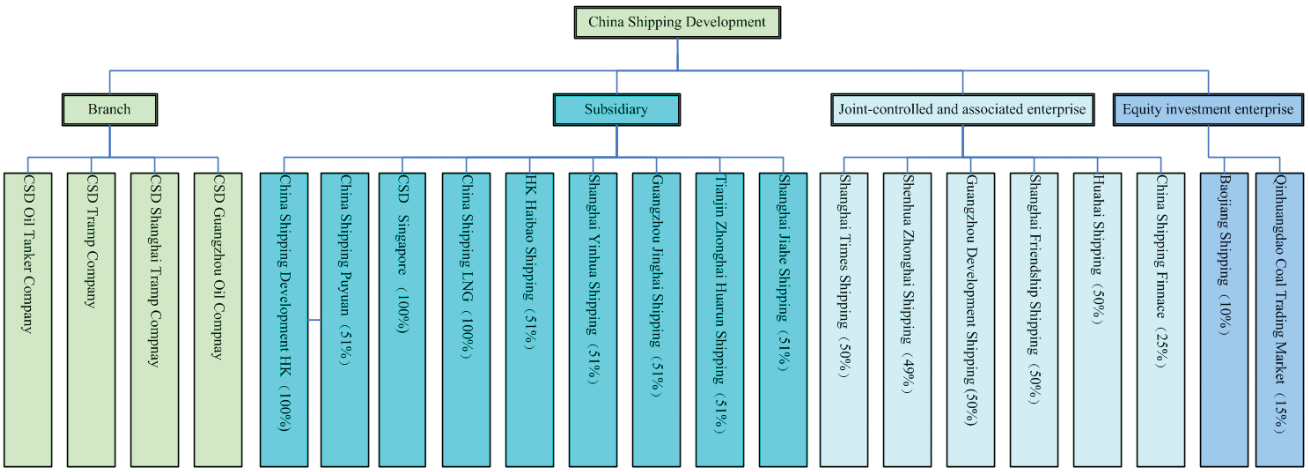
2010 ANNUAL REPORT

(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. As at 31 December 2010, the Group owned assets totaling of approximately RMB40.710 billion, of which there are shareholders' funds of approximately RMB22.579 billion, and a fleet of 176 vessels with an aggregate deadweight of approximately 11.366 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				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**11,283,594**	8,729,969	17,214,283	12,394,739	9,203,557
Profit before tax	**2,171,408**	1,342,337	6,432,685	5,328,035	3,292,813
Profit for the year attributable to equity holders of the parent	**1,716,522**	1,064,794	5,373,010	4,546,383	2,758,477
Total assets	**40,710,175**	33,929,549	30,028,594	23,707,443	17,000,152
Minority interests and Total liabilities	**18,131,630**	12,534,976	8,574,574	7,535,928	4,394,899
Equity attributable to equity holders of the parent	**22,578,545**	21,394,573	21,454,020	16,171,515	12,605,253
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.632**	6.284	6.302	4.862	3.790
Earning per share	**0.5042**	0.3128	1.5864	1.3669	0.8294
Dividend per share	**0.170**	0.100	0.300	0.500	0.300

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 and iron ore) along the coastal region of the PRC and internationally.

In 2010, global economy and trade gradually recovered. Driven by the rapid development of the emerging economies in Asia, the shipping market showed gradual recovery and growth. However, due to a large number of new vessels delivered, the market rebound was hindered with insufficient growth momentum.

As for the dry bulk cargo shipping market, the "China Factor" again dominated and exerted significant influences over the international dry bulk cargo shipping market. Affected by the macroeconomic control policy implemented by the Chinese government, some steel mills in China began to reduce production with a falling demand for iron ore. According to statistics of General Administration of Custom of the PRC, China imported 618 million tons of iron ore in 2010, representing a decrease of 1.4% compared with the same period in 2009. This marked a first year-on-year decline over the past 12 years. Under the influence of various factors such as excess supply of shipping capacity, the "China Factor" and the climate factors, the Baltic Dry Bulk Freight Rate Index (the "BDI") fluctuated at low levels and averaged daily in 2010 at 2,758 points, up 5.4% compared with the same period in 2009.

The domestic coastal bulk shipping market experienced heavy fluctuations in 2010, with weak shipping demand in peak seasons. The coastal dry bulk freight index ("CCBFI") averaged daily in 2010 at 1,460 points, up 19.8% compared with the same period in 2009.

In 2010, the global economic recovery drove up the demand for oil. In the first half of 2010, the international crude oil shipping market remained active. In the second half of 2010, due to a large number of new vessels delivered, the increasing supply of shipping capacity significantly outpaced the rising demand for oil, leading to a continued downturn in the international oil tanker market. In 2010, the Baltic Dirty Oil Tanker Freight Rate Index ("BDTI") in 2010 averaged daily at 896 points, representing an increase of 54.2% compared with the same period in 2009. The World Scale Index ("WSI") for shipping routes from the Middle East to Japan, being one of the freight rate indicators for very large crude oil carriers ("VLCC") in 2010 averaged daily at 71.6 points, representing an increase of 71.7% compared with the same period in 2009. The average daily revenue increased by 27.0% compared with the same period in 2009.

In 2010, the domestic economy sustained progressive recovery. The demand for coastal oil showed strong growth while the freight rate remained stable. The overall domestic coastal oil shipment market remained steady.

2. ANALYSIS OF THE PRINCIPAL OPERATIONS OF THE GROUP

Despite the complex and volatile market environment in 2010, the Group firmly focused on its core business of domestic coastal coal shipping and oil shipping business, continued to adhere to its policy of "reinforcing coastal business and developing clean transportation", and put more effort into market expansion. The Group also enhanced its association and cooperation with customers, optimized its fleet portfolio and strengthened its internal control. As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development.

During the year from 1 January 2010 to 31 December 2010 ("Reporting Period"), the shipping volume achieved by the Group was approximately 269.72 billion tonne-nautical miles, and the total revenue derived from shipment was approximately RMB11.284 billion, representing an increase of 21.7% and 29.3% as compared with those of the same period in 2009 respectively. The operating costs was approximately RMB8.931 billion, representing an increase of 26.5% as compared with that of the same period in 2009. Net profit attributable to equity holders of the parent was approximately RMB1.717 billion, representing an increase of 61.2% as compared with that of the same period in 2009. Earnings per share was approximately RMB0.5042.

Principal Operations by Products Transported

Industry or Product Description	Revenue (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Increase in revenue as compared with 2009 (%)	Increase in operating costs as compared with 2009 (%)	Change in gross profit margin as compared with 2009
Coal shipments	3,509,492	2,674,593	23.8	26.9	18.1	up 5.7 percentage points
Oil shipments	6,097,958	4,947,561	18.9	24.1	26.0	Down 1.2 percentage points
Other bulk shipments	1,676,144	1,308,688	21.9	96.2	50.3	up 23.8 percentage points
Total	11,283,594	8,930,842	20.9	29.3	26.5	up 4.1 percentage points

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

Principal Operations by Geographical Regions

Regions	Revenue	Increase/ (decrease) in revenue as compared with 2009
	(RMB'000)	(%)
Domestic shipment	7,223,435	36.8
International shipment	4,060,159	17.8

(1) Shipping business - Dry bulk shipments

In 2010, faced with the volatile market environment, the Group was able to maintain overall balanced growth in its three major segments, being coastal transportation, clean transportation and joint ventures by fully leveraging on its advantages in corporate brand, service and scale. For coastal shipping, the Group focused on power and coal contracts of affreightment ("COA contracts"), seized opportunities of market fluctuations to increase other cargo types and optimized and adjusted the customer portfolio. As for international dry bulk cargo shipping, the Group consolidated the relevant business divisions, strengthened the market analysis and study, stepped up efforts in increasing international shipping capacity in a timely manner and vigorously expanded demand sources such as imported iron ore, coal and steel. In addition, the Group fully leveraged on the advantage of its fleet for both domestic and international shipping market and achieved considerable growth in its international bulk cargo shipping business. In 2010, the Group's international markets dry bulk cargo shipping capacity accounted for 15.8% of its dry bulk cargo shipping capacity. Profit from international dry bulk cargo shipping accounted for 34.2% of profit from dry bulk cargo shipping.

In 2010, the Group achieved a shipping volume of approximately 108.98 billion tonne-nautical miles of dry bulk cargo, and derived revenue of approximately RMB5.185 billion, representing increases of 14.2% and 43.2% as compared with those of the same period in 2009 respectively.

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

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

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

Transportation volume by types

	In 2010 (billion tonne nautical miles)	In 2009 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2009 (%)
Domestic Shipment	**59.00**	55.68	6.0
Coal	**50.45**	48.82	3.3
Other dry bulk	**8.55**	6.86	24.6
International Shipment	**49.98**	39.76	25.7
Coal	**4.37**	7.30	(40.1)
Other dry bulk	**45.61**	32.46	40.5
Total	**108.98**	95.44	14.2

Revenue by product types

	In 2010 (RMB million)	In 2009 (RMB million)	Increase/ (decrease) in revenue as compared with 2009 (%)
Domestic Shipment	**3,777**	2,808	34.5
Coal	**3,296**	2,521	30.7
Other dry bulk	**481**	287	67.6
International Shipment	**1,408**	812	73.4
Coal	**213**	245	(13.1)
Other dry bulk	**1,195**	567	110.8
Total	**5,185**	3,620	43.2

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

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

(2) Shipping business - Oil shipments

In 2010, as for international oil shipment, the Company closely followed the market trend and adjusted its operating strategy in a timely manner. While implementing the operation and management of large vessels, the Company actively contracted for COA cargo sources. As for domestic oil shipping, the Group actively adjusted its shipping capacity and strived to consolidate its existing market while actively expanding its incremental market. The Group continued to sustain its market share of approximately 65% in the domestic crude oil shipping market.

In 2010, the Group achieved a shipping volume of approximately 160.74 billion tonne-nautical miles of oil shipment, representing an increase of 27.3% as compared with that of the same period in 2009, and the revenue achieved was approximately RMB6.099 billion, representing an increase of 24.1% as compared with that of the same period in 2009. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume and revenue in terms of products types

	In 2010 (billion tonne nautical miles)	In 2009 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2009 (%)
Domestic Shipment	**26.85**	19.5	37.7
Crude oil	**20.74**	15.31	35.5
Refined oil	**6.11**	4.19	45.8
International Shipment	**133.89**	106.76	25.4
Crude oil	**105.27**	70.49	49.3
Refined oil	**28.62**	36.27	(21.1)
Total	**160.74**	126.26	27.3

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

(2) Shipping business - Oil shipments (Continued)

Revenue by product types

	In 2010 (RMB million)	In 2009 (RMB million)	Increase/ (decrease) in revenue as compared with 2009 (%)
Domestic Shipment	**3,446**	2,473	39.3
Crude oil	**2,826**	2,052	37.7
Refined oil	**620**	421	47.3
International Shipment	**2,653**	2,440	8.7
Crude oil	**1,565**	1,028	52.2
Refined oil	**1,088**	1,412	(22.9)
Total	**6,099**	4,914	24.1

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

(3) Costs analysis

In 2010, the Group continued to focus on its objectives of "increasing revenue, reducing expenses, controlling costs and improving efficiency". The Group vigorously implemented refined management and steadily promoted comprehensive budget management. Through adopting advanced operating costs control and management in various aspects, the Group effectively controlled its major transportation costs such as fuel cost, port charges and repair expenses.

The total operating costs incurred in 2010 was approximately RMB8.931 billion, an increase of 26.5% as compared with 2009, which was 2.8 percentage points lower as compared with the growth of operating revenue. The composition of the main operating costs are as follows:

	In 2010 (RMB '000)	In 2009 (RMB '000)	Increase/ (Decrease) (%)	**Composition Ratio in 2010 (%)**
Fuel cost	**3,845,000**	2,670,000	44.0	**43.1**
Port cost	**818,000**	722,000	13.3	**9.2**
Labor cost	**1,314,000**	1,222,000	7.5	**14.7**
Lubricants expenses	**232,000**	193,000	20.2	**2.6**
Depreciation	**1,364,000**	1,050,000	29.9	**15.3**
Insurance expenses	**224,000**	237,000	(5.5)	**2.5**
Repair expenses	**526,000**	488,000	7.8	**5.9**
Charter cost	**352,000**	220,000	60.0	**3.9**
Others	**256,000**	260,000	(1.5)	**2.8**
Total	**8,931,000**	7,062,000	26.5	**100.0**

The fuel cost incurred by the Group in 2010 was approximately RMB3.845 billion, an increase of 44.0% as compared with 2009, representing 43.1% of the total operating cost. Such change was due to the significant increase of international oil prices as compared with 2009. The average price of Singapore 380CST fuel for 2010 increased by 25.3% as compared with the same period in 2009. In 2010, the Group further enhanced its fuel saving, and in light of the total shipping turnover volume increase of 21.7%, the total fuel consumption of the Group amounted to 968,800 tonnes, representing an increase of 11.9% as compared with the same period in 2009. The fuel consumption per thousand nautical miles was 3.59 kg, representing a decrease of 8.1% as compared with that of the same period in 2009.

The Group's depreciation expenses incurred in 2010 amounted to approximately RMB1,364 million, an increase of 29.9% as compared with that of the same period in 2009, representing 15.3% of the total operating costs. Such change was due to the daily average capacity increase of 23.1% as a result of the delivery of 9 new tankers and 12 new bulk vessels.

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

(4) Interests in the jointly-controlled entities results

In 2010, the Group has recognised its profits in the 6 jointly-controlled entities of approximately RMB217 million, representing an increase of 254.5% as compared with that of the same period in 2009. The main reason for such change was due to the increases in the cargo volume and freight in domestic bulk shipping business, and the operating results achieved by the 6 jointly-controlled entities of the Group. In 2010, the 6 jointly-controlled entities achieved a shipping volume of 59.87 billion tonne-nautical miles, an increase of 92.4% as compared with the same period in 2009. The turnover achieved by the 6 jointly-controlled entities in 2010 was approximately RMB5.404 billion, with a net profit of approximately RMB473 million, representing increases of 239% and 272.4% as compared with the same period in 2009 respectively.

As at 31 December 2010, the 6 jointly-controlled entities owned 49 bulk vessels with a total capacity of 2,472,000 deadweight tonnes and 24 vessels under construction with the capacity of 1,234,000 deadweight tonnes.

The operating results achieved by the 6 jointly-controlled entities in 2010 are as follows:

Company name	**Interest held by the Company**	**Shipping volume** (billion tonne nautical miles)	**Operating revenue** (RMB'000)	**Net profit** (RMB'000)
Shanghai Times Shipping Co., Limited	50%	27.01	1,747,724	111,029
Shanghai Friendship Marine Co., Limited	50%	1.57	140,081	10,951
Huahai Petrol Transportation & Trading Co., Limited	50%	1.80	153,369	4,821
Guangzhou Development Shipping Co., Limited	50%	1.36	267,486	13,293
Shenhua Zhonghai Marine Co., Limited	49%	28.13	2,996,799	294,514
China Shipping Finance Co., Limited	25%	N/A	98,628	38,881

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

(4) Interests in the jointly-controlled entities results (Continued)

Notes:

(1) On 17 May 2010, the Company entered into a share transfer agreement with Shanghai Shipping (Group) Company, a wholly-owned subsidary of China Shipping (Group) Company and a connected person of the Company, pursuant to which the Company agreed to purchase the 50% equity interest of Huahai Petrol Transportation & Trading Co., Limited, for a consideration of RMB144,459,154.80 in cash.

