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)

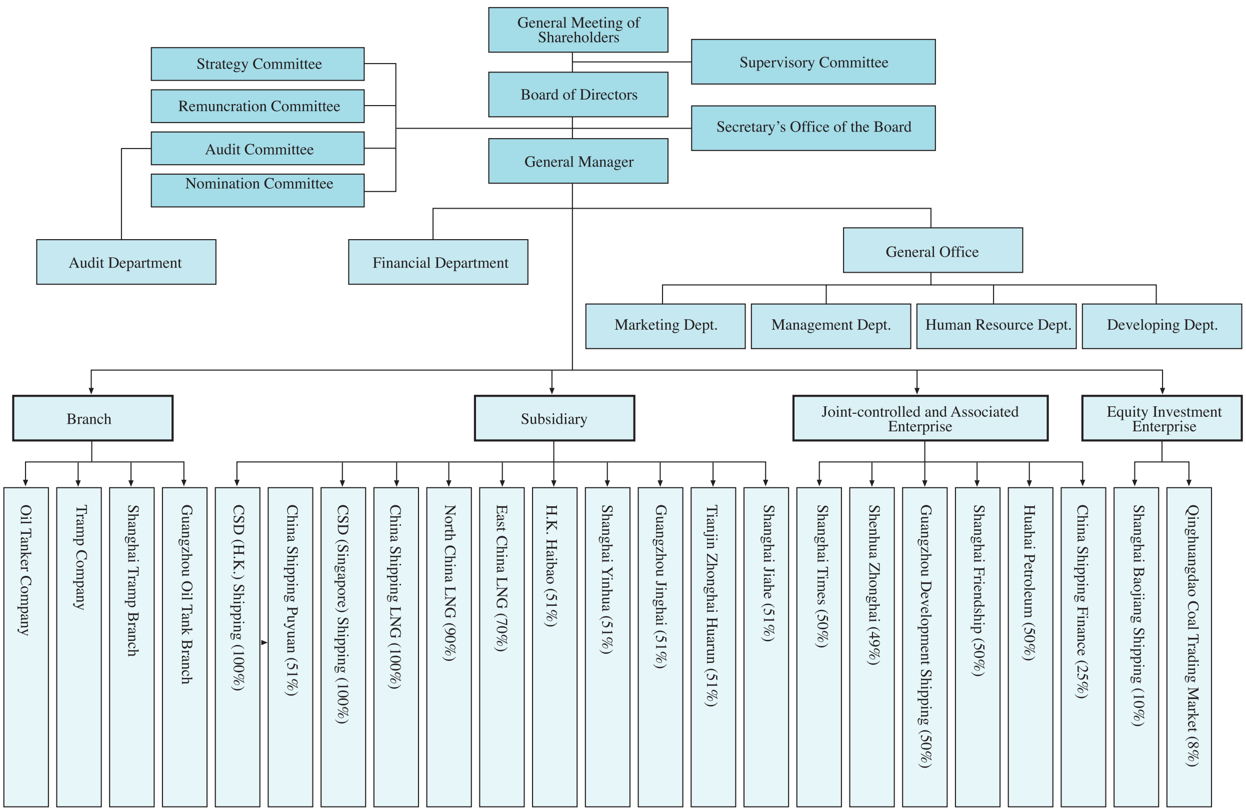
2011 ANNUAL REPORT

(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 2011, the Group owned assets totaling of approximately RMB51.589 billion, of which there are shareholders' funds of approximately RMB23.639 billion, and a fleet of 189 vessels with an aggregate deadweight of approximately 13.245 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				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**12,157,458**	11,283,594	8,729,969	17,214,283	12,394,739
Profit before tax	**1,225,051**	2,171,408	1,342,337	6,432,685	5,328,035
Profit for the year attributable to equity holders of the Company	**1,047,315**	1,716,522	1,064,794	5,373,010	4,546,383
Total assets	**51,588,814**	40,710,175	33,929,549	30,028,594	23,707,443
Minority interests and total liabilities	**27,949,997**	18,131,630	12,534,976	8,574,574	7,535,928
Equity attributable to equity holders of the Company	**23,638,817**	22,578,545	21,394,573	21,454,020	16,171,515
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.943**	6.632	6.284	6.302	4.862
Earning per share	**0.3076**	0.5042	0.3128	1.5864	1.3669
Dividend per share	**0.100**	0.170	0.100	0.300	0.500

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

The Group is principally engaged in the cargo shipping business. Cargo shipping mainly consists of the shipment of oil and dry bulk cargoes (primarily coal and iron ore), both domestically along the coastal regions of the PRC and internationally. At present, the Group is also developing Liquefied Natural Gas ("LNG") transportation business.

In 2011, against the background of slowing global economic growth and international volatile financial markets, fuel price (which was affected by a number of factors) continued to rise. Faced with pressures from freight rate reduction and rising cost at the same time, international shipping industry activities fell significantly again, and losses were reported for the industry.

As for the dry bulk cargo shipping market, global demand for shipping major bulk cargoes include iron ore, coal and grain showed a slowdown in growth. International dry bulk cargo shipping market fluctuated at low levels in 2011 due to the severe supply and demand imbalance. The Baltic Dry Bulk Freight Rate Index (the "BDI") reached its historical low since 2004 and averaged daily in 2011 at 1,549 points, down 43.8% compared with the same period last year.

The overall domestic coastal bulk shipping market was in a downturn during the year ended 31 December 2011 ("Reporting Period"). The coastal dry bulk freight index ("CBFI") averaged daily in 2011 at 1,368 points, down 6.3% compared with the same period in 2010.

In 2011, imbalance between the supply of and demand for shipping capacity in oil tanker shipping market was further exacerbated. Freight rate remained low and the whole international oil tanker operations recorded loss. In 2011, the Baltic Dirty Oil Tanker Freight Rate Index ("BDTI") averaged daily at 782 points, representing a decrease of 12.7% compared with the same period in 2010. 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 2011 averaged daily at 53 points, representing a decrease of 26.0% compared with the same period in 2010. The average daily revenue for VLCC was USD8,525, a decrease of 73.4% compared with the same period in 2010.

In 2011, the domestic economy grew and developed steadily at a relatively fast speed, and the overall domestic coastal oil shipment market remained stable. However, given the sustained downturn of the international oil shipping market and the macro control policy adopted by the central government of China, the competition in domestic oil transportation market intensified. Facing market changes, the Group persisted in the strategy of cooperation with large oil companies to vigorously expand new demand sources. The Group still occupied a market share of over 60% in 2011 and maintained its leading position in the domestic coastal oil shipping market.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

Despite the complex and volatile market environment in 2011, 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 and implemented refined management. As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development and generating greater profit than the average level in the shipping industry.

During the Reporting Period, the shipping volume achieved by the Group was approximately 345.9 billion tonne-nautical miles, and the total revenue derived from shipment was approximately RMB12.157 billion, representing an increase of 28.2% and 7.74% as compared with those of the same period in 2010 respectively. The operating costs were approximately RMB10.637 billion, representing an increase of 19.1% as compared with that of the same period in 2010. Net profit attributable to equity holders of the Company was approximately RMB1.047 billion, representing a decrease of 38.99% as compared with that of the same period in 2010. Basic earnings per share was approximately RMB0.3076.

Principal Operations by Products Transported

Industry or Product Description	Revenue (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Increase/ (decrease) in revenue as compared with 2010 (%)	Increase in operating costs as compared with 2010 (%)	Increase/ (decrease) in gross profit margin as compared with 2010 (%)
Coal shipments	3,887,438	2,980,416	23.3%	10.8%	11.4%	-0.5%
Iron ore shipments	1,386,126	1,249,095	9.9%	80.9%	77.9%	1.6%
Other dry bulk shipments	653,700	639,948	2.1%	-28.2%	5.5%	-31.3%
Oil shipments	6,230,194	5,767,229	7.4%	2.2%	16.6%	-11.4%
Total	12,157,458	10,636,688	12.5%	7.7%	19.1%	-8.3%

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

Principal Operations by Geographical Regions

Regions	Revenue	Increase in revenue as compared with 2010
	(RMB'000)	(%)
Domestic shipment	7,391,558	2.3%
International shipment	4,765,900	17.4%

(1) Shipping business - Dry bulk shipments

In 2011, being confronted with sluggish market demand and increasingly intense competition, the Group made great efforts in market expansion, fleet optimization and staff training to achieve balanced growth in its three major segments, being coastal, offshore and joint ventures. In 2011, in spite of the challenging overall market conditions, the Group was able to deliver profit in both domestic and international dry bulk shipments, and successfully distinguished itself in the domestic and global dry bulk markets.

With respect to coastal shipping, the Group focused on thermal coal contracts of affreightment ("COA contracts") and actively expanded its customer base. In 2011, the Group has completed domestic trade bulk shipment volume of 61.03 million tons through COA contracts, with average benchmark freight rate increased slightly from 2010, laying an important foundation for the operational efficiency of the Group.

With respect to offshore shipment, with the Group's very large ore carrier ("VLOC") vessels being put into operation successively, the Group's iron ore shipping amount increased gradually. In 2011, the Group completed a total freight volume of 23.41 million tons of iron ores, achieving revenue from shipping operations of RMB1,386 million, representing an increase of 80.9% as compared with the same period of 2010. This became a growth highlight of the Group's foreign trade shipping operations in 2011.

With respect to joint venture partnership, the Group continued to implement its strategies of cooperation with major customers and further expanded its association and cooperation coverage, which has consolidated the Group's control over the coastal thermal coal shipping market. In 2011, the market share of the Group (including its associated companies) in domestic coal shipping market reached 26%, representing an increase of 3 percentage points over the same period last year.

In 2011, the Group achieved a shipping volume of approximately 158.6 billion tonne-nautical miles of dry bulk cargo, and derived revenue of approximately RMB5.927 billion, representing increases of 45.5% and 14.3% as compared with those of the same period in 2010 respectively.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (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 2011 (billion tonne nautical miles)	In 2010 (billion tonne nautical miles)	Increase in volume as compared with 2010 (%)
Domestic Shipment	**62.8**	59.0	6.4%
Coal	**52.1**	50.5	3.2%
Iron ore	**6.7**	5.7	17.5%
Other dry bulk	**4.0**	2.8	42.9%
International Shipment	**95.8**	50.0	91.6%
Coal	**14.1**	4.4	220.5%
Iron ore	**49.3**	17.4	183.3%
Other dry bulk	**32.4**	28.2	14.9%
Total	**158.6**	109.0	45.5%

Revenue by shipments types

	In 2011 (RMB million)	In 2010 (RMB million)	Increase/ (decrease) in revenue as compared with 2010 (%)
Domestic Shipment	**3,995**	3,777	5.8%
Coal	**3,458**	3,296	4.9%
Iron ore	**316**	300	5.3%
Other dry bulk	**221**	181	22.1%
International Shipment	**1,932**	1,408	37.2%
Coal	**429**	213	101.4%
Iron ore	**1,070**	465	130.1%
Other dry bulk	**433**	730	-40.7%
Total	**5,927**	5,185	14.3%

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

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

(2) Shipping business — Oil shipments

In 2011, the international oil transportation market remained depressed and the competition in domestic oil transportation market intensified. Against such a backdrop, the Group adhered to its "large ships, big clients and great co-operation" strategy and focused on the execution and enforcement of COA contracts and, therefore, effectively securing a steady supply on a long term basis.

In respect of domestic oil shipments, the Group strengthened communication with competent government authority and major customers. Apart from stabilizing the major customer base, the Group also endeavored to explore and nurture potential and small to medium size clients to broaden its source of profit growth.

In the second half of 2011, affected by a reduction in offshore oil production in Bohai Bay due to the oil spill accident at Penglai 19-3 oilfield, the Group's revenue from offshore oil shipments decreased by approximately RMB195 million, and its operating profit reduced by approximately RMB121 million.

In 2011, the Group achieved a shipping volume of approximately 187.3 billion tonne-nautical miles of oil shipment and the revenue achieved was approximately RMB6.230 billion, representing an increase of 16.6% and 2.1% as compared with that of the same period in 2010 respectively. An analysis of the transportation volume and revenue in terms of product types is as follow:

Transportation volume and revenue in terms of products types

	In 2011 (billion tonne nautical miles)	In 2010 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2010 (%)
Domestic Shipment	**25.5**	26.8	-4.9%
Crude oil	**18.1**	20.7	-12.6%
Refined oil	**7.4**	6.1	21.3%
International Shipment	**161.8**	133.9	20.8%
Crude oil	**136.6**	105.3	29.7%
Refined oil	**25.2**	28.6	-11.9%
Total	**187.3**	160.7	16.6%

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

(2) Shipping business — Oil shipments (Continued)

Revenue by product types

	In 2011 (RMB million)	In 2010 (RMB million)	Increase/ (decrease) in revenue as compared with 2010 (%)
Domestic Shipment	**3,396**	3,446	-1.5%
Crude oil	**2,771**	2,826	-1.9%
Refined oil	**625**	620	0.8%
International Shipment	**2,834**	2,653	6.8%
Crude oil	**1,773**	1,565	13.3%
Refined oil	**1,061**	1,088	-2.5%
Total	**6,230**	6,099	2.1%

(3) Progress made in LNG shipments

In 2011, the Group achieved a breakthrough in the development of LNG projects. In July 2011, the Group and Mitsui OSK Lines reached a consensus on and signed an agreement for jointly establishing four single-vessel companies and building four LNG vessels for LNG shipments. All the four vessels will be delivered for use from 2015 to 2016, and are expected to bring stable investment returns for the Group. LNG projects will become the new growth drivers for the future development of the Group.

To further strengthen the cooperation with China Petroleum & Chemical Corporation in LNG shipping, the Company's wholly-owned subsidiary, China Shipping Group Liquefied Natural Gas Investment Company Limited entered into a joint venture agreement with Kantons Investment, a wholly-owned subsidiary of Sinopec Kantons in December 2011, by which the parties agreed to set up a jointly-controlled entity in Hong Kong and to make further investment into the jointly-controlled entity on a pro rata basis by way of equity investments, shareholders' loans, bank financing or otherwise, in order to participate in the investment on building and the management of LNG vessels with a joint effort.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

(4) Costs analysis

In 2011, international oil price continued to rise and fluctuated at high levels. Under the impact of global inflation, various kinds of costs increased at different extent, and posed challenges to the Group on cost control and operation management. In 2011, the Group continued to focus on "increasing revenue, reducing expenses, controlling costs and improving efficiency", further refined management, steadily carried out comprehensive budget management and reinforced control on operating costs. Through initiatives taken in various aspects, the Group effectively controlled major transportation costs such as fuel cost, port charges and repair expenses.