(2) At the first Board meeting of 2010 held on 29 January 2010, the Company passed the resolution regarding the capital contribution agreement signed by the Company and China Shenhua Energy Company Limited in relation to the increase in registered capital in Zhuhai New Century Shipping Company Limited. In accordance with the agreement, both parties agreed to increase capital contribution to Zhuhai New Century Shipping Company for the first installment in 2010, and it is supposed that the total amount of the capital increase to be contributed by both parties from 2010 to 2012 will be approximately RMB4.6 billion. As at the end of Reporting Period, the Company has contributed RMB149,000,000 to Zhuhai New Century Shipping Company Limited for the first installment, and the date of completion was 25 June 2010. Following the contributions by both parties, the company name changed from Zhuhai Century Shipping Company Limited to Shenhua Zhonghai Marine Company Limited, and the equity interest held by the Company changed from 50% to 49%.

(3) In accordance with the resolution passed at the seventh Board meeting of 2010, the Company entered into a share transfer agreement with Guangzhou Development Coal Investment Co., Limited on 16 August 2010, pursuant to which the Company acquired 50% registered capital of Guangzhou Development Shipping Co., Limited from Guangzhou Development Coal Investment Co., Limited at a consideration of RMB327,922,000.

3. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group increased from approximately RMB1,908,308,000 for the year ended 31 December 2009 to approximately RMB2,754,300,000 for the year ended 31 December 2010, representing an increase of 44.3%.

3. FINANCIAL ANALYSIS (Continued)

(2) Capital commitments

The Group and the Company had capital commitments as at 31 December 2010, of which RMB3,478,709,000 (2009: RMB1,509,107,000) from the Group and RMB793,814,000 (2009: RMB872,916,000) from the Company will be due within the next financial year.

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Authorized and contracted for construction and purchases of vessels (Note)	**20,436,403**	17,464,664	**9,214,159**	7,367,064
Equity Investments	**2,111,649**	2,103,051	**2,111,649**	2,103,051
	22,548,052	19,567,715	**11,325,808**	9,470,115

Note:

According to the vessels construction and purchase agreements entered into by the Group from 2006 to 2010, these capital commitments will fall due as from 2011 to 2013 respectively.

(3) Capital structure

As at 31 December 2010, the interest attributable to the shareholders of the parent, bank loans and interest-bearing borrowings amounted to approximately RMB23,091,461,000 and approximately RMB14,976,003,000 respectively. As at 31 December 2010, the debt-to-equity ratio was 64.9% (31 December 2009:46.1%).

3. FINANCIAL ANALYSIS (Continued)

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

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

		Annual Effective interest (%)	Maturity	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Current liabilities							
(i) Bank loan							
	Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 1.40%	2011	**561,041**	780,963	**35,539**	—
	Unsecured	Libor + 0.35% to 0.85%	2011	**662,809**	541,410	**231,794**	541,410
				1,223,850	1,322,373	**267,333**	541,410
(ii) Other borrowings							
	Unsecured	10% discount to the PBC Benchmark interest rate, 5.004%	2011	**1,200,000**	—	**1,200,000**	—
	Notes, interest-bearing bank and other borrowings - current portion			**2,423,850**	1,322,373	**1,467,333**	541,410
Non-current liabilities							
(i) Bank loan							
	Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.40%	2012-2021	**4,590,795**	3,229,216	**319,849**	—
(ii) Notes							
	Unsecured	3.90% to 4.18%	2012-2014	**4,989,873**	4,986,318	**4,989,873**	4,986,318
(iii) Other borrowings							
	Unsecured	10% discount to the PBC Benchmark interest rate, 4.86%	2013 - 2015	**2,541,551**	—	**2,541,551**	—
	Notes, interest-bearing bank and other borrowings - Non-current portion			**12,122,219**	8,215,534	**7,851,273**	4,986,318

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 analyzed as follows: (Continued)

The Group's bank loans are secured by pledges or mortgages of the Group's 15 vessels (2009: 9 vessels) and another 2 vessels under construction (2009: 4 vessels under construction) with a total net carrying amount of RMB7,585,649,000 (31 December 2009: RMB5,953,403,000) at 31 December 2010.

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 RMB4,796,448,000 (2009: RMB4,010,179,000) and unsecured bank loans of RMB649,010,000 (2009: RMB341,410,000) which are denominated in USD, all other borrowings are denominated in RMB.

3. FINANCIAL ANALYSIS (Continued)

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

(b) At 31 December 2010, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analyzed into:				
(i) Bank loans:				
Within one year or on demand	**1,223,850**	1,322,373	**267,333**	541,410
In the second year	**612,084**	397,004	**35,539**	—
In the third to fifth year, inclusive	**1,866,396**	1,191,012	**106,617**	—
Over five years	**2,112,315**	1,641,200	**177,693**	—
	5,814,645	4,551,589	**587,182**	541,410
(ii) Notes:				
In the second year	**1,995,946**	—	**1,995,946**	—
In the third to fifth year, inclusive	**2,993,927**	4,986,318	**2,993,927**	4,986,318
	4,989,873	4,986,318	**4,989,873**	4,986,318
(iii) Other borrowings:				
Within one year or on demand	**1,200,000**	—	**1,200,000**	—
In the second year	**200,000**	—	**200,000**	—
In the third to fifth year, inclusive	**2,341,551**	—	**2,341,551**	—
	3,741,551	—	**3,741,551**	—
	14,546,069	9,537,907	**9,318,606**	5,527,728

Included in other borrowings represent an amount of RMB1,441,551,000 (2009: Nil) were borrowed from China Shipping Finance Co., Limited, a jointly controlled entity of the Company. As at 31 December 2010, the current and non-current portion of this borrowing amounted to RMB200,000,000 (2009: Nil) and RMB1,241,551,000 (2009: Nil) respectively.

Included in other borrowings represent an amount of RMB2,300,000,000 (2009: Nil) were borrowed from the Company's ultimate holding company. As at 31 December 2010, the current and non-current portion of this borrowing amounted to RMB1,000,000,000 (2009: Nil) and RMB1,300,000,000 (2009: Nil) respectively.

3. FINANCIAL ANALYSIS (Continued)

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

(c) Details of the notes at 31 December 2010 are as follows:

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Principal amount	**5,000,000**	5,000,000
Notes issuance cost	**(14,496)**	(14,496)
Proceeds received	**4,985,504**	4,985,504
Accumulated amortisation	**4,369**	814
	4,989,873	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 arrears on 4 August and 27 November of each year. The notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

(5) Cash and cash equivalents

Cash at banks generates interest income at floating rates based on daily bank deposit rates. Short-term fixed deposits are deposited for various periods 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 approximate their fair values. As at the date of the statement of financial position, the cash and bank balances of the Group denominated in USD amounted to approximately RMB351,880,000 (2009:RMB493,700,000).

Cash and cash equivalents includes bank balance of an amount of RMB307,451,000 (2009: Nil) deposited with China Shipping Finance Co., Limited, a jointly controlled entity of the company.

3. FINANCIAL ANALYSIS (Continued)

(5) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**351,880**	493,700	**85,130**	98,326
RMB	**705,513**	1,725,226	**315,905**	1,434,975
HKD	**1,376**	2,132	**41**	31
EUR	**1,021**	1,037	**1,021**	1,037
GBP	**33**	46	**33**	46
SGD	**1,905**	—	**—**	—
JPY	**7**	6	**7**	6
	1,061,735	2,222,147	**402,137**	1,534,421

(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 RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

At 31 December 2010, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2010 would have been RMB45,689,000 (2009: RMB37,607,000) 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 2010, the Group's foreign exchange liabilities mainly comprised of bank borrowings in USD equivalent to approximately RMB5,445,458,000. 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.

4. OTHERS

(1) Investment and fleet expansion projects

In 2010, the Group has achieved further improvement in both external investments and fleet expansion.

In 2010, the amount of total investment of the Group was approximately RMB8,765,380,000, of which approximately RMB8,022,540,000 was paid for the purchase of fixed assets (vessels) in cash.

In terms of external investments: (1) for oil transportation business: the Group acquired 50% equity interest of Huahai Petrol Transportation & Trading Co., Limited in 2010 and China Shipping Development (Singapore) Shipping Co., Limited was established to explore overseas oil transportation business; (2) for dry bulk transportation business, the Group strengthened cooperation with its major customers. Both the Group and China Shenhua Energy Company Limited completed the first installment of the increase in capital contribution to Shenhua Zhonghai Marine Company Limited in 2010; Shanghai Jiahe Shipping Co., Limited was jointly established by the Company and Shanghai Shenergy Co., Limited in 2010; Tianjin Zhonghai Huarun Shipping Co., Ltd. was also jointly established by the Company and China Resources Power Logistic (Tianjin) Co., Limited by means of increasing capital contribution; the Group acquired 50% equity interest of Guangzhou Development Shipping Co., Limited; and (3) for LNG shipping business, the Board approved the joint establishment of a LNG shipping and investment company together with Sinopec Kantons Holding Limited in November 2010.

In terms of fleet expansion, 9 new tankers with a total capacity of 1,380,000 deadweight tonnes and 12 new bulk vessels with total capacity of 1,416,000 deadweight tonnes have been delivered for use in 2010. In addition, to cope with the changes in the shipping market, the Group has upgraded 7 old vessels with a total net asset value of approximately RMB222,160,000 in 2010, and approximately RMB309,710,000 cash has been paid for the transformation of these old vessels.

As at 31 December 2010, the Group owned 176 vessels with a total capacity of 11,366,000 deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes ('000)	Average age (years)
Tankers	69	6,387	8.0
Dry bulk vessels	107	4,979	17.7
Total	176	11,366	14.3

4. OTHERS (Continued)

(2) Material asset disposals

In 2010, the Group disposed of 15 old vessels of 344,000 deadweight tonnes, including 3 tankers of 81,000 deadweight tonnes and 12 bulk vessels of 404,000 deadweight tonnes. The details of such disposals are as follows:

Assets sold	Price of Disposal (RMB'000)	Profit arising from disposal of assets (RMB'000)	Connected transaction (Yes/No)	Pricing Policy
Daqing 217	5,030	1,203	No	Market price
Daqing 234	17,601	7,985	No	Market price
Gui He	33,224	15,551	Yes	Market price
Hua De	18,485	12,884	No	Market price
Yin Bin	47,038	15,140	No	Market price
Yin Yang	45,520	21,064	No	Market price
Hua Zhong	18,992	13,034	No	Market price
Hua Nan	22,044	15,116	No	Market price
Hua Kun	18,696	12,820	No	Market price
Xue Feng Ling	20,195	9,294	No	Market price
Hu Zhou	24,359	16,851	No	Market price
Daqing 87	23,691	8,451	No	Market price
Senhai 1	13,103	8,940	Yes	Market price
Da Yu Shan	25,424	12,088	No	Market price
Lian Chi	23,093	8,226	Yes	Market price
Total	356,495	178,647		

(3) Vessel safety management

While striving to achieve both transportation and economic efficiency, the Group actively proceeded with the improvement and operation of the vessel safety management system, carried out seasonal climate change and interim safety work and strengthened efforts in preventing attacks from pirates. In 2010, the Group's vessels did not encounter any attacks in the regions with high piracy risks. The Group carefully planned the security work during the Shanghai Expo and the Guangzhou Asian Games and provided positive assurance and support for the successful opening of the 2010 Shanghai Expo and the 16th Guangzhou Asian Games, achieving the target of maintaining production safety and the stability of the Company.

(4) System establishment

In 2010, the Group continued to improve systems and processes and implemented sophisticated management and information systems in an all-round manner. Through comprehensive budget management, the Group further controlled costs and further reinforced risk prevention, particularly the prevention of business risks, through comprehensive risk management system.

5. OUTLOOK AND HIGHLIGHTS FOR 2011

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

In 2011, the first year of the "Twelfth Five-year Plan", the world's economy is expected to continue to resume growth, although there still quite a lot of uncertainties. China´s economy as a whole is favorable, while there are certain outstanding issues and conflicts and increasing pressure for economic restructuring. Despite demand from domestic and international shipping market which will continue to grow, over capacity of global fleet will still be grim and international oil price will continue to remain high. As shown from various analysis and forecast, it will take time for full recovery of the international dry bulk shipping market and the international oil transportation market. Our overall observation of the shipping market is cautiously optimistic with different market segments having different performance.

With increasing domestic demand of oil, the coastal oil transportation market is expected to continue steady growth in 2011. As at 11 March 2011, the Group had completed signing contracts of affreightment in respect of shipping of dry bulk cargo along coastal areas in 2011 ("COA contracts") with a slight year-on-year increase in shipping rate and shipping volume.

(2) Operational Target for 2011

In 2011, 26 new vessels of the Group with a total tonnage of 3,191,000 deadweight tonnes are scheduled to be delivered for use, including 4 tankers of 536,000 deadweight tonnes and 22 bulk vessels of 2,655,000 deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the Group's operations in 2011 is expected to be 13.50 million deadweight tonnes, representing an increase of 22.9% as compared with that of the same period in 2010. Based on its view of the domestic and overseas shipping markets in 2011, and taking into account of the delivery of new vessels, the Group's operating targets are as follows: shipping volume of approximately 364.9 billion tonne nautical miles, an increase of 35.3% as compared with 2010; estimated turnover of approximately RMB13.98 billion, an increase of 22.5% as compared with 2010; operating costs of approximately RMB10.84 billion, an increase of 21.4% as compared with 2010.

5. OUTLOOK AND HIGHLIGHTS FOR 2011 (Continued)

(3) Work Initiatives in 2011

To cope with the current market situation, in 2011 the Group will take the following actions:

i) actively implement the strategy of reinforcing its coastal business and developing its offshore business, continue to strengthen strategic partnership with major customers, further consolidate and expand the Company's share in both domestic and international shipping markets. Cooperation and alliances will be a major trend of the shipping market in future as they can strengthen cooperation within the industry, reduce combined cost and improve industrial competitiveness. To this end, the Company will continue to actively build strategic alliances with cargo owners and ship owners, maximize scale capacity advantage and enhance operational efficiency of ships through strengthening formation of joint venture companies, signing long-term COA contracts and other means.