The total operating costs incurred in 2011 was approximately RMB10.637 billion, an increase of 19.1% as compared with 2010. The composition of the main operating costs is as follows:

Item	**In 2011 (RMB million)**	In 2010 (RMB million)	Increase/ (decrease) (%)	**Composition Ratio in 2011 (%)**
Fuel cost	**5,016**	3,845	30.5%	**47.1%**
Port cost	**861**	818	5.3%	**8.1%**
Labor cost	**1,453**	1,314	10.6%	**13.7%**
Lubricants expenses	**132**	232	-43.1%	**1.2%**
Depreciation	**1,751**	1,364	28.4%	**16.5%**
Insurance expenses	**242**	224	8.0%	**2.3%**
Repair expenses	**359**	526	-31.7%	**3.4%**
Charter cost	**584**	352	66.0%	**5.5%**
Others	**239**	256	-7%	**2.2%**
Total	**10,637**	8,931	19.1%	**100.0%**

The fuel cost incurred by the Group in 2011 was approximately RMB5,016 million, an increase of 30.5% as compared with 2010, representing 47.1% of the total operating cost. Such change was due to the significant increase of international oil prices as compared with 2010. The average price of Singapore 380CST fuel for 2011 increased to USD648 per ton, up 39.4% as compared with the same period in 2010. In 2011, the Group further enhanced its fuel saving, and in light of the total shipping turnover volume increase of 28.2%, the total fuel consumption of the Group amounted to 1.13 million tons, representing an increase of 16.6% as compared with the same period in 2010. The fuel consumption per thousand nautical miles was 3.27 kg, representing a decrease of 9.1% as compared with that of the same period in 2010.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

(4) Costs analysis (Continued)

The Group's depreciation expenses incurred in 2011 amounted to approximately RMB1,751 million, an increase of 28.4% as compared with that of the same period in 2010, representing 16.5% of the total operating costs. Such change was due to the daily average capacity increase of 17.4% as a result of the delivery of 3 new tankers and 20 new bulk vessels.

The charter cost incurred by the Group in 2011 was approximately RMB584 million, representing an increase of approximately 66.0% as compared with the same period in 2010, accounting for 5.5% of the total operating cost. The main reason for such change was that the Group chartered in 2 VLCCs with a capacity of 298,000 deadweight tonnes each in 2011.

(5) Operating results of the jointly-controlled entities

In 2011, the Group has recognised its profits in its jointly-controlled shipping entities of approximately RMB343 million, representing an increase of 66.04% as compared with that of the same period in 2010. The main reason for such change was due to the fleet expansion and the remarkable increase in the operating results achieved by the 5 jointly-controlled shipping entities of the Group. In 2011, the 5 jointly-controlled shipping entities achieved a shipping volume of 98.2 billion tonne-nautical miles, an increase of 61.9% as compared with the same period in 2010. The turnover achieved by the 5 jointly-controlled shipping entities in 2011 was approximately RMB8.067 billion, with a net profit of approximately RMB702 million, representing an increase of 52.1% and 61.6% as compared with the same period in 2010 respectively.

As at 31 December 2011, the 5 jointly-controlled shipping entities owned 50 bulk vessels with a total capacity of 2,510,000 deadweight tonnes and 46 vessels under construction with the capacity of 2,200,000 deadweight tonnes.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

(5) Operating results of the jointly-controlled entities (Continued)

The operating results achieved by the 5 jointly-controlled shipping entities in 2011 are as follows:

Company name	Interest held by the Company	2011 Shipping volume (billion tonne nautical miles)	2011 Operating revenue (RMB'000)	2011 Net profit (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	55.8	5,098,504	498,138
Shanghai Times Shipping Co., Limited	50%	32.3	2,284,729	152,072
Shanghai Friendship Marine Co., Limited	50%	1.6	163,648	14,989
Huahai Petrol Transportation & Trading Co., Limited	50%	1.6	150,860	6,726
Guangzhou Development Shipping Co., Limited	50%	6.9	369,565	30,472

In 2011, the net profit achieved by China Shipping Finance Co., Limited ("CS Finance"), a non-shipping jointly-controlled entity, with 25% interest held by the Company, was RMB 101,129,000.

3. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group decreased from approximately RMB2,754,300,000 for the year ended 31 December 2010 to approximately RMB1,421,967,000 for the year ended 31 December 2011, representing a decrease of approximately 48.37%.

3. FINANCIAL ANALYSIS (Continued)

(2) Capital commitments

The Group and the Company had capital commitments as at 31 December 2011, of which RMB6,514,365,000 (2010: RMB3,478,709,000) from the Group and RMB2,520,067,000 (2010: RMB793,814,000) from the Company will be due within one year.

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Authorized and contracted for:				
Construction and purchases of vessels (Note 1)	**11,299,626**	20,436,403	**4,351,747**	9,214,159
Equity Investments (Note 2)	**1,486,735**	2,111,649	**1,486,735**	2,111,649
	12,786,361	22,548,052	**5,838,482**	11,325,808

In addition to the above, the Group's share of the capital commitments of its associate, which are contracted for but not provided amounted to RMB1,589,308,000 (2010:RMBNil). The Group's share of the capital commitments of its jointly-controlled entity, which are contracted for but not provided amounted to RMB2,176,696,000 (2010: RMB913,786,000) which are authorised but not contracted for amounted to RMB2,100,538,000 (2010: RMB3,904,340,000).

Note 1: According to the construction or purchase agreements entered into by the Group in 2007 to 2011, these capital commitments will fall due as from 2012 to 2013 respectively.

Note 2: Included in capital commitments in respect of equity investments is the commitment to invest in a jointly-controlled entity, Shenhua Zhonghai Marine Co., Limited, of RMB1,470,668,000 (2010: RMB2,058,668,000).

3. FINANCIAL ANALYSIS (Continued)

(3) Capital structure

The Group's and Company's net debt-to-equity ratio at 31 December 2011 and 2010 was as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**24,954,170**	14,976,003	**14,706,498**	9,318,606
Less: Cash and cash equivalents	**(3,376,692)**	(1,061,735)	**(1,795,817)**	(402,137)
Net debt	**21,577,478**	13,914,268	**12,910,681**	8,916,469
Total equity	**24,341,608**	23,091,461	**21,763,769**	20,738,869
Debt to equity ratio	**89%**	60%	**59%**	43%

As at 31 December 2011, the equity attributable to the equity holders of the Company and net debts (as total debt (which includes interest-bearing bank borrowings, notes, other loan and convertible bonds) less cash and cash equivalents) amounted to approximately RMB24,341,608,000 and approximately RMB21,577,478,000 respectively. The debt-to-equity ratio was 88.64% (31 December 2010: 60.26%).

3. FINANCIAL ANALYSIS (Continued)

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

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

	Annual Effective interest (%)	Maturity	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Current liabilities						
(i) Bank loans						
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 1.60%	2012	**922,423**	561,041	**35,614**	35,539
Unsecured	Libor + 0.35% to 4.00%, 5.904%	2012	**686,993**	662,809	**—**	231,794
			1,609,416	1,223,850	**35,614**	267,333
(ii) Notes						
Unsecured	4.18%	2012	**1,998,038**	—	**1,998,038**	—
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 5.904% to 6.56%	2012	**966,000**	1,200,000	**941,000**	1,200,000
Notes, interest-bearing bank and other borrowings - current portion			**4,573,454**	2,423,850	**2,974,652**	1,467,333

3. FINANCIAL ANALYSIS (Continued)

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

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

		Annual Effective interest (%)	Maturity	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Non-current liabilities							
(i)	Bank loans						
	Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.60%	2013-2022	**7,185,601**	4,590,795	**284,160**	319,849
	Unsecured	Libor + 1.35% to 1.70%	2013-2019	**1,231,826**	—	**—**	—
				8,417,427	4,590,795	**284,160**	319,849
(ii)	Notes						
	Unsecured	3.90%	2014	**2,995,537**	4,989,873	**2,995,537**	4,989,873
(iii)	Other borrowings						
	Unsecured	10% discount to the PBC Benchmark interest rate, 4.86% to 6.51%	2013-2018	**5,341,551**	2,541,551	**5,341,551**	2,541,551
Notes, interest-bearing bank and other borrowings - Non-current portion				**16,754,515**	12,122,219	**8,621,248**	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 22 vessels (2010: 15 vessels) and another 9 vessels under construction (2010: 2 vessels under construction) with total net carrying value of RMB13,044,293,000 (2010: RMB7,585,649,000) as at 31 December 2011.

The Company's bank loans are secured by pledges or mortgages of the Company's 2 vessels (2010: 2 vessels) with total net carrying value of RMB428,817,000 (2010: RMB 447,353,000) as at 31 December 2011.

The carrying value 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 RMB7,788,252,000 (2010: RMB4,796,448,000) and unsecured bank loans of RMB1,861,916,000 (2010: RMB649,010,000) which are denominated in USD, all borrowings are denominated in RMB.

3. FINANCIAL ANALYSIS (Continued)

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

(b) As at 31 December 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**1,609,416**	1,223,850	**35,614**	267,333
In the second year	**1,389,529**	612,084	**35,614**	35,539
In the third to fifth year, inclusive	**3,028,983**	1,866,396	**106,842**	106,617
Over five years	**3,998,915**	2,112,315	**141,704**	177,693
	10,026,843	5,814,645	**319,774**	587,182
(ii) Notes:				
Within one year or on demand	**1,998,038**	—	**1,998,038**	—
In the second year	**—**	1,995,946	**—**	1,995,946
In the third to fifth year, inclusive	**2,995,537**	2,993,927	**2,995,537**	2,993,927
	4,993,575	4,989,873	**4,993,575**	4,989,873
(iii) Other borrowings:				
Within one year or on demand	**966,000**	1,200,000	**941,000**	1,200,000
In the second year	**1,500,000**	200,000	**1,500,000**	200,000
In the third to fifth year, inclusive	**841,551**	2,341,551	**841,551**	2,341,551
Over five years	**3,000,000**	—	**3,000,000**	—
	6,307,551	3,741,551	**6,282,551**	3,741,551
	21,327,969	14,546,069	**11,595,900**	9,318,606

Included in other borrowings represent an amount of RMB1,607,551,000 (2010: RMB1,441,551,000) were borrowed from CS Finance, a jointly controlled entity of the Group. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMB566,000,000 (2010: RMB200,000,000) and RMB1,041,551,000 (2010: RMB1,241,551,000) respectively.

3. FINANCIAL ANALYSIS (Continued)

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

(b) As at 31 December 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows: (Continued)

Included in other borrowings represent an amount of RMB4,300,000,000 (2010: RMB2,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMBNil (2010: RMB1,000,000,000) and RMB4,300,000,000 (2010: RMB1,300,000,000) respectively.

Included in other borrowings represent an amount of RMB400,000,000 (2010: RMB Nil) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2011, the current portion of this borrowing amounted to RMB400,000,000 (2010: RMB Nil).

(c) Details of the notes at 31 December 2011 are as follows:

	Group and Company	
	2011	2010
	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	**8,071**	4,369
	4,993,575	4,989,873

Notes with a 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 respectively. The notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

3. FINANCIAL ANALYSIS (Continued)

(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 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 value of the cash and cash equivalents approximate their fair values.

Included in cash and cash equivalents represent an amount of RMB209,470,000 (2010: RMB307,451,000) of bank balance deposited with CS Finance, a jointly-controlled entity of the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**2,644,443**	705,513	**1,602,403**	315,905
USD	**729,157**	351,880	**192,555**	85,130
HKD	**1,736**	1,376	**37**	41
EUR	**799**	1,021	**799**	1,021
SGD	**534**	1,905	**—**	—
GBP	**22**	33	**22**	33
JPY	**1**	7	**1**	7
	3,376,692	1,061,735	**1,795,817**	402,137

(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 2011, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2011 would have been RMB73,562,000 (2010: RMB45,689,000) 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.

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

3. FINANCIAL ANALYSIS (Continued)

(7) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in the 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. 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 2011, 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 RMB86,097,000 (2010: RMB53,640,000) lower/higher, the Company's post-tax profit for the year would have been RMB21,827,000 (2010: RMB15,855,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

4. OTHERS

(1) Fleet expansion projects

In 2011, the Group has achieved further improvement in its fleet expansion.

In 2011, the total investment of the Group was approximately RMB9,495,037,000, of which approximately RMB8,374,163,000 was paid for the purchase of fixed assets (vessels) and respective construction in progress in cash.

In terms of fleet expansion, 3 new tankers with a total capacity of 460,000 deadweight tonnes and 20 new bulk vessels with a total capacity of 1,990,000 deadweight tonnes have been delivered for use in 2011. In addition, to cope with the changes in shipping market, the Group has upgraded 10 old vessels with total net assets of approximately RMB378,080,000 in 2011, and approximately RMB81,390,000 has been paid for the transformation of these old vessels.

4. OTHERS (Continued)

(1) Fleet expansion projects (Continued)

As at 31 December 2011, the Group owned 189 vessels with a total capacity of 13,250,000 deadweight. The composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes** ('000)	**Average age** (years)
Tankers	72	6,850	8.5
Dry bulk vessels	117	6,400	15.7
Total	189	13,250	12.8

(2) Material asset disposals

In 2011, the Group disposed of 10 old bulk vessels of an aggregate 280,000 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**
Hai Zhou	23,633	21,069	No	Market price
Liu Zhou	24,688	21,890	No	Market price
Hua Kai	37,536	33,684	No	Market price
Hua Ge	24,164	22,624	No	Market price
Cang Zhou	38,627	22,951	No	Market price
Zi Yunshan	20,418	9,054	No	Market price
Jin Panling	17,449	7,492	No	Market price
Hong Qi 123	16,664	6,678	Yes	Market price
Hong Qi 120	16,563	6,496	Yes	Market price
Hong Qi 124	16,676	6,379	Yes	Market price
Total	236,418	158,317		

5. OUTLOOK AND HIGHLIGHTS FOR 2012

(1) Prediction and analysis of international and domestic shipping market

In 2012, the continual of complicated international political economy added uncertainties to global economic recovery. While growth in world trade will remain low, there will be a slight increase in the import and export trade of China. The situation of excessive shipping capacity supply in the international shipping market is unlikely to have fundamental improvement in the short-term, and the world's oil transportation and dry bulk shipping markets are expected to fluctuate at low levels. Meanwhile, international oil price is expected to continue fluctuating at high levels in 2012, and the pressure of rising operating costs on shipping enterprises will continue to increase.

(2) Initial planning for the coming years

In the coming years, the Group will steadily reinforce its fleet composition adjustment strategy. According to the current ranking in the industry, the Group's oil tanker fleet and dry bulk fleet are both among the top 10 independent shipowners in the world. As new vessels are gradually being delivered for use, the Group will continue to dispose the old vessels which are of high fuel consumption, small deadweight tonnes and low market competitiveness by stages in a timely manner, so as to further optimize its fleet composition and enhance the integrated capacity of the Group's fleets.

In accordance with the signed book orders for new vessels, the delivery of new vessels of the Group are as follows:

	In 2012		In 2013		In 2014	
	Numbers	**Capacity (deadweight tonnes)**	**Numbers**	**Capacity (deadweight tonnes)**	**Numbers**	**Capacity (deadweight tonnes)**
Tankers	13	800,000	3	750,000	—	—
Bulk vessels	31	3,220,000	11	1,050,000	4	720,000

(3) Operational target for 2012

In 2012, 44 new vessels of the Group with a total tonnage of 4,020,000 deadweight tonnes are scheduled to be delivered for use, including 13 tankers of 800,000 deadweight tonnes and 31 bulk vessels of 3,220,000 deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the Group's operations in 2012 is expected to be 15.25 million deadweight tonnes, representing an increase of 18.7% as compared with that of the same period in 2011.

As at 15 March 2012, the Group had signed contracts of affreightment in respect of dry bulk cargo transportation for 2012 ("COA Contracts") with the contract volume of 42.55 million tons and a certain decrease in the basic shipping rates.