In recent years, the Company has actively implemented its strategies of cooperation with major customers, and sought to change the development mode based on stable supply and market expansion. For bulk cargoes transportation, the Company has actively promoted strategic cooperation with Huaneng, Shenhua, Baosteel, Shougang, China Resources, Shenergy, Shanghai Electric Power and Guangzhou Holding through joint venture partnerships and other means. As a result, the Company has quickly expanded its size of controllable capacity and enhanced control of the coastal thermal coal transportation market. The focus of 2011 will continue to be the work requirements of "improvement and development of coastal operation, expansion and development of offshore operation and stable development of joint ventures"; improving operation and management of the large ships newly commenced production; striving to adjust supply structure and customer structure; and enhancing scale, management and efficiency. For oil product transportation, the Company will strengthen consolidation of cooperation with domestic and foreign oil companies, seize market opportunities for domestic and foreign trades, improve operation of large ships such as VLCC, stable base supply, nurture ocean management team and enhance comprehensive benefits.

ii) implement further adjustments to vessel composition, and endeavor to deliver new vessels. In accordance with the signed book orders for new vessels, the delivery of new vessels of the Group are as follows:

	In 2011		In 2012		In 2013	
	numbers	Capacity (deadweight tonnes)	numbers	Capacity (deadweight tonnes)	numbers	Capacity (deadweight tonnes)
Tankers	4	536,000	11	714,000	2	640,000
Bulk vessels	22	2,655,000	34	3,572,000	4	192,000

2011 and 2012 are the peak years for the Group to take delivery of new vessels. 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 high-quality human resources to build a world-class tanker fleet and optimize bulk cargo shipment, hence achieving the coordinated development of our fleet and workforce.

5. OUTLOOK AND HIGHLIGHTS FOR 2011 (Continued)

(3) Work Initiatives in 2011 (Continued)

iii) strengthen its cost control system to enhance cost effectiveness. In 2011, 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, implement the policy of economic speed and strive to control fuel costs.

iv) expand its financing sources to secure development funds for the Company. According to the Group's shipbuilding plans, the capital expenditure of the Group from 2011 to 2013 is RMB12.22 billion, RMB7.36 billion and RMB1.02 billion respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increases. In this connection, the Company will further strengthen cooperation with banks to maintain smooth financing channels and establish contingency plans for financing. In 2011, the Company will strive to complete the issue of A share convertible corporate bonds of not exceeding RMB3.95 billion with a view to further improve the Company's capital structure and reduce its financing cost.

v) continue to implement sophisticated management, further promote overall budget management and risk management and implement information system. According to the plans of the relevant ministries and committees under the central government, "Basic Standards for Enterprise Internal Control" and "Implementation Guidelines for Enterprise Internal Control" will be applicable to companies that are both listed in China and abroad with effect from 2011. The Company will take this opportunity to strengthen its internal control and streamline its internal structure, so as to provide reliable support and protection for its steady and healthy development.

vi) continue to strengthen safety and security. We will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures, and will construct and operate a comprehensive security system.

CORPORATE GOVERNANCE

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 ("Articles"). 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 of the Company ("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 of the Company ("Audit Committee ") are responsible for supervising the activities of the management and monitoring the effectiveness of the existing internal control system.

The objectives of internal control of the Company are to ensure the compliance of its operation and management, security of its assets, truthfulness and completeness of its financial report and relevant information to enhance its operational management and risk prevention so as to facilitate a sustainable development and to maintain an orderly market and economy and to protect the social interests; and to strengthen the efficiency and effectiveness of operation for implementing its development strategies.

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 and the connection between responsibilities and rights. The Company 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.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM (Continued)

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 the five ministries and commissions, namely the Ministry of Finance, the China Securities Regulatory Commission, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission, 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. and such regulations are more systematic and provide stronger guidance.

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) combining total risk management with the overall assessment; (ii) organizing and assessing important processes; and (iii) testing the existing system. None of the results of the assessment show any significant violation of internal control regulations. After the completion of a self-assessment, the Company believes that the internal control of the Company operated effectively in 2010 and achieved the objectives of the internal control. Neither major nor material default was identified. Baker Tilly China was engaged by the Company to undertake an assessment on the internal control of the Company and produce an assessment report on the internal control.

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.

On 26 April 2010, five ministries and commissions of the PRC including the Ministry of Finance, China Securities Regulatory Commission, Auditing Commission, China Banking Regulatory Commission and China Insurance Regulatory Commission jointly promulgated the "Implementation Guidelines for Internal Control of Enterprises", which was firstly applicable to companies concurrently listed in the PRC and overseas since 1 January 2011. As such, it is necessary for the Company to make further amendments and refinements to the Regulations of Internal Control for China Shipping Development Company Limited according to the Implementation Guidelines for Internal Control of Enterprises so as to formulate a full set of internal control documents. According to such requirement, the Company will formulated a full set of internal control manual by complying such guidelines, integrating the business characteristics and management conditions of the Company, and rationalizing and utilizing the existing rules and established internal control measures. Through the establishment of internal control, the Company aims to further standardize the internal control procedures and upgrade the management of internal control for facilitating a healthy and sustainable development of the Company.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

The Company is independent of its controlling shareholder, China Shipping Group Company, in respect of its 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 2010, the Company has been in strict compliance with the provisions of the Code on Corporate Governance Practices ("Code") 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 Meetings

General meetings provide a good opportunity for direct communications and builds a sound relationship between the Board and the Shareholders. In order to ensure that all Shareholders 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 2009 held on 8 June 2010, nine resolutions were passed, among which the Report of Directors for 2009, the Report of Supervisory Committee for 2009, the profit distribution plan for 2009, the remuneration proposal of the Company's Directors and Supervisors for 2010 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 the Shareholders, and shall use its best endeavors to perform his duties and obligations as a Director in accordance with all the applicable laws and regulations. Duties of the Board include making decisions 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

The Directors of the Company during 2010 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 (Chief Executive Officer) (Resigned on 30 Jan 2011)
Mr. Qiu Guoxuan

Independent non-executive Directors:
Mr. Zhu Yongguang
Mr. Gu Gongyun
Mr. Zhang Jun
Mr. Lu Wenbin

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, 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 Rules 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 this annual report on pages 151 to 153 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 adopted the rules and procedures on independent non-executive Directors' work on annual report. The Company has appointed four independent non-executive Directors, exceeding 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 are professionals with extensive experience in the fields of accounting, law, shipping and economics, 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 2010, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. Independent non-executive Directors actively attended Board meetings during the reporting period, and reviewed 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 did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

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 in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 of the 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 2010, the Board convened a total of 14 meetings and considered and passed 58 resolutions so as to review the financial and operating performance of the Group. The following table shows attendances at Board meetings.

Executive Directors	**Rate of attendance**
Mr. Li Shaode	12/13
Mr. Ma Zehua	12/13
Mr. Lin Jianqing	11/13
Mr. Wang Daxiong	10/13
Mr. Zhang Guofa	12/13
Mr. Mao Shijia	14/14
Mr. Qiu Guoxuan	14/14
Independent non-executive Directors	
Mr. Zhu Yongguang	14/14
Mr. Gu Gongyun	14/14
Mr. Zhang Jun	13/14
Mr. Lu Wenbin	14/14

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 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, who was an executive Director until he resigned on 30 January 2011, was responsible for executing the business policy and decisions on management and operations of the Group. Mr. Yan Zhichong was appointed as the CEO after Mr. Mao's resignation.

IV. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board

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

(1) Audit Committee

The Audit Committee comprises all four independent non-executive Directors, in which Mr. Lu Wenbin is the Chairman of the Audit 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 2010, the Audit Committee held four 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 the attendance of members of the Audit Committee:

Members of the Audit Committee	Rate of attendance
Mr. Lu Wenbin (Chairman)	4/4
Mr. Zhang Jun	2/4
Mr. Gu Gongyun	3/4
Mr. Zhu Yongguang	3/4

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 Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the 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 all four independent non-executive Directors, in which Mr. Gu Gongyun is the Chairman of the committee. The Remuneration Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code 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 2010, the Remuneration Committee held two meetings. In the meetings, 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 and the qualification, duties and responsibilities of Directors and senior management. The following table shows the attendance of members of the Remuneration Committee:

Members of the Remuneration Committee	Rate of attendance
Mr. Gu Gongyun (Chairman)	2/2
Mr. Zhu Yongguang	2/2
Mr. Zhang Jun	2/2
Mr. Lu Wenbin	2/2

(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 all seven executive Directors and two independent non-executive Directors namely Mr. Zhu Yongguang and Mr. Zhang Jun, and Mr. Li Shaode is the Chairman of the committee.

During 2010, the Strategy Committee held three meetings, advising on the fleet restructuring plan through building and purchasing vessels, selling and phrasing old ships.

IV. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board (Continued)

(4) Nomination Committee

Pursuant to the Company's Articles, 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 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, the Chairman shall consolidate a list of Director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Company's Articles, the Company is required to give notice of the Shareholders' meeting to shareholders in writing 45 days in advance and dispatch a circular to the 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 the 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 at the Shareholders' general meeting.

The Nomination Committee comprises two executive Directors namely, Mr. Lin Jianqing and Mr. Zhang Guofa, and all four independent non-executive Directors, in which Mr. Zhu Yongguang is the Chairman of the committee.

In 2010, the Nomination Committee held one meeting, advising on the re-appointment of the senior management. The following table shows the attendance of members of the Nomination Committee:

Members of the Nomination Committee	Rate of attendance
Mr. Zhu Yonggang (Chairman)	1/1
Mr. Lin Jianqing	1/1
Mr. Zhang Guofa	1/1
Mr. Gu Gongyun	1/1
Mr. Zhang Jun	1/1
Mr. Lu Wenbin	1/1

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

The Board 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.

IV. CORPORATE GOVERNANCE REPORT (Continued)

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 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 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 2010.

Baker Tilly China and Baker Tilly Hong Kong Limited, the domestic and international auditors of the Company, acknowledge reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2010.

In 2010, the Group paid an audit fee of RMB1,510,000 to Baker Tilly China and RMB 600,000 to Baker Tilly Hong Kong Limited, respectively.

11. 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)

12. Supervisory Committee

The supervisory committee 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 the Shareholders, the Company and its staff. In 2010, the Supervisory Committee convened six meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2010, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions.

13. 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, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquires, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company.

In order to further improve the 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, 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.

The Board ("Board") of Directors ("Directors") of the Company hereby presents their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010 ("Review Period").

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	Year ended 31 December 2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**11,283,594**	8,729,969	17,214,283	12,394,739	9,203,557
Operating costs	**(8,930,842)**	(7,260,412)	(11,110,771)	(7,329,308)	(5,916,742)
Gross profit	**2,352,752**	1,469,557	6,103,512	5,065,431	3,286,815
Other income and gains	**201,883**	251,572	460,900	542,947	311,251
Marketing expenses	**(42,887)**	(38,955)	(37,907)	(36,744)	(32,933)
Administrative expenses	**(315,759)**	(286,756)	(256,883)	(214,841)	(196,458)
Other expenses	**(36,007)**	(44,397)	(284,429)	(21,374)	(30,542)
Share of profits of jointly-controlled entities	**216,596**	61,099	531,566	165,745	75,170
Finance costs	**(205,170)**	(69,783)	(84,074)	(173,129)	(120,490)
Profit before tax	**2,171,408**	1,342,337	6,432,685	5,328,035	3,292,813
Tax	**(449,445)**	(277,696)	(1,056,690)	(781,652)	(531,339)
Profit for the year	**1,721,963**	1,064,641	5,375,995	4,546,383	2,761,474
Attributable to:					
Equity holders of the parent	**1,716,522**	1,064,794	5,373,010	4,546,383	2,758,477
Non-controlling interests	**5,441**	(153)	2,985	—	2,997
	1,721,963	1,064,641	5,375,995	4,546,383	2,761,474
Basic earnings per share	**RMB50.42 cents**	RMB31.28 cents	RMB158.64 cents	RMB136.69 cents	RMB82.94 cents
Diluted earnings per share	**RMB50.42 cents**	RMB31.28 cents	RMB158.64 cents	RMB135.09 cents	RMB82.94 cents
Assets, liabilities and non-controlling interests					
Total assets	**40,710,175**	33,929,549	30,028,594	23,707,443	17,000,152
Total liabilities and non-controlling interests	**(18,131,630)**	(12,534,976)	(8,574,574)	(7,535,928)	(4,394,899)
	22,578,545	21,394,573	21,454,020	16,171,515	12,605,253

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 2009 are extracted from the Company's 2009 annual report dated 26 March 2010, while those for the year ended 31 December 2010 were prepared based on the consolidated statement of comprehensive income and consolidated balance sheet as set out on pages 55 and 56, respectively, of the financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to equity holders of the Company for the year ended 31 December 2010 of RMB1,721,963,000 and 3,404,552,270 ordinary shares. Earnings per share for the year ended 31 December 2010 is RMB0.5042 and diluted earnings per share is RMB0.5042.

   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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 57.

The net profit of the Company for 2010, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP") , was RMB1,752,315,000, 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 RMB0.17 per share in respect of the year to Shareholders on the register of members at the close of business on 27 May 2011. 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 RMB2,068,263 (2009: RMB377,417).

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 2010, 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 RMB10,372,872,000 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 Review Period, the five largest customers of the Group accounted for 34% (2009: less than 30%) of the Group's total revenue. The largest customer is Ningbo China Offshore Oil Shipping Co., Ltd. and the sales to it accounted for 10% (2009: 7%) of the Group's total sales in that year. 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 CHINA PETROCHEMICAL CORPORATION

In the Review Period, the five largest suppliers of materials and services to the Group accounted for 39% (2009: 45%) 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 29% (2009: 24%) of the Group's total purchases in that year. Two subsidiaries of China Shipping constituted two 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 (resigned on 30 Jan 2011)
Mr. Qiu Guo Xuan

Independent Non-executive Directors:

Mr. Zhu Yongguang
Mr. Gu Gongyun
Mr. Zhang Jun
Mr. Lu Wenbin

Supervisors:

Mr. Kou Laiqi
Mr. Yan Zhichong (resigned on 21 Jan 2011)
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 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 in 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 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 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 RMB31,407,000 (2009: RMB36,035,000).

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

As at 31 December 2010, 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 (Note 1)	the total number Number of shares held (Note 1)	Percentage of the shares of the relevant class (Note 2)	Percentage of total number of issued shares (Note 2)
China Shipping (Group) Company	A	1,578,500,000 (long)	74.86%	46.36%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	H	117,041,570 (long)	9.03%	3.44%
Mondrian Investment Partners Ltd.	H	113,272,000 (long)	8.74%	3.33%
JPMorgan Chase & Co.	H	106,880,915 (long)	8.25%	3.14%
	H	8,341,000 (short)	0.64%	0.24%
	H	41,312,098 (pool)	3.19%	1.21%
Templeton Asset Management Ltd.	H	90,504,000 (long)	6.98%	2.66%
Wellington Management Company, LLP	H	75,381,659 (long)	5.82%	2.21%

Note 1: A - A Shares
H - H Shares
Long - represents long position
Short - means short position
Pool - denotes lending pool

Note 2: Percentage shown on that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2010, the total issued share capital of the Company was 3,404,552,270 Shares of which 1,296,000,000 were H Shares and 2,108,552,270 were A Shares.

Save as disclosed above, as at 31 December 2010, 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 2010 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 2010, 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 2010, 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 2010 are set out in note 35 to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2010, 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 connected transactions and continuing connected transactions are set out in notes 38(2)(i)(ii)(iii)(iv) and notes 38(1), 38(2)(v) and 38(3) to the financial statements, respectively.