Based on its view of the domestic and overseas shipping markets in 2012, and taking into account of the delivery of new vessels, the Group's operating targets are as follows: shipping volume of approximately 444.6 billion tonne nautical miles, an increase of 28.8% as compared with 2011; estimated turnover of approximately RMB14.62 billion, an increase of 18.8%; operating costs of approximately RMB13.26 billion, an increase of 25.3% as compared with 2011.

5. OUTLOOK AND HIGHLIGHTS FOR 2012 (Continued)

(4) Work initiatives in 2012

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

i) make efforts in consolidating internal resources. The execution of strategic consolidation of resources is in the top priority list of the Group for the year. The Group's principal businesses are oil shipments, dry bulk shipments and LNG shipments. The Group intends to establish two wholly-owned subsidiaries to specialize in operating dry bulk shipments and oil shipments respectively and to take the lead in completing the consolidation of the dry bulk assets of the Company. The Board believes that a clearer and smoother management system will enable the Group to provide clients with better quality services with improved efficiency, and to achieve higher operation efficiency;

ii) greatly enhance marketing efforts, continue to strengthen cooperation with strategic customers and further consolidate and expand the Group's shares in both domestic and international shipping markets. In 2012, the Group will adhere to its strategy of reinforcing coastal business and developing offshore business, seek to change the development mode based on stable supply and market expansion. For bulk cargoes transportation, the Company will continue to promote strategic cooperation with Huaneng, Shenhua, Baosteel, Shougang, China Resources, Shenergy, Shanghai Electric Power and Guangzhou Holding through joint venture partnerships and other means, with an aim to expand its size of controllable capacity and enhance control of the coastal thermal coal transportation market as well as its market presence. For oil product transportation, the Group will endeavor to strengthen cooperation with domestic and foreign large oil companies, and to leverage on the execution of the cooperation agreement entered into with Sinopec Corp., actively carry on negotiations with CNPC and CNOOC to facilitate deeper cooperation, in order to expand the Group's market shares in China's self-produced oil shipping market;

iii) strengthen its cost control system to enhance cost effectiveness. In 2012, the Group will continue to strengthen control over fuel costs, management and other fees. 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) put efforts in implementing adjustments to vessel composition and delivering new vessels, enhance vessel management and endeavor to nurture talents. 2012 is the peak year for the Group to take delivery of new vessels. The Group will implement adjustments to vessel composition based on the fleet development planning, and focus on training selected personnel who are familiar with the international operation of transocean activities and crew for large vessels, so as to ensure the Group's staff training is in line with or ahead of its fleet expansion and build a solid foundation for the optimization of fleet composition;

v) 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 2012 to 2014 is RMB9.39 billion, RMB3.18 billion and RMB0.8 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

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 improve the building and operating of comprehensive security system.

CORPORATE GOVERNANCE

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance will be able 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 of directors of the Company ("Board") believes that shareholders of the Company ("Shareholders") can derive the greatest benefits from good corporate governance.

I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "Articles") and related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures for each of the special committees to operate under the Board. In order to make the system of the Company more in line with the existing laws, regulations and regulatory documents, improve the Company's system and enhance corporate governance, the Group continued to strengthen corporate governance and system establishment in the first half of 2011 and amended the "Articles" and the relevant rules of procedure, including "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Supervisory Committee" and "Rules of Procedure of the General Meeting" and formulated "Working Regulations for Independent Directors", "Measures for the Administration of Connected Transactions", "Risk Control System for Connected Transactions with China Shipping Finance Co., Ltd." and "Working Regulations for Secretary to the Board".

During the Reporting Period, checks and balances were achieved through the coordination among the Shareholders' meeting, the Board and its related special Board committees, the supervisory committee of the Company ("Supervisory Committee") and the management headed by the chief executive officer. Together with the effective internal control and management systems, the Company's internal management and operations was further standardized and the corporate governance of the Company is further enhanced.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

The Company has been committed to the perfection and improvement of its internal control system, complemented with special activities such as corporate governance to thoroughly strengthen the establishment of its internal management system. The Board of the Company is responsible for the establishment, improvement and effective implementation of internal control; the Supervisory Committee supervises the establishment and implementation of internal control by the Board; the management is responsible for organizing and taking the lead in the daily operation of internal control of the Company; the audit committee of the Company ("Audit Committee") is responsible for guiding and supervising the evaluation of the effectiveness of internal control by internal organs of the Company.

To strengthen and regulate enterprise internal control, and enhance the level of operational management and risk prevention capability, the Board of the Company passed the Resolution on the Amendment of the "Internal Control Standard of China Shipping Development Company Limited"（《關於修訂＜中海發展股份有限公司內部控制規範＞的議案》）at the 12th board meeting for 2008 pursuant to the Basic Standard for Enterprise Internal Control（《企業內部控制基本規範》）jointly promulgated by the Ministry of Finance, the Securities Regulatory Commission, the Audit Office, the Banking Regulatory Commission and the Insurance Regulatory Commission of the People's Republic of China (the "five ministries") on 22 May 2008.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM (Continued)

In April 2010, the five ministries jointly issued the Implementation Guidelines for Enterprise Internal Control（《企業內部控制配套指引》）(hereinafter referred to as the “Implementation Guidelines”), and companies dually listed in both domestic and overseas markets shall first implement the Implementation Guidelines since 1 January 2011. The five ministries require companies going public to be fully prepared before implementation.

To satisfy the regulatory requirements for companies going public, the Company has energetically facilitated and implemented the construction of internal control step by step. Under the strong support of Baker Tilly China, the Company’s domestic auditors, the Company completed preparing the Internal Control Manual of China Shipping Development in December 2011 following the organization, comparison and comprehensive categorization of all documents such as rules and regulations of the Company. The Internal Control Manual of China Shipping Development（《中海發展內控手冊》）consists of five parts: Part I Introduction; Part II Company Profile; Part III Internal Control Manual of China Shipping Development; Part IV Internal Control Manual of China Shipping Oil Transportation; Part V Internal Control Manual of China Shipping Tramp.

The manual is prepared based on the Basic Standard for Enterprise Internal Control（《企業內部控制基本規範》）and the Implementation Guidelines promulgated by the five ministries. In the course of preparation, making reference to and taking advantage of the achievements in effective internal control made by domestic and overseas peer companies in the past, in close combination with the Company’s reality, the manual reflects the basic contents of internal control construction in details and intuitively describes work processes and multi-level approval authority in diagrams, therefore it is quite instructive and practical.

In accordance with the implementation schedule formulated by the five ministries, companies dually listed in both domestic and overseas markets shall first implement the Implementation Guidelines for Enterprise Internal Control（《企業內部控制配套指引》）since 1 January 2011. The Company, dually listed in the respective markets of “A shares” and “H shares” in Shanghai and Hong Kong, has completed preparing the Internal Control Manual as scheduled in compliance with the relevant requirements of the Ministry of Finance and securities regulatory authorities. The manual took effect on 13 January 2012 upon approval by the Board.

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. 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 difference in responsibilities for different posts, years of service wages reflect the difference in the period of service accumulated and 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.

During the Reporting Period, the Board had completed an assessment on the managements' performance on achieving objectives set for 2011 annual results. In view of the managements' good work in relieving the negative impact created by the financial crisis on the international and domestic shipping markets, leading all staff of the Company to strive for increasing revenue while reducing expenses, proceeding refinement to management, enhancing safety management and operation efficiency of the Company, and satisfactorily accomplished the operations targets set by the Board in the year 2011, at the meeting of the remuneration and appraisal committee of the Company ("Remuneration and Appraisal Committee") convened on 8 March 2011, a proposal on awarding bonus payment of 20% of the managements' annual salaries in 2011 to the management was submitted to the Board. The above proposal had been approved at the fifth Board Meeting of the Company in 2011.