The EGM held on 22 December 2009 has approved the continuing connected transactions for term of three years commenced from 1 January 2010.

The independent non-executive Directors 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 2010, 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 in 2010.

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 and confirmed that for the year 2010 the continuing connected transactions of the Company (i) have received approval of the Board of the Company; (ii) have been entered into in accordance with the terms of the agreements governing the transactions of the Company; (iii) have not exceeded the respective cap amounts for the financial year ended 31 December 2010 as set out in the announcements of the Company and (iv) are in accordance with the pricing policies of the Company.

EMPLOYEES

As at the end of 2010, the Company had approximately 5,714 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 2010, the total staff costs was RMB1,556,824,000 (2009: RMB1,330,349,000).

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

(i) The Company passed the resolution in a board meeting held on 30 January 2011 regarding the issuance of convertible bonds. The Company proposed to issue convertible bonds in principal amount equal to or not more than RMB3.95 billion convertible into new A shares of the Company (the "Convertible Bonds"). The issuance of the Convertible Bonds is conditional upon the approval of State-owned Assets Supervision and Administration Commission of the State Council and China Securities and Regulatory Commission. For further details, please refer to the Company's announcement dated 31 January 2011 and circular dated 16 February 2011.

(ii) Mr. Mao Shijia resigned as an executive director of the Company and a member of the Board's strategy committee with effect from 30 January 2011. The Company proposed to appoint Mr. Yan Zhichong as an executive director of the Company subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting. Mr. Yan Zhichong resigned as the supervisor of the Company and was appointed as the general manager of the Company with effect from 21 January 2011. For further details, please refer to the Company's announcements dated 21 January 2011 and 31 January 2011 and circular dated 16 February 2011.

(iii) The Company proposed to adopt a new set of articles of association to replace the existing one for the purpose of improving corporate governance and updating the articles of association. The proposed adoption is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting. For further details, please refer to the Company's announcement dated 11 March 2011.

Details of the significant post balance sheet events of the Group are also 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 2010, including the accounting principles and practices adopted by our Group.

AUDITORS

During the Reporting Period, UHY Vocation HK CPA Limited ("UHY Hong Kong") transferred its H-share audit business to Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司)("Baker Tilly Hong Kong"). UHY Hong Kong tendered its resignation to the Company as international auditors of the Company with effect from 16 November 2010. The appointment of Baker Tilly Hong Kong was approved, confirmed and ratified in the extraordinary general meeting of the Company on 25 January 2011. UHY Hong Kong confirmed in its letter of resignation dated 16 November 2010 that there was no disagreement between UHY Hong Kong and the Company, nor were there matters connected with its resignation that needed to be brought to the attention of the creditors, audit committee or shareholders of the Company. The Board also confirmed that there were no other matters in respect of the change of international auditors which should be brought to the attention of the shareholders of the Company. For further details, please refer to the Company's announcements dated 1 November 2010, 18 November 2010 and 25 January 2011.

Baker Tilly Hong Kong Limited will retire pursuant to the articles of association of the Company 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
16 March 2011

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 2010. We are now presenting the report of the performance of duties by independent directors of the Company ("Directors") for the year 2010 as follows:

1. OFFICE HOLDING OF INDEPENDENT DIRECTORS

Since the date of the election and re-election as the independent non-executive directors on 25 May 2009, all the four new independent Directors of the current Board, namely Zhu Yongguang, Gu Gongyun, Zhang Jun and Lu Wenbin, have been obeying their declaration and undertaking and 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, economic 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 2010, the Company held a total of 14 Board meetings on-site and by way of telephone communication. We actively performed our duties, carefully reviewing various kinds of documents submitted by the Company and judged independently, providing professional and constructive opinions for the Company in its major decisions. We also attended in person or by attorney all the meetings held for the review and voting of all resolutions, safeguarding the legal interests of the Company and its shareholders as a whole.

3. DAILY WORK

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 2010 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 nine Directors including 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. Four meetings were held in 2010, at which the Audit Committee mainly reviewed the Company's 2009 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 Committee. Two meetings were held, on which resolutions relating the implementation of the annuity plan for the employees of the Company the Company's Assessment Concerning the Emoluments of the Company's Directors, Supervisors and Senior Management in 2009 and the Assessment Concerning the Emoluments in 2010 and Distribution Plan were reviewed and approved.

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. One meeting was held in 2010, at which the Nomination Committee suggested the Board of Directors to re-appoint the senior managements.

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 2010, 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 2010. In 2011, 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 of the Company.

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

16 March 2011

REPORT OF SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2010, the Supervisory Committee held six meetings, details of which are set out below:

	Date	**Resolutions**
(1)	Jan 27	Capital increase agreement of Zhuhai New Century Shipping Company with China Shenhua Setting China Shipping Development (Singapore) Shipping Company
(2)	Mar 26	2009 supervisor committee's report of the Company 2009 financial report of the Company Profit distribution plan of the Company for 2009 2009 annual report and annual report summary of the Company 2009 internal control self evaluation report of the Company 2009 society responsibility report of the Company The salary standard for directors, supervisors and senior management of the Company for 2010 Implementation of the annuity plan for the employees of the Company Submit bid for the purchase of 50% equity interest of Huahai Shipping and Transport Company Entrusted loan agreement of RMB 1.3 billion with China Shipping (Group) Company
(3)	Apr 21	2010 first quarterly report of the Company
(4)	Aug 17	Acquisition of 50% equity interest of Guangzhou Development Shipping and signing joint venture agreement with Guangzhou Development Coal Investment Company 2010 interim financial report of the Company 2010 interim annual report and 2010 interim annual report summary of the Compnay
(5)	Oct 25	2010 third quarterly report of the Company Entrusted loan agreement of not more than RMB 1 billion with China Shipping (Group) Company Building 12 new tramp vessels each with 48000dwt
(6)	Dec 22	Entering the chartering agreement of 2 vessels with CSCL Entering the chartering agreements of "Song Lin Wan" and "Da Qing 88" Building 2 new VLCCs each with 320000dwt Building 4 new oil tankers each with 110000 dwt Provide counter-guarantee of RMB250 million to Guangzhou Development Industry (Holdings) Co., Limited.

1. WORK OF THE SUPERVISORY COMMITTEE (Continued)

(2) 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.

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2010. The following were presented to the supervisors: the 2009 audited financial report of the Company, the proposed profit distribution plan of the Company for 2009, the 2009 annual report and annual report summary of the Company, 2009 internal control self evaluation report of the Company, proposed submit bide for 50% interest of Huahai Shipping, and proposed building of 2 new VLCCs each with 320000dwt. Through attending these Board meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.

(4) Members of the Supervisory Committee were present at the 2009 AGM, at which the Supervisory Committee gave an account of the 2009 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. Members of the Supervisory Committee also presented at the first EGM held in 2010.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2010:

(1) The Company has established a comparatively complete internal controlling system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. The internal control self evaluation is in line with the actual situation of making continuous progress on internal control. 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 2010 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2010. The audited financial reports audited by Baker Tilly China and Baker Tilly Hong Kong Limited respectively are objective and fair.

(3) During the reporting period, the Company acquired 50% equity interest of Huahai Shipping and Guangzhou Development Shipping and the acquisition procedure is in line with relevant regulations of the PRC. The scrapping of old vessels was negotiated on an arm's length basis and was conducted on normal commercial terms. We have not found any insider trading in such transactions.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2010: (Continued)

(4) As far as the Supervisory Committee is aware, connected transactions entered into with the controlling shareholder and its subsidiaries 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.

(5) In 2009, the Company approved to issue Medium-Term Notes 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 August 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. The aggregate amount of funds raised from the first and second batch Medium-Term Notes is RMB 5 billion. All the money collected from the above Medium-Term Notes has been settled for building twelve 57,300 dwt bulk vessels, six 76,000 dwt oil tankers and four 308,000 dwt oil tankers. As at 31 December 2010, there are no temporary idle funds comprising proceeds raised from the monetary market and security market.

(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
16 March 2011

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

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 55 to 148, which comprise the consolidated and Company's statement of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 state of affairs of the Company and of the Group as at 31 December 2010 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.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 16 March 2011
Lo Wing See
Practising Certificate Number P04607

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue			
Turnover	4	**11,283,594**	8,729,969
Operating costs		**(8,930,842)**	(7,260,412)
Gross Profit		**2,352,752**	1,469,557
Other income and gains	5	**201,883**	251,572
Marketing expenses		**(42,887)**	(38,955)
Administrative expenses		**(315,759)**	(286,756)
Other expenses		**(36,007)**	(44,397)
Share of profits of jointly-controlled entities		**216,596**	61,099
Finance costs	6	**(205,170)**	(69,783)
PROFIT BEFORE TAX	7	**2,171,408**	1,342,337
Tax	10	**(449,445)**	(277,696)
PROFIT FOR THE YEAR		**1,721,963**	1,064,641
Other comprehensive expenses			
Exchange realignment		**(178,859)**	(10,353)
Net (loss)/gain on cash flow hedges		**(13,642)**	7,738
Other comprehensive expenses for the year		**(192,501)**	(2,615)
Total comprehensive income for the year		**1,529,462**	1,062,026
Profit for the year attributable to:			
Equity holders of the parent		**1,716,522**	1,064,794
Non-controlling interests		**5,441**	(153)
		1,721,963	1,064,641
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**1,524,427**	1,062,195
Non-controlling interests		**5,035**	(169)
		1,529,462	1,062,026
Earnings per share - basic	13	**50.42 cents**	31.28 cents

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

The accompanying notes from pages 62 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**35,385,957**	28,648,891
Investments in jointly-controlled entities	16	**2,574,217**	1,614,781
Available-for-sale investments	17	**4,300**	4,300
Derivative financial instruments	25	**—**	1,326
Total non-current assets		**37,964,474**	30,269,298
CURRENT ASSETS			
Bunker oil inventories		**449,285**	349,736
Trade and bills receivables	20	**891,063**	670,257
Prepayments, deposits and other receivables	21	**343,618**	362,996
Assets classified as held for sale	18	**—**	55,115
Cash and cash equivalents	22	**1,061,735**	2,222,147
Total current assets		**2,745,701**	3,660,251
CURRENT LIABILITIES			
Trade and bills payables	23	**913,721**	1,037,843
Other payables and accruals	24	**1,146,208**	839,735
Provisions - current portion	26	**—**	20,000
Tax payable	10	**78,604**	9,745
Current portion of notes, interest-bearing bank and other borrowings	27	**2,423,850**	1,322,373
Total current liabilities		**4,562,383**	3,229,696
NET CURRENT (LIABILITIES)/ASSETS		**(1,816,682)**	430,555
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,147,792**	30,699,853
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**3,404,552**	3,404,552
Reserves	32	**18,595,219**	17,649,566
Proposed final dividend	12	**578,774**	340,455
		22,578,545	21,394,573
Non-controlling interests		**512,916**	243,281
Total equity		**23,091,461**	21,637,854

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Other loan	19	**429,934**	441,658
Provisions	26	**85,500**	81,000
Derivative financial instruments	25	**13,218**	1,125
Notes, interest-bearing bank and other borrowings	27	**12,122,219**	8,215,534
Deferred tax liabilities	28	**405,460**	322,682
Total non-current liabilities		**13,056,331**	9,061,999
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**36,147,792**	30,699,853

Li Shaode
Director

Qiu Guoxuan
Director

The accompanying notes from pages 62 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus/ distribution deficit 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 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 and at 1 January 2010	**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**
Profit for the year	–	–	–	–	–	–	–	–	–	1,716,522	–	1,716,522	5,441	1,721,963
Net gain on cash flow hedges	–	–	–	–	–	–	13,660	–	–	–	–	13,660	–	13,660
Release to consolidated statement of comprehensive income	–	–	–	–	–	–	(27,302)	–	–	–	–	(27,302)	–	(27,302)
Exchange realignment	–	–	–	–	–	–	–	–	(178,453)	–	–	(178,453)	(406)	(178,859)
Total comprehensive income for the year	–	–	–	–	–	–	(13,642)	–	(178,453)	1,716,522	–	1,524,427	5,035	1,529,462
Transfer (from)/to reserves	–	–	–	–	175,232	–	–	–	–	(175,232)	–	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	(340,455)	(340,455)	–	(340,455)
2010 Proposed final dividend	–	–	–	–	–	–	–	–	–	(578,774)	578,774	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	147,000	147,000
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	117,600	117,600
At 31 December 2010	**3,404,552**	**3,947,214**	**–**	**168,829**	**2,755,909**	**93,158**	**(14,230)**	**1,019**	**(644,226)**	**12,287,546**	**578,774**	**22,578,545**	**512,916**	**23,091,461**

The accompanying notes from pages 62 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Net cash inflow from operating activities	33	**2,754,300**	1,908,308
INVESTING ACTIVITIES			
Interest received		**14,986**	30,429
Acquisition of subsidiary	29	**(49,108)**	—
Payments for construction in progress		**(7,927,479)**	(3,739,485)
Purchases of property, plant and equipment		**(95,057)**	(4,674)
Proceeds from disposal of assets held for sale		**87,864**	—
Proceeds from disposal of property, plant and equipment		**264,650**	205,379
Dividends received from jointly-controlled entities		**—**	150,000
Dividends received from available-for-sale investments		**1,343**	1,319
Investments in jointly-controlled entities		**(742,840)**	(75,000)
Acquisition of subsidiary under common control		**—**	(100,276)
Net cash outflow used in investing activities		**(8,445,641)**	(3,532,308)
FINANCING ACTIVITIES			
Interest paid		**(363,888)**	(246,303)
Dividend paid		**(340,455)**	(1,021,366)
Proceeds from issue of medium-term notes		**—**	5,000,000
Proceeds from termination of cross currency swaps		**—**	60,441
Payments for termination of interest rate swaps		**—**	(34,011)
New bank loans		**7,012,374**	6,025,904
Repayment of bank loans		**(1,871,627)**	(7,920,648)
Contribution from minority shareholders of subsidiaries		**117,600**	49,000
Net cash inflow from financing activities		**4,554,004**	1,913,017
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,137,337)**	289,017
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,222,147**	1,942,970
Effect of foreign exchange rate changes, net		**(23,075)**	(9,840)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,061,735**	2,222,147
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,061,735**	2,222,147

The accompanying notes from pages 62 to 148 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**23,083,032**	18,615,832
Interests in subsidiaries	15	**572,388**	283,438
Investments in jointly-controlled entities	16	**1,945,679**	1,202,839
Available-for-sale investments	17	**4,300**	4,300
Long term receivable	30	**445,840**	459,674
Total non-current assets		**26,051,239**	20,566,083
CURRENT ASSETS			
Bunker oil inventories		**331,541**	262,858
Trade and bills receivables	20	**672,540**	552,018
Prepayments, deposits and other receivables	21	**4,085,301**	3,543,606
Cash and cash equivalents	22	**402,137**	1,534,421
Total current assets		**5,491,519**	5,892,903
CURRENT LIABILITIES			
Trade and bills payables	23	**707,657**	933,225
Other payables and accruals	24	**617,638**	343,401
Provisions - current portion	26	**—**	20,000
Tax payable		**74,488**	10,028
Current portion of notes, interest-bearing bank and other borrowings	27	**1,467,333**	541,410
Total current liabilities		**2,867,116**	1,848,064
NET CURRENT ASSETS		**2,624,403**	4,044,839
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,675,642**	24,610,922

	Note	**2010 RMB'000**	2009 RMB'000
EQUITY			
Issued capital	31	**3,404,552**	3,404,552
Reserves	32	**16,755,543**	15,798,597
Proposed final dividend	12	**578,774**	340,455
Total equity		**20,738,869**	19,543,604
NON-CURRENT LIABILITIES			
Provision	26	**85,500**	81,000
Notes, interest-bearing bank and other borrowings	27	**7,851,273**	4,986,318
Total non-current liabilities		**7,936,773**	5,067,318
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**28,675,642**	24,610,922

Li Shaode
Director

Qiu Guoxuan
Director

The accompanying notes from pages 62 to 148 form part of these consolidated 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 and principal place of business 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.

The consolidated 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 consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated 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 disclosure 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 (the "Listing Rules"). 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 consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain of assets the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to consolidated statement of comprehensive income or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instrument: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Business combination

Business combination that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefit" respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in consolidated statement of comprehensive income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction by transaction basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in consolidated statement of comprehensive income.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

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)

2.3 Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting.

Under the equity method of accounting, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, if any and in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

2.4 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 end of reporting period 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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 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.

2.6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment and depreciation (Continued)

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 the end of reporting period.

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.

2.7 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 the end of reporting period 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)

2.9 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.

2.10 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, 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 consolidated statement of comprehensive income, 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 consolidated statement of comprehensive income 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 end of reporting period.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial asset classified as fair value through consolidated statement of comprehensive income.

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.

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 end of reporting period. 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets (Continued)

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.

2.12 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

2.14 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)

2.15 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as interest rate swap agreements to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Derivative financial instruments and hedging (Continued)

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 other comprehensive income, while the ineffective portion is recognised immediately in consolidated 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.

2.16 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

2.19 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 end of reporting period 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Income tax (Continued)

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 the end of reporting period 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.

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 end of reporting period.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 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 recognised 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 end of reporting period 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 recognised in the statement of comprehensive income.

2.21 Dividend

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)

2.22 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.

2.23 Government subsidies

Subsidies 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.

Subsidies 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.

2.24 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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 estimate 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 the end of reporting period. 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 2010 was RMB26,950,516,000 (2009: RMB18,484,316,000).

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 oil vessels and dry bulk vessels recognised during the year. (2009: Nil)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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 prepayments, deposits and trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of, prepayments, deposits and trade and other receivables. Provisions are applied to 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.

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 difference 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.

Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remains incomplete at the 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 the 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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 and the asset (or disposal group) is available for immediate sale in its present conditions. They are stated at the lower of carrying amount and fair value less costs to sell.

2.27 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.

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 Scheme ("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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

Enterprise annuity

The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of the 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. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRSs 5 as part of improvements to HKFRSs issued in 2008
HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised 2008)	Business combinations
HK(FRIC) - 17	Distributions of non-cash assets to owners
HK - Int 5	Classification by the borrower of a term loan that contains a repayment on demand clause

Except as disclosed below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) "Business combinations"

HKFRS 3 (Revised 2008) "Business combinations" has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition as disclosed in note 29 in the current year.

- HKFRS 3 (Revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
- HKFRS 3 (Revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in consolidated statement of comprehensive income.
- HKFRS 3 (Revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated statement of comprehensive income as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 3 (Revised 2008) "Business combinations" (Continued)

The impact of adoption of HKFRS 3 (Revised 2008) on the acquisition during the current year has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in consolidated statement of comprehensive income, whereas previously they would have been accounted for as part of the cost of the acquisition. The acquisition costs in the current year were insignificant.

HKAS 27 (Revised 2008) "Consolidated and separate financial statements"

The revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in consolidated statement of comprehensive income. Under HKAS 27 (Revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or consolidated statement of comprehensive income.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in consolidated statement of comprehensive income as the difference between the proceeds and these adjustments, if any. The adoption of HKAS 27 (Revised 2008) had no material impact in the current year.

In addition, the Group also applied the consequential amendments of the other HKFRSs resulting from the issuance of HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008). Particularly HKAS 31 "Interests in Joint Ventures" for the acquisitions of jointly controlled entities in the current year. The adoption of the consequential amendments had no material impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRSs 3 (Revised 2008), HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-time adopters[3]
HKFRS 7 (Amendments)	Disclosures - transfers of financial assets[5]
HKFRS 9	Financial instruments[7]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[6]
HKAS 24 (Revised 2009)	Related party disclosures[4]
HKAS 32 (Amendments)	Classification of rights issue[2]
HK(FRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
HK(FRIC) - INT 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 February 2010.

3 Effective for annual periods beginning on or after 1 July 2010.

4 Effective for annual periods beginning on or after 1 January 2011.

5 Effective for annual periods beginning on or after 1 July 2011.

6 Effective for annual periods beginning on or after 1 January 2012.

7 Effective for annual periods beginning on or after 1 January 2013.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

New and revised HKFRSs in issue but not yet effective

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of comprehensive income. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to consolidated statement of comprehensive income. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in consolidated statement of comprehensive income.

The application of HKFRS 9 will affect the classification and measurement of the Group’s available-for-sale investments and might affect the classification and measurement of other financial assets. As at 31 December 2010, no financial liability has been designated as at fair value through profit and loss, the application of HKFRS 9 will affect the measurement of such financial liability if designation is made in the future.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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:

	2010		2009	
	Turnover	**Contribution**	Turnover	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity :				
Oil shipment	**6,097,958**	**1,150,397**	4,913,520	987,568
Dry bulk shipment				
– Coal shipment	**3,509,492**	**834,899**	2,765,739	500,196
– Other dry bulk shipment	**1,676,144**	**367,456**	854,432	(16,142)
Rental income from vessels chartering	**—**	**—**	196,278	(2,065)
	11,283,594	**2,352,752**	8,729,969	1,469,557
Other income and gains		**201,883**		251,572
Marketing expenses		**(42,887)**		(38,955)
Administrative expenses		**(315,759)**		(286,756)
Other expenses		**(36,007)**		(44,397)
Share of profits of jointly-controlled entities		**216,596**		61,099
Finance costs		**(205,170)**		(69,783)
Profit before tax		**2,171,408**		1,342,337
Total segment assets				
Oil shipment		**21,605,564**		18,747,527
Dry bulk shipment		**15,853,841**		12,827,768
Unallocated corporate assets		**3,250,770**		2,354,254
		40,710,175		33,929,549
Total segment liabilities				
Oil shipment		**10,334,938**		8,140,444
Dry bulk shipment		**6,877,739**		3,813,646
Unallocated corporate liabilities		**406,037**		337,605
		17,618,714		12,291,695

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment contribution represents the profit earned by each segment without allocation of central administration costs (including director's remuneration), marketing expenses, other expenses, share of profits of jointly-controlled entities, other income and gains and finance costs. This is the measure reported to Chief operating decision makers for the purposes of resource allocation and performance assessment.

The net book values of oil vessels and dry bulk vessels at 31 December 2010 amounted to RMB17,419,190,000 and RMB9,531,326,000 respectively (2009: RMB13,168,917,000 and RMB5,315,399,000 respectively).

Geographical segments

	2010		2009	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By geographical area :				
Domestic	**7,223,435**	**1,973,829**	5,282,014	1,434,987
International	**4,060,159**	**378,923**	3,447,955	34,570
	11,283,594	**2,352,752**	8,729,969	1,469,557
Other income and gains		**201,883**		251,572
Marketing expenses		**(42,887)**		(38,955)
Administrative expenses		**(315,759)**		(286,756)
Other expenses		**(36,007)**		(44,397)
Share of profits of jointly-controlled entities		**216,596**		61,099
Finance costs		**(205,170)**		(69,783)
Profit before tax		**2,171,408**		1,342,337
Turnover				
Total segment turnover		**11,283,594**		8,729,969
Less: inter-company transactions		**—**		—
Total consolidated turnover		**11,283,594**		8,729,969

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.

No revenue from customers contributing over 10% of the total sales of the Group for both years.

5. OTHER INCOME AND GAINS

	Group	
	2010	2009
	RMB'000	RMB'000
Other income		
Interest income	**14,986**	30,429
Government subsidies (Note)	**31,346**	33,377
Others	**8,537**	4,561
	54,869	68,367
Other gains/(losses)		
Gain on disposal of property, plant and equipment, net	**178,553**	125,311
Exchange losses, net	**(41,687)**	(5,096)
Dividends received from available-for-sale investments	**1,343**	1,319
Gains on termination of cross currency swaps	**—**	60,441
Others	**8,805**	1,230
	147,014	183,205
Other income and gains	**201,883**	251,572

Note:

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

6. FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Total finance costs		
Interest expenses on :		
– Bank loans		
Interest on bank loans, overdraft or loan from capital market wholly repayable or by installment within five years	**94,351**	116,028
Interest on bank loans, overdraft or loan from capital market not required wholly repayable or by installment within five years	**51,077**	49,927
– Notes	**199,825**	56,553
Hedge loan interest	**12,676**	17,545
Other loan or borrowings costs and charges	**5,959**	6,251
	363,888	246,304
Less: Interest capitalised	**(158,718)**	(176,521)
Finance costs	**205,170**	69,783

7. PROFIT BEFORE TAX

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

	Group	
	2010	2009
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**4,523,307**	3,269,953
Others (Including vessel depreciation and crew expenses)	**4,407,535**	3,990,459
Depreciation	**1,404,441**	1,071,585
Operating lease rentals:		
Land and buildings	**33,617**	37,575
Vessels	**351,692**	418,276
Total operating lease rentals	**385,309**	455,851
Auditor's remuneration	**3,039**	2,980
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries, crew expenses and related expenses	**1,419,013**	1,198,250
Pension scheme contributions	**137,811**	132,099
Total staff costs	**1,556,824**	1,330,349
Gain on disposal of property, plant and equipment, net	**(178,553)**	(125,311)
(Reversal of provision)/provision for bad and doubtful debts	**(207)**	207
Written off of bad and doubtful debts	**1,169**	—
Gains on termination of cross currency swaps	**—**	(60,441)
Losses on termination of interest rate swaps	**—**	34,011
Dry-docking and repairs	**526,125**	487,851
Government subsidies	**(31,346)**	(33,377)

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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**320**	320	**—**	—
Salaries, allowances and benefits in kind	**1,630**	1,309	**1,112**	1,022
Pension scheme costs	**56**	54	**56**	50
Total	**2,006**	1,683	**1,168**	1,072

(a) Independent non-executive directors

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

	2010	2009
	RMB'000	RMB'000
Mr. Zhou Zhanqun	**—**	33
Mr. Hu Honggao	**—**	33
Mr. Xie Rong	**—**	33
Mr. Zhu Yongguang	**80**	80
Mr. Lu Wenbin	**80**	47
Mr. Gu Gongyun	**80**	47
Mr. Zhang Jun	**80**	47
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2010	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	—	924	28	952
Mr. Qiu Guoxuan	—	706	28	734
	—	1,630	56	1,686
Supervisors:				
Mr. Kou Laiqi	—	—	—	—
Mr. Yan Zhichong	—	—	—	—
Mr. Xu Hui	—	—	—	—
Mr. Yu Shicheng	—	80	—	80
Mr. Luo Yuming	—	540	28	568
Ms. Chen Xiuling	—	492	28	520
	—	1,112	56	1,168

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one (2009: one) director or supervisor, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2009: four) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,062**	3,547
Pension scheme contributions	**139**	126
	4,201	3,673

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

	Number of employees	
	2010	2009
Nil to HKD1,000,000	**4**	4

10. TAX

Hong Kong Profits Tax

Hong Kong profits tax was not provided for in the consolidated financial statements as the Group did not have any assessable profits arising in Hong Kong during the years ended 31 December 2010 and 2009.

10. TAX (Continued)

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 Group 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 PRC corporate income tax of the Group has been provided at the rate of 22% (2009:20%) 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 regarding this withholding tax and considered this withholding tax would not have a significant impact on the results of operations and financial position of the Group.

	Group	
	2010	2009
	RMB'000	RMB'000
Group :		
Current - Hong Kong	**—**	—
PRC		
– Charge for the year	**366,682**	259,933
– (Over)/ under provision in prior years	**(15)**	30,187
Deferred tax (note 28)	**82,778**	(12,424)
Total tax charge for the year	**449,445**	277,696

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB77,962,000 (2009: RMB14,189,000).

10. TAX (Continued)

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:

	2010 RMB'000	2010 %	2009 RMB'000	2009 %
Profit before tax	2,171,408		1,342,337	
Tax at the statutory tax rate	477,710	22.0	268,468	20.0
Higher tax rate for specific provinces	14,884	0.7	6,981	0.5
Adjustments in respect of current tax of previous periods	(15)	0.0	30,187	2.2
Expenses not deductible for tax	15,650	0.7	6,556	0.5
Income not subject to tax	(58,784)	(2.7)	(34,496)	(2.6)
Tax charge at the Group's effective rate	449,445	20.7	277,696	20.6

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

	2010 RMB'000	2009 RMB'000
Income tax payable at the beginning of the year	9,745	63,039
Provision for Corporate income tax during the year	366,682	259,933
Adjustments in respect of current tax of previous periods	(15)	30,187
Income tax paid	(297,808)	(343,414)
Income tax payable at the end of the year	78,604	9,745

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 2010 includes a profit of RMB1,535,720,000 (2009: RMB1,231,123,000) which has been dealt with in the financial statements of the Company (note 32).

12. DIVIDEND

The dividend paid in 2010 was RMB340,455,000, representing 2009 final dividend of RMB0.10 per share (2009: Dividend paid in 2009 was RMB 1,021,366,000, representing 2008 final dividend of RMB0.3 per share).

	2010	2009
	RMB'000	RMB'000
Proposed final dividend: RMB 0.17 (2009: RMB 0.10) per ordinary share	**578,774**	340,455

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

13. BASIC EARNINGS PER SHARE

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

	2010	2009
Profit attributable to equity holders of the parent (RMB'000)	**1,716,522**	1,064,794
Weighted average number of ordinary shares in issue (thousands)	**3,404,552**	3,404,552
Basic earnings per share (RMB cents per share)	**50.42**	31.28

As the Company does not have any potential dilutive ordinary shares during the year ended 31 December 2010 (2009: Nil), no diluted earnings per share is presented.