V. 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 2011, 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 build 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 held on 27 May 2011, eight resolutions were passed, among which the Report of Directors for 2010, the Report of Supervisory Committee for 2010, the profit distribution plan for 2010 and the remuneration proposal of the Company's directors ("Directors") and supervisors ("Supervisors") for 2011 were adopted.

V. CORPORATE GOVERNANCE REPORT (Continued)

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.

(2) Composition of the Board

According to the Articles of Association of the Company, all the Directors (including independent non-executive Directors) are elected by the general meeting of shareholders with their terms for 3 years. Directors may be reelected upon the expiration of their terms.

The Directors of the Company during 2011 were:

Executive Directors:
- Mr. Li Shaode (Chairman)
- Mr. Ma Zehua (Vice Chairman) (Resigned on 16 September 2011)
- Mr. Lin Jianqing (Vice Chairman)
- Mr. Wang Daxiong
- Mr. Zhang Guofa
- Mr. Mao Shijia (Resigned on 30 January 2011)
- Mr. Yan Zhichong (Chief Executive Officer) (Appointed on 6 April 2011)
- Mr. Qiu Guoxuan

Independent non-executive Directors:
- Mr. Zhu Yongguang
- Mr. Gu Gongyun (Resigned on 16 September 2011)
- Mr. Zhang Jun
- Mr. Lu Wenbin

On 16 January 2012, Mr. Xu Lirong and Mr. Wang Wusheng were appointed as an executive Director and an independent non-executive Director, respectively.

V. CORPORATE GOVERNANCE REPORT (Continued)

3. The Board (Continued)

(2) Composition of the Board (Continued)

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 146 to 149 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.

(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. The Company has four independent non-executive Directors (for the period from 1 January 2011 to 16 September 2011) and three independent non-executive Directors (for the period from 16 September 2011 to 31 December 2012), in both instances exceeding one-third of the total number of the Directors at the relevant time, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law, shipping and economics, respectively. Mr. Lu Wenbin, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Lu Wenbin, please refer to the section headed BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT in this annual report. The independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance to the Articles and the relevant requirements under the applicable laws and regulations.

V. CORPORATE GOVERNANCE REPORT (Continued)

4. Performance of Independent Non-executive Directors' Duties (Continued)

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 2011, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The 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. They expressed their views objectively and independently and played a part in the checks and balances of the decision making process of the Board of Directors. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. 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.

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 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.

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.

V. CORPORATE GOVERNANCE REPORT (Continued)

6. Board Meetings

In 2011, the Board convened a total of 17 meetings and considered and passed 62 resolutions so as to review the financial and operating performance of the Group. The following table shows attendances of the Directors at the Board meetings.

Executive Directors	**Rate of attendance**
Mr. Li Shaode （李紹德）	16/16
Mr. Ma Zehua（馬澤華）(Resigned on 16 September 2011)	9/12
Mr. Lin Jianqing（林建清）	14/16
Mr. Wang Daxiong（王大雄）	13/16
Mr. Zhang Guofa （張國發）	16/16
Mr. Mao Shijia（茅士家）(Resigned on 30 January 2011)	1/1
Mr. Yan Zhichong（嚴志沖）(Appointed on 6 April 2011)	11/11
Mr. Qiu Guoxuan（邱國宣）	17/17
Independent Non-executive Directors	
Mr. Zhu Yongguang（朱永光）	15/17
Mr. Zhang Jun（張軍）	14/17
Mr. Lu Wenbin（盧文彬）	17/17
Mr. Gu Gongyun（顧功耘）(Resigned on 16 September 2011)	12/12

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 ("CEO")

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 appropriate issues in a timely manner. The CEO, Mr. Mao Shijia (from 1 January 2011 to 21 January 2011) and Mr. Yan Zhichong (since 21 January 2011), each an executive Director, is responsible for executing the business policy and decisions on management and operations of the Group.

V. 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 the Audit Committee, Remuneration and Appraisal 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 (until Mr. Gu Gongyun resigned), 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 three 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 2011, the Audit Committee held three meetings. 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)	3/3
Mr. Zhu Yongguang	1/3
Mr. Zhang Jun	3/3
Mr. Gu Gongyun (Resigned on 16 September 2011)	1/2

The followings are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code during the Reporting Period.

The Audit Committee considered the proposals in respect of the annual financial report of the Company for 2010, status report of the Company 's continuing connected transactions for 2010, appraisal report of the Company's internal control for 2010 , the appointment of the Company's PRC and overseas auditors for 2011 and the interim financial report of the Company for 2011, and formed the written opinions of the Audit Committee in respect of the Company's financial report for 2010, the draft profit distribution plan for 2010 and the interim financial report of the Company for 2011.

V. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board (Continued)

(1) Audit Committee (Continued)

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.

(2) Remuneration and Appraisal Committee

The Remuneration Committee comprises all four independent non-executive Directors (until Mr. Gu Gongyun resigned on 16 September 2011), in which Mr. Gu Gongyun had been the Chairman of the Remuneration Committee before his resignation, and Mr. Zhu Yongguar became the Chairman of the Remuneration Committee subsequently. 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 2011, the Remuneration Committee held one meeting, and all members attended the meeting. In the meeting, the Remuneration Committee reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2011. The Company's remuneration policy is based on the market practice,the operating results achieved by the Company 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) (Resigned on 16 September 2011)	1/1
Mr. Zhu Youngguang	1/1
Mr. Zhang Jun	1/1
Mr. Lu Wenbin	1/1

(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 and submit its advice to the Board. The Strategy 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.

V. CORPORATE GOVERNANCE REPORT (Continued)

8. The Professional Committee of the Board (Continued)

(3) Strategy Committee (Continued)

During 2011, the Strategy Committee held three meetings, advising on the fleet restructuring plan, construction of new vessels and sale of old vessels.

(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 3% 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 (until Mr. Gu Gongyun resigned), in which Mr. Zhu Yongguang is the Chairman of the Nomination Committee.

In 2011, the Nomination Committee held four meetings. The Nomination Committee considered the proposals in respect of advising on the change of general manager of the Company, the appointment of Mr. Yan Zhichong as an executive Director, the appointment of Mr. Xu Lirong as an executive Director and the appointment of Mr. Wang Wusheng as an independent non-executive Director and submit the proposals to the Board for its approval. The following table shows the attendance of members of the Nomination Committee:

Members of the Nomination Committee	Rate of attendance
Mr. Zhu Yongguang (Chairman)	4/4
Mr. Lin Jianqing	4/4
Mr. Zhang Guofa	4/4
Mr. Lu Wenbin	4/4
Mr. Zhang Jun	4/4
Mr. Gu Gongyun (Resigned on 16 September 2011)	2/2

V. CORPORATE GOVERNANCE REPORT (Continued)

9. 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 2011. Baker Tilly China and Baker Tilly Hong Kong Limited, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2011.

In 2011, the Group paid an audit fee of RMB1,650,000 to Baker Tilly China and RMB1,650,000 to Baker Tilly Hong Kong Limited, respectively.

10. 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.

V. CORPORATE GOVERNANCE REPORT (Continued)

11. 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 supervisors of the Company during 2011 were:

Mr. Kou Laiqi (Chairman)
Mr. Yan Zhichong (Resigned on 21 January 2011)
Mr. Yu Shicheng (Resigned on 27 October 2011)
Mr. Xu Hui
Ms. Chen Xiuling (representatives of the employees)
Mr. Luo Yuming (representatives of the employees)

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 2011, the Supervisory Committee convened eight 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 2011, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions. For the details, please refer to the section headed "Report of the Supervisory Committee" in this annual report.

12. 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.

REPORT OF THE DIRECTORS

The board (the "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 2011 ("Reporting Period" or "Year under Review").