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 2010	108,534	25,481,442	76,826	14,565	8,404	10,092,986	35,782,757
Transfers	—	10,077,103	14,154	—	183,442	(10,274,699)	—
Additions	1,138	85,499	6,601	1,819	—	8,318,740	8,413,797
Acquisition of a subsidiary	—	302,919	103	—	—	—	303,022
Disposals	—	(1,376,832)	(27,058)	(265)	—	(200)	(1,404,355)
Exchange realignment	—	(291,984)	(51)	—	—	—	(292,035)
At 31 December 2010	109,672	34,278,147	70,575	16,119	191,846	8,136,827	42,803,186
Accumulated depreciation							
At 1 January 2010	13,652	7,016,303	55,552	8,774	3,647	—	7,097,928
Charge for the year	20,572	1,370,244	8,763	1,548	3,314	—	1,404,441
Disposals	—	(1,047,942)	(25,953)	(254)	—	—	(1,074,149)
Exchange realignment	—	(46,912)	(17)	—	—	—	(46,929)
At 31 December 2010	34,224	7,291,693	38,345	10,068	6,961	—	7,381,291
Impairment losses							
At 31 December 2010	—	35,938	—	—	—	—	35,938
At 31 December 2009	—	35,938	—	—	—	—	35,938
Accumulated depreciation and Impairment losses							
At 31 December 2010	34,224	7,327,631	38,345	10,068	6,961	—	7,417,229
At 31 December 2009	13,652	7,052,241	55,552	8,774	3,647	—	7,133,866
Net carrying amount							
At 31 December 2010	75,448	26,950,516	32,230	6,051	184,885	8,136,827	35,385,957
At 31 December 2009	94,882	18,429,201	21,274	5,791	4,757	10,092,986	28,648,891

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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	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	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	—	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	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	27,177	13,612,102	12,963	6,734	5,119	11,436,372	25,100,467

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 2010	95,450	17,835,801	75,460	13,052	8,404	6,298,691	24,326,858
Transfers	—	7,315,301	14,153	—	183,442	(7,512,896)	—
Additions	—	79,384	2,959	—	—	5,720,919	5,803,262
Disposals	—	(1,364,222)	(26,968)	(265)	—	—	(1,391,455)
At 31 December 2010	95,450	23,866,264	65,604	12,787	191,846	4,506,714	28,738,665
Accumulated depreciation							
At 1 January 2010	8,031	5,636,357	54,795	8,196	3,647	—	5,711,026
Charge for the year	17,769	1,002,059	7,984	1,183	3,314	—	1,032,309
Disposals	—	(1,061,582)	(25,866)	(254)	—	—	(1,087,702)
At 31 December 2010	25,800	5,576,834	36,913	9,125	6,961	—	5,655,633
Impairment losses							
At 31 December 2010	—	—	—	—	—	—	—
At 31 December 2009	—	—	—	—	—	—	—
Accumulated depreciation and Impairment losses							
At 31 December 2010	25,800	5,576,834	36,913	9,125	6,961	—	5,655,633
At 31 December 2009	8,031	5,636,357	54,795	8,196	3,647	—	5,711,026
Net carrying amount							
At 31 December 2010	69,650	18,289,430	28,691	3,662	184,885	4,506,714	23,083,032
At 31 December 2009	87,419	12,199,444	20,665	4,856	4,757	6,298,691	18,615,832

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)
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)
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)

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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels				
Cost at 31 December	**3,253,445**	1,582,714	**2,817,364**	1,091,828
Accumulated depreciation at 31 December	**948,412**	631,686	**740,923**	434,252

Further details of the operating leases are included in note 36(a) to the consolidated 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 RMB493,217,000 (2009: RMB574,566,000).

At 31 December 2010, certain of the Groups' vessels and vessels under construction with a net carrying amount of approximately RMB7,585,649,000 (2009: RMB5,953,403,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**572,388**	283,438

15. INTERESTS IN SUBSIDIARIES (Continued)

As at 31 December 2010, particulars of the principal subsidiaries are as followings:

Name	Place of incorporation and operations/ legal status	Nominal value of issued / registered capital	Class of shares in issue	Percentage of equity directly attributable to the Company	Principal activities
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong Limited liability company	USD500,000	Ordinary	100%	Investment holding
China Shipping Development (S) Marine Pte Ltd (incorporated in 2010)	Singapore Limited liability company	USD2,000,000	Ordinary	100%	Provision of shipping services
China Shipping Group Liquefied Natural Gas Investment Co., Limited (acquired in 2009)	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 (incorporated in 2009)	PRC Limited liability company	RMB100,000,000	Ordinary	51%	Provision of shipping services
Tianjin Zhonghai Huarun Marine Co., Limited ("Tianjin Zhonghai") (acquired in 2010)	PRC Limited liability company	RMB257,280,000	Ordinary	51%	Provision of shipping services
Shanghai Jiahe Shipping Co., Limited (incorporated in 2010)	PRC Limited liability company	RMB240,000,000	Ordinary	51%	Provision of shipping services

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. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2010	2009
	RMB'000	RMB'000
Equity method	**2,574,217**	1,614,781

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**1,945,679**	1,202,839

As at 31 December 2010, 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 (RMB200,000,000)	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 ("CS Finance")	Registered Capital of RMB1 each (RMB300,000,000)	PRC Limited liability company	25%	Financial services
Huahai Petrol Transportation & Trading Co., Limited (acquired in 2010) ("Huahai")	Registered Capital of RMB1 each (RMB26,960,143)	PRC Limited liability company	50%	Provision of shipping services
Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping") (acquired in 2010)	Registered Capital of RMB1 each (RMB597,000,000)	PRC Limited liability company	50%	Provision of shipping services
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	Registered Capital of RMB1 each (RMB1,000,000,000)	PRC Limited liability company	49%#	Provision of shipping services

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

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.

Except as disclosed elsewhere in the consolidated financial statements, 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.

At the 2010 first Board meeting held on 29 January 2010, the Company passed the resolution regarding the Capital Contribution Agreement to be signed by the Company and China Shenhua Energy Company Limited in relation to the increase in registered capital in Zhuhai New Century Shipping Company Limited. The Company agreed to increase in registered capital in Zhuhai New Century Shipping Company Limited. Following the contributions by both parties, the company name changed from Zhuhai New Century Shipping Company Limited to Shenhua Zhonghai Marine Company Limited, and the equity interest held by the Company changed from 50% to 49%.

The Group holds 49% of the issued share capital of Shenhua Zhonghai and controls 44% of vote in the general meeting of Shenhua Zhonghai. Since Shenhua Zhoughai is jointly controlled by the Group and other shareholder by virtue of contractual arrangements among shareholders, Shenhua Zhonghai is regarded as a jointly controlled entity of the Group.

The Group's share of the results of its jointly controlled entities and their summary of financial information are as follows:

	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Revenues	Profit for the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010	4,695,746	2,127,272	2,167,817	2,080,984	2,647,418	216,596
2009	2,757,072	199,736	825,442	570,534	796,998	61,099

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Unlisted equity investments, at cost	**4,300**	4,300

The above investments consist of investments in unlisted equity securities which were designated as available-for-sale financial assets.

As at 31 December 2010, unlisted equity investments with a carrying amount of RMB4,300,000 (2009: RMB4,300,000) were stated at cost less impairment because the directors are of the opinion that their fair value cannot be measured reliably.

As at 31 December 2010, the Group does not provide impairments on available-for-sale financial assets (2009: Nil).

The available-for-sale investments are denominated in RMB.

18. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2010	2009
	RMB'000	RMB'000
Dry bulk vessels	**—**	55,115

At the board meeting held on 17 November 2009, the Company passed the resolution regarding the intention to dispose of certain 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. As a result, the vessels were classified as held for sale as at 31 December 2009. The transactions have been completed in 2010.

19. OTHER LOAN

	Group	
	2010	2009
	RMB'000	RMB'000
Baosteel Resources Co., Ltd.	**429,934**	441,658

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 provided to Hong Kong Hai Bao Shipping Co., Limited to finance the construction of vessels. The loan is repayable in 2018.

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

20. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivables	**891,063**	670,464	**672,540**	552,018
Provision for doubtful debts	**—**	(207)	**—**	—
Trade and bills receivables, net	**891,063**	670,257	**672,540**	552,018

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

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

	Group			
	2010		2009	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**813,110**	**92**	649,721	97
4 - 6 months	**65,631**	**7**	12,949	2
7 - 9 months	**10,690**	**1**	984	—
10 - 12 months	**1,615**	**—**	—	—
1 - 2 years	**17**	**—**	6,810	1
	891,063	**100**	670,464	100
Provision for doubtful debts	**—**		(207)	
Trade and bills receivables, net	**891,063**		670,257	

20. TRADE AND BILLS RECEIVABLES (Continued)

	Company			
	2010		2009	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**608,954**	**90**	538,467	98
4 - 6 months	**58,484**	**9**	12,594	2
7 - 9 months	**5,051**	**1**	957	—
10 - 12 months	**51**	**—**	—	—
	672,540	**100**	552,018	100
Provision for doubtful debts	**—**		—	
Trade and bills receivables, net	**672,540**		552,018	

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.

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 amount of approximately RMB13,987,000 (2009:RMB20,743,000) 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 (2009:RMB207,000).

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**12,355**	12,949	**11,389**	12,594
7 months - above 1 year	**1,632**	7,587	**51**	957
	13,987	20,536	**11,440**	13,551

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.

20. TRADE AND BILLS RECEIVABLES (Continued)

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. In addition, impairment loss of RMB1,169,000 (2009:Nil) was directly written off against the trade receivables.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**207**	—	**—**	—
(Reversal of provision) /provision for bad and doubtful debts	**(207)**	207	**—**	—
At 31 December	**—**	207	**—**	—

The Group does not hold any collateral over these balances.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**269,552**	217,539	**124,963**	104,411
RMB	**621,511**	452,718	**547,577**	447,607
	891,063	670,257	**672,540**	552,018

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**29,818**	42,692	**8,070**	33,749
Deposits and other receivables	**186,005**	222,283	**148,403**	181,904
Due from fellow subsidiaries	**127,795**	98,021	**63,318**	64,950
Due from subsidiaries	**—**	—	**3,865,510**	3,263,003
	343,618	362,996	**4,085,301**	3,543,606

The amounts due from fellow subsidiaries and subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**120,091**	199,517	**3,561,863**	3,192,470
RMB	**186,138**	145,419	**503,774**	337,040
AUD	**14,100**	6,146	**3,786**	3,641
JPY	**11,265**	4,428	**11,224**	4,762
HKD	**7,350**	3,862	**961**	2,234
EUR	**1,258**	1,696	**1,237**	1,649
GBP	**1,479**	1,350	**1,479**	1,350
Others	**1,937**	578	**977**	460
	343,618	362,996	**4,085,301**	3,543,606

22. CASH AND CASH EQUIVALENTS

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 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 RMB351,880,000 (2009:RMB493,700,000).

Included in cash and cash equivalents represent an amount of RMB307,451,000 (2009: Nil) of bank balance deposited with China Shipping Finance Co., Limited, a jointly- controlled entity of the company.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**351,880**	493,700	**85,130**	98,326
RMB	**705,513**	1,725,226	**315,905**	1,434,975
HKD	**1,376**	2,132	**41**	31
EUR	**1,021**	1,037	**1,021**	1,037
GBP	**33**	46	**33**	46
SGD	**1,905**	—	**—**	—
JPY	**7**	6	**7**	6
	1,061,735	2,222,147	**402,137**	1,534,421

23. TRADE AND BILLS PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payables	**485,120**	792,686	**277,649**	723,147
Due to subsidiaries	**—**	—	**2,512**	—
Due to fellow subsidiaries	**428,601**	245,157	**427,496**	210,078
	913,721	1,037,843	**707,657**	933,225

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

The amounts due to subsidiaries and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

23. TRADE AND BILLS PAYABLES (Continued)

An aged analysis of trade and bills payables at the end of the reporting period, based on the invoice dates, is as follows:

	Group			
	2010		2009	
	Balance RMB'000	**Percentage %**	Balance RMB'000	Percentage %
1 - 3 months	**706,129**	**77**	921,661	89
4 - 6 months	**60,709**	**7**	30,978	3
7 - 9 months	**58,871**	**6**	46,084	4
10 - 12 months	**79,755**	**9**	20,415	2
1 - 2 years	**7,605**	**1**	14,316	1
Over 2 years	**652**	**—**	4,389	1
	913,721	**100**	1,037,843	100

	Company			
	2010		2009	
	Balance RMB'000	**Percentage %**	Balance RMB'000	Percentage %
1 - 3 months	**548,025**	**79**	821,806	88
4 - 6 months	**38,284**	**5**	31,071	3
7 - 9 months	**44,760**	**6**	45,381	5
10 - 12 months	**73,619**	**10**	14,209	2
1 - 2 years	**2,318**	**—**	16,480	2
Over 2 years	**651**	**—**	4,278	—
	707,657	**100**	933,225	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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**250,190**	229,579	**111,549**	129,874
RMB	**640,829**	790,498	**588,328**	785,900
JPY	**4,446**	7,542	**1,057**	7,430
AUD	**6,893**	4,795	**252**	4,702
GBP	**608**	2,042	**548**	2,042
EUR	**1,495**	—	**476**	—
HKD	**7,239**	2,977	**4,714**	2,922
Others	**2,021**	410	**733**	355
	913,721	1,037,843	**707,657**	933,225

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**123,120**	174,623	**117,496**	170,118
Other payables	**731,938**	527,446	**145,430**	156,930
Due to subsidiaries	**—**	—	**80,012**	—
Due to fellow subsidiaries	**291,150**	137,666	**274,700**	16,353
	1,146,208	839,735	**617,638**	343,401

The carrying amounts 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.

The amounts due to subsidiaries and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**457,436**	473,407	**23,987**	22,911
RMB	**670,458**	340,568	**593,651**	320,014
HKD	**17,520**	15,320	**—**	—
Others	**794**	10,440	**—**	476
	1,146,208	839,735	**617,638**	343,401

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010 Assets RMB'000	**2010 Liabilities RMB'000**	2009 Assets RMB'000	2009 Liabilities RMB'000
Carried at fair value				
Cash flow hedges:				
- Interest rate swap agreements	**—**	**(13,218)**	1,326	(1,125)

(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 (approximately RMB60,441,000) 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 is as follows:

	2010 RMB'000	2009 RMB'000
Net fair value gains included in the hedging reserve	**—**	60,441
Deferred tax on fair value gains	**—**	(8,955)
	—	51,486
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	**—**	—

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate swap agreements

As at 31 December 2010, 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 (approximately RMB636,752,000). 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 2010, the floating rates of the bank loan were LIBOR + 0.42% or 0.45% (2009: 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 (approximately RMB34,011,000). 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:

	2010	2009
	RMB'000	RMB'000
Total fair value losses included in the hedging reserve	**(13,642)**	(35,110)
Release from hedging reserve	**—**	35,314
Losses on termination of interest rate swaps	**—**	(34,011)
Hedge loan interest included in finance cost	**(12,676)**	(17,545)
Total losses on cash flow hedges of interest rate swap agreements	**(26,318)**	(51,352)

26. PROVISIONS

	Group and Company		
	Legal claims (Note i)	**Other provisions (Note ii)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January 2010	**66,000**	**35,000**	**101,000**
Additional provisions recognised	**—**	**4,500**	**4,500**
Reductions	**—**	**(20,000)**	**(20,000)**
At 31 December 2010	**66,000**	**19,500**	**85,500**

26. PROVISIONS (Continued)

Provisions analysed as:

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Current portion	**—**	20,000
Non-current portion	**85,500**	81,000
	85,500	101,000

Note:

(i) Legal claims

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

The Company is still in the process of settling this issue, it is expected that the court may not conclude the case in 2011. A provision of RMB50,000,000 has been recognised 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 amount provided at 31 December 2010. Please refer to note 35(i) for details.

b. Issue concerning collision of vessel "Fuzhou"

The Company is still in the process of settling this issue, it is expected that the court may not conclude the case in 2011. A provision of total of RMB16,000,000 was recognised. 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 2010. Please refer to note 35(ii) for details.