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				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**12,157,458**	11,283,594	8,729,969	17,214,283	12,394,739
Operating costs	**(10,636,688)**	(8,930,842)	(7,260,412)	(11,110,771)	(7,329,308)
Gross profit	**1,520,770**	2,352,752	1,469,557	6,103,512	5,065,431
Other income and gains	**234,121**	201,883	251,572	460,900	542,947
Marketing expenses	**(51,735)**	(42,887)	(38,955)	(37,907)	(36,744)
Administrative expenses	**(368,237)**	(315,759)	(286,756)	(256,883)	(214,841)
Other expenses	**(64,069)**	(36,007)	(44,397)	(284,429)	(21,374)
Share of profits of jointly-controlled entities	**368,775**	216,596	61,099	531,566	165,745
Finance costs	**(414,574)**	(205,170)	(69,783)	(84,074)	(173,129)
Profit before tax	**1,225,051**	2,171,408	1,342,337	6,432,685	5,328,035
Tax	**(146,287)**	(449,445)	(277,696)	(1,056,690)	(781,652)
Profit for the year	**1,078,764**	1,721,963	1,064,641	5,375,995	4,546,383
Attributable to:					
Equity holders of the company	**1,047,315**	1,716,522	1,064,794	5,373,010	4,546,383
Non-controlling interests	**31,449**	5,441	(153)	2,985	—
	1,078,764	1,721,963	1,064,641	5,375,995	4,546,383
Basic earnings per share	**RMB30.76 cents**	RMB50.42 cents	RMB31.28 cents	RMB158.64 cents	RMB136.69 cents
Diluted earnings per share	**RMB29.31 cents**	RMB50.42 cents	RMB31.28 cents	RMB158.64 cents	RMB135.09 cents
Assets, liabilities and non-controlling interests					
Total assets	**51,588,814**	40,710,175	33,929,549	30,028,594	23,707,443
Total liabilities and non-controlling interests	**(27,949,997)**	(18,131,630)	(12,534,976)	(8,574,574)	(7,535,928)
	23,638,817	22,578,545	21,394,573	21,454,020	16,171,515

This summary does not form part of the audited consolidated 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 2010 are extracted from the Company's 2010 annual report dated 16 March 2011, while those for the year ended 31 December 2011 were prepared based on the consolidated statement of comprehensive income and consolidated balance sheet as set out on pages 52 and 54, respectively, of the financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to equity holders of the Company for the year ended 31 December 2011 of RMB1,047,315,000 and 3,404,552,270 ordinary shares. Earnings per share for the year ended 31 December 2011 is RMB0.3076.

   The calculation of diluted earnings per share for year ended 31 December 2011 is based on the diluted profit attributable to equity holders of the Company of RMB1,053,470,000 and the diluted weighted average number of shares of 3,593,728,000 shares. Diluted earnings per share is RMB0.2931.

   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 RMB1,716,522,000 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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 52 to 54 and 57 to 58.

The net profit of the Company for 2011, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP"), was RMB1,040,974,000, 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 Board recommend the payment of a final dividend of RMB0.10 per share in respect of the year to shareholders of the Company ("Shareholders") on the register of members at the close of business on 29 May 2012. There was no arrangement under which a Shareholder has waived or agreed to waive any dividends. This recommendation has been incorporated in the financial statements as an allocation of retained profits (note 35) within the equity section of the consolidated statement of financial position.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB12,000,000 (2010: RMB2,068,263).

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 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company ("Articles"), 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

The Company issued A-Share convertible bonds which has been approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke 2011 No. 1152). The aggregate nominal value of the convertible bonds issued was RMB3.95 billion, with a term of 6 years. The Shanghai Stock Exchange has approved the listing of the RMB3.95 billion A-Share convertible bonds (bond code "110017") on the Shanghai Stock Exchange and which are listed since 12 August 2011. Further details of the Company's A-Share convertible bonds are disclosed in note 31 to the financial statements on page 121.

Save as disclosed above, 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 35 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, 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 RMB10,420,632,000 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, interest-bearing bank and other borrowings of the Company and the Group are set out in note 27 to the financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for less than 32% (2010: 34%) of the Group's total revenue. The largest customer is UNIPEC Asia Co., Limited「聯合石化(亞洲)有限公司」and the sales to it accounted for 10% (2010: 10%) 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

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 37% (2010: 39%) 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% (2010: 29%) of the Group's total purchases in that year. Four subsidiaries of China Shipping constituted all 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 during the Reporting Period were:

Executive Directors:

Mr. Li Shaode	
Mr. Ma Zehua	(resigned on 16 Sepember 2011)
Mr. Lin Jianqing	
Mr. Wang Daxiong	
Mr. Zhang Guofa	
Mr. Mao Shijia	(resigned on 30 January 2011)
Mr. Qiu Guo Xuan	
Mr. Yan Zhichong	(appointed on 6 April 2011)

Independent non-executive Directors:

Mr. Zhu Yongguang	
Mr. Gu Gongyun	(resigned on 16 Sepember 2011)
Mr. Zhang Jun	
Mr. Lu Wenbin	

Supervisors:

Mr. Kou Laiqi	
Mr. Yan Zhichong	(resigned on 21 January 2011)
Mr. Xu Hui	
Mr. Yu Shicheng	(resigned on 27 October 2011)
Mr. Luo Yuming	
Ms. Chen Xiuling	

Pursuant to the Company's Articles, all the Directors are appointed for a term of three years.

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out pages 146 to 152 of the annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the 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 AND APPRAISAL COMMITTEE

The Remuneration Committee is headed by Mr. Gu Gongyun, an independent non-executive Director (from 1 January 2011 to 16 September 2011) and is headed by Mr. Zhu Yongguang, also an independent non-executive Director, subsequently after Mr. Gu's resignation. 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. The Remuneration Committee 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 41(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB24,740,000 (2010: RMB31,407,000).

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

As at 31 December 2011, the following shareholders held 5% or more of the nominal value of any class of share capital of the Company, carrying rights to vote in all circumstances at any shareholders' general meeting of the Company, according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company	A	1,578,500,000 (long)	74.86%	46.36%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	H	117,041,570 (long)	9.03%	3.44%
JPMorgan Chase & Co.	H	104,214,609 (long)	8.04%	3.06%
	H	3,520,000 (short)	0.27%	0.10%
	H	72,408,792 (pool)	5.59%	2.13%
Mondrian Investment Partners Limited	H	88,890,000 (long)	6.86%	2.61%

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 2011, 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 2011, 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 2011 or during the Reporting Period, 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 2011, 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 Reporting Period 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 2011, 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 2011 are set out in note 38 to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, 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 41(2)(i)(ii)(iii)(iv) and notes 41(1) and 41(3) to the financial statements, respectively.

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

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 41 to the financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

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

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

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

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

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors and confirmed that in respect of the disclosed continuing connected transactions:

a. nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of the continuing connected transactions set out in notes 41(1), 41(2)(i)(ii)(iii)(iv) and 41(3) to the consolidated financial statement, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 22 October 2009 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2011, the Company had approximately 6,317 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 2011, the total staff costs was RMB1,768,719,000 (2010: RMB1,556,824,000).

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 37 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) According to the first Board meeting of the Company held on 13 February 2012, the Board approved CSHK Development, a wholly owned subsidiary of the Company, entered into an agreement with China Shipping Industrial Co., Ltd. and CS Industrial (Jiangsu), both are related parties of the Group, for the construction of the tanker of 110,000 dead weight tons for the transportation of crude oil and refined oil on 13 January 2012. The total consideration for the construction of the tanker is approximately USD53,280,000.