(ii) Other provisions

a. 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 2011. 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 2010. Please refer to note 35(iii) for details.

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

The estimated provision amount for this issue is RMB4,500,000. The board of directors expected that no decision will be concluded in 2011. 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 amount provided at 31 December 2010. Please refer to note 35(iv) for details.

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 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Current						
(i) Bank loan						
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 1.40%	2011	**561,041**	780,963	**35,539**	—
Unsecured	Libor + 0.35% to 0.85%	2011	**662,809**	541,410	**231,794**	541,410
			1,223,850	1,322,373	**267,333**	541,410
(ii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 5.004%	2011	**1,200,000**	—	**1,200,000**	—
Notes, interest-bearing bank and other borrowings – current portion			**2,423,850**	1,322,373	**1,467,333**	541,410
Non-current						
(i) Bank loan						
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.40%	2012-2021	**4,590,795**	3,229,216	**319,849**	—
(ii) Notes						
Unsecured	3.90% to 4.18%	2012-2014	**4,989,873**	4,986,318	**4,989,873**	4,986,318

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)

	Annual Effective interest (%)	Maturity	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Non-current (Continued)						
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 4.86%	2013 - 2015	**2,541,551**	—	**2,541,551**	—
Notes, interest-bearing bank and other borrowings – Non-current portion			**12,122,219**	8,215,534	**7,851,273**	4,986,318

The Group's bank loans are secured by pledges or mortgages of the Group's 15 vessels (2009: 9 vessels) and another 2 vessels under construction (2009: 4 vessels under construction) with total net carrying amount of RMB7,585,649,000 (2009: RMB5,953,403,000) at 31 December 2010.

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 RMB4,796,448,000 (2009: RMB4,010,179,000) and unsecured bank loans of RMB649,010,000 (2009: RMB341,410,000) which are denominated in USD, all borrowings are denominated in RMB.

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

(b) At 31 December 2010, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**1,223,850**	1,322,373	**267,333**	541,410
In the second year	**612,084**	397,004	**35,539**	—
In the third to fifth year, inclusive	**1,866,396**	1,191,012	**106,617**	—
Over five years	**2,112,315**	1,641,200	**177,693**	—
	5,814,645	4,551,589	**587,182**	541,410
(ii) Notes:				
In the second year	**1,995,946**	—	**1,995,946**	—
In the third to fifth year, inclusive	**2,993,927**	4,986,318	**2,993,927**	4,986,318
	4,989,873	4,986,318	**4,989,873**	4,986,318
(iii) Other borrowings:				
Within one year or on demand	**1,200,000**	—	**1,200,000**	—
In the second year	**200,000**	—	**200,000**	—
In the third to fifth year, inclusive	**2,341,551**	—	**2,341,551**	—
	3,741,551	—	**3,741,551**	—
	14,546,069	9,537,907	**9,318,606**	5,527,728

Included in other borrowings represent an amount of RMB1,441,551,000 (2009: Nil) were borrowed from China Shipping Finance Co., Limited, a jointly controlled entity of the Company. As at 31 December 2010, the current and non-current portion of this borrowing amounted to RMB200,000,000 (2009: Nil) and RMB1,241,551,000 (2009: Nil) respectively.

Included in other borrowings represent an amount of RMB2,300,000,000 (2009: Nil) were borrowed from the Company's ultimate holding company. As at 31 December 2010, the current and non-current portion of this borrowing amounted to RMB1,000,000,000 (2009: Nil) and RMB1,300,000,000 (2009: Nil) respectively.

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

(c) Details of the notes at 31 December 2010 are as follows:

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Principal amount	**5,000,000**	5,000,000
Notes issuance cost	**(14,496)**	(14,496)
Proceeds received	**4,985,504**	4,985,504
Accumulated amortisation	**4,369**	814
	4,989,873	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. 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
Charged to consolidated statement of changes in equity during the year	—	(8,955)	(8,955)
Charged to the consolidated statement of comprehensive income during the year (note 10)	(12,424)	—	(12,424)
At 31 December 2009	**322,682**	**—**	**322,682**
Charged to the consolidated statement of comprehensive income during the year (note 10)	**82,778**	**—**	**82,778**
At 31 December 2010	**405,460**	**—**	**405,460**

29. BUSINESS COMBINATION

In May 2010, the Company has made the capital contribution to Tianjin Zhonghai with the former name China Resources Power Shipping (Tianjin) Co., Limited, a subsidiary of China Resources Power Logistics (Tianjin) Co., Limited ("CR Power Logistics"). The Company has contributed a vessel (Ningan 1) valued at RMB103,652,640 to Tianjin Zhonghai and RMB49,347,360 cash to CR Power Logistics, representing 51% of the registered capital.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	303,022
Bunker oil inventories	1,560
Trade receivables	27,802
Prepayments, deposits and other receivables	53,157
Cash and cash equivalents	239
Trade payables	(5,998)
Other payables and accruals	(183,435)
	196,347
Less : Non-controlling interests	(147,000)
	49,347
Consideration transferred	
Consideration paid in cash	49,347

Acquisition-related costs have been excluded from the cost of acquisition. The costs were insignificant and recognised as an expense in the period, within the administrative expenses in the consolidated statement of comprehensive income.

The fair value of receivables acquired, which principally comprised prepayments and other receivables approximated the gross contractual amounts. There are no contractual cash flows not expected to be collected.

Net cash outflow on acquisition of Tianjin Zhonghai

	RMB'000
Cash consideration paid	49,347
Less: cash and cash equivalent balances acquired	(239)
	49,108

Included in the loss for the year is RMB5,205,000 attributable to the additional business generated by Tianjin Zhonghai Limited. Revenue for the year includes RMB100,977,000 generated from Tianjin Zhonghai Limited.

Had the acquisition been completed on 1 January 2010, total group revenue for the period would have been RMB11,311,396,000, and profit for the period would have been RMB1,716,855,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

30. LONG TERM RECEIVABLE

	Company	
	2010	2009
	RMB'000	RMB'000
Equity loan	**445,840**	459,674

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

31. ISSUED CAPITAL

	Group and Company			
	2010 Number of shares	**2010 RMB'000**	2009 Number of shares	2009 RMB'000
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
Total captial	**3,404,552,270**	**3,404,552**	3,404,552,270	3,404,552

All of the ordinary shares were circulated without trading restriction at the year end date.

32. RESERVES

	Group									
	Share premium RMB'000	Contributed surplus/ distribution deficit 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	Total RMB'000
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 and at 1 January 2010	**3,947,214**	**—**	**168,829**	**2,580,677**	**93,158**	**(588)**	**1,019**	**(465,773)**	**11,325,030**	**17,649,566**
Profit for the year	—	—	—	—	—	—	—	—	1,716,522	1,716,522
Net gain on cash flow hedges	—	—	—	—	—	13,660	—	—	—	13,660
Release to consolidated statement of comprehensive income	—	—	—	—	—	(27,302)	—	—	—	(27,302)
Exchange realignment	—	—	—	—	—	—	—	(178,453)	—	(178,453)
Total comprehensive income for the year	—	—	—	—	—	(13,642)	—	(178,453)	1,716,522	1,524,427
Transfer (from)/to reserves	—	—	—	175,232	—	—	—	—	(175,232)	—
2010 Proposed final dividend	—	—	—	—	—	—	—	—	(578,774)	(578,774)
At 31 December 2010	**3,947,214**	**—**	**168,829**	**2,755,909**	**93,158**	**(14,230)**	**1,019**	**(644,226)**	**12,287,546**	**18,595,219**

32. RESERVES (Continued)

Company

	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
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 and 1 January 2010	**3,947,490**	**165,665**	**(1,796)**	**2,580,677**	**93,158**	**1,019**	**9,012,384**	**15,798,597**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**1,535,720**	**1,535,720**
Transfers (from) / to reserves	**—**	**—**	**—**	**175,232**	**—**	**—**	**(175,232)**	**—**
2010 Proposed final dividend	**—**	**—**	**—**	**—**	**—**	**—**	**(578,774)**	**(578,774)**
At 31 December 2010	**3,947,490**	**165,665**	**(1,796)**	**2,755,909**	**93,158**	**1,019**	**9,794,098**	**16,755,543**

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"). 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.

The directors have proposed to transfer RMB175,232,000 (2009: RMB114,222,000) to SSR, represents 10% (2009: 10%) of the Company's profit after tax of RMB1,752,315,000 (2009: RMB1,142,223,000), 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 2010, before the proposed final dividend, the Company had reserve of RMB10,372,872,000 (2009: RMB9,352,839,000).

In addition, in accordance with the Company Laws of the PRC, an amount of approximately RMB3,947,490,000 (2009: 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.

32. RESERVES (Continued)

Share premium

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

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. The transfer to this reserve must before distribution of a dividend to shareholders.

General surplus reserve

When the public welfare fund is utilised, 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 end of reporting period.

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

	2010 RMB'000	2009 RMB'000
Profit before tax	**2,171,408**	1,342,337
Adjustments for:		
Interest income	**(14,986)**	(30,429)
Depreciation	**1,404,441**	1,071,585
Share of profits of jointly-controlled entities	**(216,596)**	(61,099)
Gains on termination of cross currency swaps	**—**	(60,441)
Losses on termination of interest rate swaps	**—**	34,011
(Reversal of provision)/provision for bad and doubtful debts	**(207)**	207
Written off bad and doubtful debts	**1,169**	—
Gain on disposal of property, plant and equipment	**(178,553)**	(125,311)
Provisions	**4,500**	15,000
Operating profit before working capital changes	**3,171,176**	2,185,860
(Increase)/decrease in trade and bills receivables	**(193,966)**	114,078
Increase in bunker oil inventories	**(97,989)**	(77,491)
Decrease/(increase) in prepayments	**1,211**	(11,345)
Decrease/(increase) in deposits and other receivables	**77,682**	(66,120)
Increase in amounts due from fellow subsidiaries	**(29,774)**	(40,019)
(Decrease)/increase in trade payables	**(313,564)**	227,066
(Decrease)/increase in accruals	**(52,895)**	29,376
(Decrease)/increase in other payables	**(31,871)**	56,918
Decrease in provisions	**(20,000)**	(91,347)
Increase/(decrease) in amounts due to fellow subsidiaries	**336,928**	(145,037)
Cash generated from operation	**2,846,938**	2,181,939
Finance costs	**205,170**	69,783
Income tax paid	**(297,808)**	(343,414)
Net cash inflow from operating activities	**2,754,300**	1,908,308

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% (2009: 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 2010 amounted to RMB137,811,000 (2009: RMB132,099,329).

Enterprise annuity scheme

In the year 2009, after the resolution held between the representatives of the Group's Labour Union and the Board, 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 2009. According to the scheme, actual amount incurred as labour cost in 2010 amounted to RMB46,822,000 (2009: 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 MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. 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 in the waters of the Bohai Bay of The PRC. A hull crack of approximately 4.5m was discovered. After the investigation done by the Maritime Safety Administration, which affirmed the hull cracking the leakage polluted the sea. The Company formed an incident management team. Hence, there was a settlement agreement among Ministry of Communication, the Company and local authorities such as Maritime Safety Administration of Shandong Province and that the Company would assume responsibility of the accident. As the Company had been insured with the United Kingdom Mutual Steamship Assurance Association, the Company had made provision for its estimated loss. As at 31 December 2010, 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 amounting to RMB16,318,000. Since the Company had been insured, all compensation will be borne by the insurance company. As at 31 December 2010, the Company is still in the process of settling all the issues concerned.

iii) In September 2009, one of the Company's cargo vessels "Wanshoushan" leaked during its voyage in the waters of the Sulu Sea. An incident management team was set up and had made sufficient provision for its estimated loss based on its previous experience in handling similar cases. The Company had been insured with an insurance company and had made provision of its liability. As at 31 December 2010, the Company is still in the process of investigating the damages.

iv) In December 2010, one of the Company's cargo vessels "Jiaxinshan" leaked with apparent conditions of goods in cargo seriously liquidated during its voyage into the waters near Sulu Sea of the Philippines. The safety of the vessel and other cargo were endorsed and the cargo was sea damaged. The cargo was then unloaded and dried in the Philippines pending negotiations and settlement. A provision of total of RMB4,500,000 was recognised. As at 31 December 2010, the Company is still in the process of settling all issues concerned.

v) In March 2009, Guangzhou Shipping signed a thirteen-year loan agreement in the amount not exceeding RMB500,000,000 with a commercial bank for the construction of two 57,000 deadweight tons vessels. Guangzhou Development Industry (Holdings) Co., Limited ("Guangzhou Holdings") entered into a guarantee contract with the commercial bank to provide guarantees to secure the bank loan in the maximum amount of RMB500,000,000. The guarantee period given by Guangzhou Holdings is the same as the period of the loan agreement.

On 16 August 2010, the Company acquired 50% registered capital of Guangzhou Shipping, a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited. At the 14th board meeting in 2010, the Company passed the resolution to offer a counter-guarantee letter in the maximum amount of RMB250,000,000 to Guangzhou Holdings, in accordance with the joint venture agreement signed with Guangzhou Development Coal Investment Co., Limited signed on 16 August 2010.

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 3 years.

As at 31 December 2010, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**53,581**	132,858	**50,689**	78,929
In the second to fifth year, inclusive	**14,744**	5,986	**14,744**	5,986
	68,325	138,844	**65,433**	84,915

(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 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**109,932**	152,803	**54,352**	3,600
In the second to fifth year, inclusive	**94,583**	129,589	**17,827**	4,800
	204,515	282,392	**72,179**	8,400

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 2010, of which RMB3,478,709,000 (2009: RMB1,509,107,000) from the Group and RMB793,814,000 (2009: RMB872,916,000) from the Company will be due within the next financial year.

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorized and contracted for construction and purchases of vessels (Note)	**20,436,403**	17,464,664	**9,214,159**	7,367,064
Equity Investments	**2,111,649**	2,103,051	**2,111,649**	2,103,051
	22,548,052	19,567,715	**11,325,808**	9,470,115

Note: According to the construction purchase agreements entered into by the Group in 2006 to 2010, these capital commitments will fall due as from 2011 to 2013 respectively.

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balance detailed elsewhere in the consolidated 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 2010 and 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 2010 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)

(1) (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 2010 and 2009 are set out below:

	Pricing basis	2010 Total value RMB'000	2009 Total value RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**289,839**	255,389
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	**2,644,221**	1,849,453
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**60,513**	56,497
Crew expenses	Market prices	**47,623**	56,142
Accommodation, lodging medical services (for existing employees) and transportation for employees	State-fixed prices or market prices	**4,905**	8,418
Miscellaneous management services	Market prices	**31,407**	36,035
Agency commissions	Market prices	**104,661**	102,644
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**6,200**	10,387

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) Except 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	2010 RMB'000	2009 RMB'000
Vessel chartering charges paid	(v)	**57,936**	83,546
Vessel chartering income received		**(5,000)**	—
Sale of vessels	(i)	**(69,420)**	(47,872)
Rental income received		**(4,649)**	—
Vessel management fees		**(2,033)**	(1,962)
Purchases of vessels, construction in progress and other non-current assets	(iv)	**2,300,649**	1,008,078
Shipment income		**(968,281)**	(83,691)
Purchase of subsidiary	(ii)	**144,459**	100,276
Loan borrowed	(iii)	**3,741,551**	3,000,000
Loan interest payment	(iii)	**78,687**	56,088

Note:

The Group has entered into the following agreements:

(i) On 17 May 2010, 26 November 2010, and 10 December 2010, the Group entered into the agreements with China Shipping Industry Co. Ltd., whereby the Group agreed to sell and China Shipping Industrial Co., Ltd. agreed to purchase 3 vessels, the aggregate consideration for the sale of the vessel is RMB69,420,000.

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) On 17 May 2010, the Company entered into the Share Transfer Agreement with Shanghai Shipping (Group) Company ("Shanghai Shipping"), a wholly-owned subsidiary of China Shipping, regarding the acquisition of 50% equity interest of Huahai from Shanghai Shipping. The consideration amounted to RMB144,459,000.

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 and Dalian Shipping. The consideration amounted to RMB100,276,000.

38. RELATED PARTY TRANSACTIONS (Continued)

(2) Except 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: (Continued)

Note: (Continued)

(iii) At the second board meeting held on 26 March 2010, the Company has passed the resolution of entering into the Entrusted Loan Agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a three-year loan in the amount of RMB1,300,000,000 to the Company. The loan is used to pay China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of 57,300 deadweight tons vessel. The interest rate is a preferential rate determined by the commercial bank interest rate on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid.

On 30 March 2010, the Company has entered into a Loan Agreement with CS Finance whereby CS Finance provided a five-year loan in the amount up to RMB 1,500,000,000 to the Company. The loan is used to finance the construction in progress of 22 vessels. The interest rate is the preferential rate determined by applying a 10% discount to the commercial bank interest rate as published by the PBC on the date of drawdown of such loan by the Company, and interest will be adjusted annually. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid.

At the tenth board meeting held on 19 November 2010, the Company has passed the resolution of entering into the Entrusted Loan Agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a one year loan in the amount of RMB1,000,000,000 to the Company. The loan is used to pay China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of twelve 48,000 deadweight tons vessels. The interest rate is 5.004% per annum, representing a preferential rate determined by applying a 10% discount to the commercial bank interest rate as published by the PBC on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid.

The related interest expenses RMB 78,687,000 for the period have been included in the finance cost.

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) On 28 September 2010, the Company entered into the agreements with China Shipping Industrial Co., Ltd. and China Shipping Industrial (Jiangsu) Co., Ltd. for the construction of 12 vessels (2009: 4 vessels) for the transportation of coal and other bulk cargo. The total consideration paid for the construction in progress of the Vessels is approximately RMB2,300,649,000 (2009: RMB1,008,078,000).

38. RELATED PARTY TRANSACTIONS (Continued)

(2) Except 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: (Continued)

Note: (Continued)

(v) On 29 December 2009, 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 2010 to 31 December 2010. The aggregate payment will be up to USD5,293,000.

On 10 December 2010, 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 2011 to 31 December 2011. The aggregate payment will be up to USD5,293,000.

On the 29 December 2009, Shanghai Shipping 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. The aggregate payment will be up to USD3,194,000.

On 10 December 2010, Shanghai Maritime Enterprises Corp. and the Company entered into a bare-boat charter where Shanghai Maritime Enterprises Corp. will lease the vessel Da Qing 88 to the Company for a term of 246 days commencing from 1 January 2011 to 3 Sepember 2011. The aggregate payment will be up to USD2,153,000.

On the 4 May 2009, Guangzhou Maritime Transport (Group) Co. Ltd and the Company entered into three bare-boat charters where Guangzhou Maritime Transport (Group) Co. Ltd will lease 3 vessels to the Company for a term of 3 years commencing from 4 May 2009 to 4 May 2012. The aggregate payment will be RMB3,600,000 per annum.

(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 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 authorised 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 received its "Business Registration Certificate" and "Financial Certificate";

iv) On the ground that the relevant laws and regulations (including the "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 end of reporting period are disclosed in notes 21, 23 and 24 to the consolidated financial statements.

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

	2010 RMB'000	2009 RMB'000
Fees	**320**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**5,880**	5,878
Pension scheme contributions	**223**	230
	6,423	6,508

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 and other borrowings, cash, available-for-sale investments, derivative financial instruments 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 and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap derivative transactions. The purpose is to manage the interest rate risk 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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 RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

At 31 December 2010, if USD and HKD had weakened or strengthened by 1% against Renminibi with all other variables held constant, post-tax profit for the year 2010 would have been RMB45,689,000 (2009: RMB37,607,000) 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.

(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 2010, 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 RMB53,640,000 (2009: RMB18,640,000) lower/higher, the Company's post-tax profit for the year would have been RMB15,855,000 (2009: RMB7,939,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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 2010 and 2009, all the cash and cash equivalents were deposited in the high quality financial institutions without significant credit risk.

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

Counterparty	**Bank credit rating**	**2010 RMB'000**
Citibank	**A1/P-1/Negative(m)[1]**	**138,180**
China Merchants Bank	**Baa3/P-3/Stable[1]**	**106,884**
Industrial and Commercial Bank of China Limited	**A1/P-1/Stable[1]**	**99,662**
DNB Nor Bank	**Aa3/P-1/Stable(m)[1]**	**91,050**
China Construction Bank	**A1/P-1/Stable[1]**	**54,754**

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

The Group does not have significant exposure to credit risk.

1 Rating information provided by Moody's Corporation.

2 Rating information provided by Fitch Ratings Ltd.

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 Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

The table below shows the balance of the five major debtors at the end of reporting period.

Counterparty	**2010** **RMB'000**
Unipec Asia Co., Limited	**45,953**
寧波中海油船務有限公司	**42,257**
中國石油天然氣股份有限公司廣西石化分公司	**35,471**
神華中海航運有限公司	**34,456**
中國石油化工股份有限公司上海高橋分公司	**29,767**

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

The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

(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 2010

	Less than 1 year RMB'000	and 2 years RMB'000	Over 2 years RMB'000	undiscounted cash flows RMB'000	Total RMB'000
Bank and other borrowings	2,620,455	977,827	6,820,120	10,418,402	9,556,196
Notes	200,600	2,200,600	3,234,000	5,635,200	4,989,873
Derivative financial instruments	—	—	13,218	13,218	13,218
Trade and bills payables	913,721	—	—	913,721	913,721
Other payables and accruals	1,074,096	—	—	1,074,096	1,074,096
Interest payments on notes and bank borrowings	72,112	—	—	72,112	72,112
Other loan	—	—	429,934	429,934	429,934
	4,880,984	3,178,427	10,497,272	18,556,683	17,049,150

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 and other 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
	3,370,481	666,224	8,771,608	12,808,313	11,858,268

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2010

	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 and other borrowings	1,616,250	354,061	2,818,481	4,788,792	4,328,733
Notes	200,600	2,200,600	3,234,000	5,635,200	4,989,873
Trade and bills payables	707,657	—	—	707,657	707,657
Other payables and accruals	555,516	—	—	555,516	555,516
Interest payments on notes and bank borrowings	62,122	—	—	62,122	62,122
	3,142,145	2,554,661	6,052,481	11,749,287	10,643,901

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 and other 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
	1,941,325	217,080	5,425,196	7,583,601	6,804,354

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value

The fair values 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 values 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:

	2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities:				
Derivative financial instruments	—	13,218	—	13,218

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

	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

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

No comprehensive income reported in consolidated statement of comprehensive income 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 2010 and 2009.

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 dividend 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.

40. CAPITAL RISK MANAGEMENT (Continued)

The Group's and Company's net debt-to-equity ratio at 31 December 2010 and 2009 was as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**14,976,003**	9,979,565	**9,318,606**	5,527,728
Less: Cash and cash equivalents	**(1,061,735)**	(2,222,147)	**(402,137)**	(1,534,421)
Net debt	**13,914,268**	7,757,418	**8,916,469**	3,993,307
Total equity	**23,091,461**	21,637,854	**20,738,869**	19,543,604
Debt to equity ratio	**60%**	36%	**43%**	20%

41. EVENTS AFTER REPORTING PERIOD

Except as disclosed elsewhere in the annual report, the following are the significant events after the reporting period.

(i) The Company passed the resolution in a board meeting held on 30 January 2011 regarding the issuance of convertible bonds. The Company proposed to issue the convertible bonds in principal amount equal to or not more than RMB3,950,000,000 convertible into new A shares of the Company (the "convertible bonds"). The issuance of the Convertible Bonds is conditional upon the approval of State-owned Assets Supervision and Administration Commission of the State Council and China Securities and Regulatory Commission.

(ii) According to the fifth Board meeting of the Company held on 16 March 2010, the Company will transfer 10% of its net profit of RMB1,752,315,000 to the statutory surplus reserve. The Directors also proposed to pay a final dividend for the year 2010 of RMB0.17 per share based on the number of shares issued as at 31 December 2010. The proposed final dividend is subject to the Company's Shareholders' approval at the forthcoming annual general meeting.

42. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group include in note 27 to the consolidated 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) 6 5966666
Fax:	(8621) 65966160
Business address in Hong Kong:	20th Floor, Alerandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Li Shaode
Company secretary:	Ms. Yao Qiaohong
Business registration numbe:	Qi Gu Hu Zong Zi No.022594
Principal bankers:	Bank of China The Industrial and Commercial Bank of China China Construction Bank China Merchants Bank
International auditors:	Baker Tilly Hong Kong Limited 12th Floor, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Domestic auditors:	Baker Tilly China 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
	Reed Smith Richards Butler 20th Floor, Alerandra House 18 Chater Road, Central, Hong Kong

CORPORATE INFORMATION (Continued)

H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
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

EXECUTIVE DIRECTORS

Mr. Li Shaode, born in August 1950 and aged 60, is a senior economic engineer. 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 58, has a master degree and is a senior economic engineer. 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 (Group) Company from November 2006 and then joined the Company in April 2007 as an executive director.

Mr. Lin Jianqing, born in February 1954 and aged 57, 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 has a doctorate 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 50, 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 the 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 54, 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 and chief of Transportation Regulation Department of Ministry of Communications since 1991, the deputy director of General Office and the director of International Shipping Management Division of the Water Transportation Department of Ministry of Communications since 1996, the assistant of director-general and the deputy director-general of the Water Transportation Department of Ministry of Communications since 2000. Mr. Zhang joined China Shipping (Group) Company in November 2004 and joined the Company in May 2006 as an executive director.

Mr. Yan Zhichong, born in May 1957 and aged 53, was appointed as a director in April 2011 and the general manager of the Company in January 2011. Mr. Yan 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. He is currently a non executive director of China Shipping Container Lines Co., Ltd. and a director of China Shipping Haisheng Co., Ltd.(a company listed on the Shanghai Stock Exchange). Mr. Yan has been a director of the Company from May 2002 to May 2003 and a supervisor of the Company during the period from October 2007 to January 2011.

Mr. Qiu Guoxuan, born in August 1957 and aged 53, is an MBA 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 and the 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. Mao Shijia, born in March 1950 and aged 61, is a senior engineer. 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 China Shipping (Group) Company in January 2001, and was General Manager of China Shipping Terminal Development Co., Ltd (a subsidiary of China Shipping (Group) Company) and China Shipping Logistics Co., Ltd. (a subsidiary of China Shipping (Group) Company). Since November 2002, Mr. Mao has served as an assistant president of China Shipping (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. Mao has been the general manager of the Company during the period from December 2004 to January 2011, and has been an executive director of the Company during the period from March 2005 to January 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongguang, born in June 1945 and aged 65, is a senior economics engineer. 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 the director of Production Scheduling Division of Oceanic Administration Bureau under the Ministry of Communications, the director of Integrated Transport Division of the Transport Regulation Department under the Ministry of Communications, and from 1992 onwards, Mr. Zhu has been the deputy director general of Transport Regulation Department and the deputy director general of Water Transportation 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 as an independent non-executive director in January 2008.

Mr. Gu Gongyun, born in July 1957 and aged 53, is a professor and a doctoral supervisor. 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 48, is professor and 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 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 43, 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. He is also an independent director of Science City Development Public Co., Ltd., Shanghai Bestway Marine Engineering Design Co., Ltd. and Ningbo Shuanglin Auto Parts Co., LTD, all being companies listed on the Shenzhen Stock Exchange. Mr. Lu joined the Company as an independent non-executive director in May 2009.

SUPERVISORS

Mr. Kou Laiqi, was born in October 1950 and aged 60. 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. 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 56, 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 45, has a master degree. 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 the 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 43, 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.

Mr. Yan Zhichong, born in May 1957 and aged 53, is a senior engineer. Mr. Yan 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. He is currently a non executive director of China Shipping Container Lines Co., Ltd. and a director of China Shipping Haisheng Co., Ltd.(a company listed on the Shanghai Stock Exchange). Mr. Yan has been a director of the Company from May 2002 to May 2003 and a supervisor of the Company from October 2007 to January 2011.

As at December 31, 2010, 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 Stock Exchange by the Directors and Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SENIOR MANAGEMENT

Mr. Yan Zhichong, born in May 1957 and aged 53, was appointed as a director in April 2011 and the general manager of the Company in January 2011. Mr. Yan 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. He is currently a non executive director of China Shipping Container Lines Co., Ltd. and a director of China Shipping Haisheng Co., Ltd.(a company listed on the Shanghai Stock Exchange). Mr. Yan has been a director of the Company from May 2002 to May 2003 and a supervisor of the Company during the period from October 2007 to January 2011.

Mr. Qiu Guoxuan, born in August 1957 and aged 53, 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 Kangtian, born in March 1966 and age 45, has a master's degree in economics and is a deputy general 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 July 1958 and age 52, has a master degree and an economic engineer. He is currently a deputy general manager of the Company. 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 and the deputy manager and general manager of the development department of China Shipping (Group) Company. He joined in the Company in February 2007 as a deputy general manager.

Ms. Yao Qiaohong, born in September 1969 and age 41, is an economic engineer, the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretaries. She joined Shanghai Hai Xing Shipping Company Limited in 1997. Ms. Yao joined the Company in 2002 and 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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