(ii) According to the second Board meeting of the Company held on 1 February 2012, the Board agreed as part of the Company's strategy to establish two wholly-owned subsidiaries, which will be responsible for the operation of dry bulk transportation and oil products transportation respectively, and to gradually inject the Company's dry bulk vessel and oil tank related businesses into the two wholly-owned subsidiaries.

(iii) According to the third Board meeting of the Company held on 20 February 2012, the Board approved the funds of RMB 380,000,000 arise from the Company's A-Share convertible bonds issued on 1 August 2011 to be used as working capital of the Company for not more than 6 months.

(iv) According to the fourth Board meeting of the Company held on 15 March 2012, the Company will transfer RMB104,097,000, being 10% of its net profit of RMB1,040,974,000 determined under PRC GAAP to the statutory surplus reserve. The Directors also proposed to pay a final dividend for the year 2011 of RMB0.10 per share (before tax) based on the number of shares issued as at a date determined by the Company. The proposed final dividend is subject to the Company's Shareholders' approval at the forthcoming annual general meeting.

(v) According to the fourth Board meeting of the Company held on 15 March 2012, effective from 1 January 2012, the Board approved to revise the estimated useful life of vessels to be 17 to 25 years. The estimated useful life of new vessels is 25 years, where the useful life of used vessels was determined based on actual remaining useful life. Residual values of vessels were determined based on USD470 (approximately RMB2,960) per light displacement ton.

Details of significant post balance sheet events of the Group are set out in note 44 to the consolidated 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 2011, including the accounting principles and practices adopted by our Group.

AUDITOR

In 2010, the Company's previous auditor, 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 auditor 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 auditor 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 and a resolution for their reappointment as international auditor 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
15 March 2012

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2011, the Supervisory Committee held eight meetings, details of which are set out below:

	Date	Resolutions
1	Jan. 21	Resignation of Mr. Yan Zhichong as a supervisor
2	Jan. 30	Proposal of issuing convertible bonds of the Company
3	Mar. 11	Amendment of rules and procedures of meetings of the Supervisory Committee
4	Mar. 16	2010 Supervisor Committee's report of the Company 2010 financial report of the Company Profit distribution plan of the Company for 2010 2010 annual report and annual report summary of the Company 2010 internal control self evaluation report of the Company 2010 society responsibility report of the Company The salary standard for directors, supervisors and senior management of the Company for 2011 Implementation of supplementary medicare for the employees of the Company Entrusted loan agreement of RMB 3.0 billion with China Shipping (Group) Company Signing new financial services framework agreement with China Shipping Finance Company Limited and the proposed annual caps for the deposit and loan transactions contemplated thereunder Capital increase to China Shipping Finance Company Capital increase to Tianjin Zhonghai Huarun Shipping Company
5	Apr. 26	2011 first quarterly report of the Company Establish joint ventures of Eastern LNG and Northern LNG with MOL
6	Aug 16	2011 interim financial report of the Company 2011 interim report and 2011 interim report summary of the Company Motion on the use of funds raised from convertible bonds to replace funds which has been put into by self-financing Motion on the use of funds raised from convertible bonds to complement the company's liquidity
7	Oct. 27	2011 third quarterly report of the Company Establish new joint ventures with Sinopec Kantons Holdings Resignation of Mr. Yu Shicheng as a supervisor
8	Dec. 22	Entering the chartering agreements of "Song Lin Wan" Selling Hongqi120 and Hongqi124 Signing supplementary agreement to financial services framework agreement with China Shipping (Group) Company

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, and senior managerial staff.

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2011. The following were presented to the supervisors: the 2010 audited financial report of the Company, the proposed profit distribution plan of the Company for 2010, the 2010 annual report and annual report summary of the Company, and the proposal of issuing convertible bonds of the Company. 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 2010 AGM, at which the Supervisory Committee gave an account of the 2010 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 two EGM held in 2011.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2011:

(1) As far as the Supervisory Committee is aware, the directors 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 2011 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2011. The audited financial reports audited by Baker Tilly China and Baker Tilly Hong Kong Limited respectively are objective and fair.

(3) In the reporting period, the Company issued RMB3.95 billion convertible bond publicly and the net amount raised from such issue was RMB3.912 billion. In which, the Company has used RMB2,260.1 million in 2011, used RMB380 million to complement the company's liquidity and the fund left in the specific accounts for raised funds was RMB1,286.21 million. The storage and use of the raised funds of the Company in 2011 is according with "further notice to regulate listed companies to use raised funds", "regulation for listed companies to use raised funds of SSE", "management system for raised funds" and other relevant laws, rules and regulations. The Company stored and used the raised funds specifically, and did not change the use of raised funds in any other forms or damage the shareholders' interests. The Company did not use the raised funds unlawfully. The sponsor has inspected the instance and expressed their opinion.

(4) During the reporting period, 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.

(5) 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.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2011: (Continued)

(6) 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.

By order of the Supervisory Committee

Kou Laiqi
Chairman of the Supervisory Committee

Shanghai, People's Republic of China
15 March 2012

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road
North Point, Hong Kong
香港北角英皇道625號2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 52 to 143, which comprise the consolidated and company's statements of financial position as at 31 December 2011, 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2011 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, 15 March 2012
Lo Wing See
Practising Certificate Number P04607

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue			
Turnover	4	**12,157,458**	11,283,594
Operating costs		**(10,636,688)**	(8,930,842)
Gross profit		**1,520,770**	2,352,752
Other income and gains	5	**234,121**	201,883
Marketing expenses		**(51,735)**	(42,887)
Administrative expenses		**(368,237)**	(315,759)
Other expenses		**(64,069)**	(36,007)
Share of profits of jointly-controlled entities		**368,775**	216,596
Finance costs	6	**(414,574)**	(205,170)
PROFIT BEFORE TAX	7	**1,225,051**	2,171,408
Tax	10	**(146,287)**	(449,445)
PROFIT FOR THE YEAR		**1,078,764**	1,721,963
Other comprehensive expenses			
Exchange realignment		**(279,730)**	(178,859)
Net loss on cash flow hedges		**(3,143)**	(13,642)
Share of other comprehensive expense of associates		**(8)**	—
Other comprehensive expenses for the year		**(282,881)**	(192,501)
Total comprehensive income for the year		**795,883**	1,529,462
Profit for the year attributable to:			
Equity holders of the Company		**1,047,315**	1,716,522
Non-controlling interests		**31,449**	5,441
		1,078,764	1,721,963
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**766,003**	1,524,427
Non-controlling interests		**29,880**	5,035
		795,883	1,529,462
Earnings per share – basic	13	**30.76 cents**	50.42 cents
Earnings per share – diluted	13	**29.31 cents**	50.42 cents

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

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**236,198**	—
Property, plant and equipment	15	**41,875,122**	35,385,957
Investments in associates	17	**—**	—
Investments in jointly-controlled entities	19	**3,562,519**	2,574,217
Loan receivables	18	**49,747**	—
Available-for-sale investments	20	**4,300**	4,300
Total non-current assets		**45,727,886**	37,964,474
CURRENT ASSETS			
Bunker oil inventories		**823,961**	449,285
Trade and bills receivables	21	**1,127,945**	891,063
Prepayments, deposits and other receivables	22	**483,330**	343,618
Loan to a shareholder of a subsidiary	23	**49,000**	—
Cash and cash equivalents	24	**3,376,692**	1,061,735
Total current assets		**5,860,928**	2,745,701
CURRENT LIABILITIES			
Trade and bills payables	25	**1,073,161**	913,721
Other payables and accruals	26	**828,385**	1,146,208
Tax payable	10	**4,463**	78,604
Current portion of notes, interest-bearing bank and other borrowings	27	**4,573,454**	2,423,850
Total current liabilities		**6,479,463**	4,562,383
NET CURRENT LIABILITIES		**(618,535)**	(1,816,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,109,351**	36,147,792

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	34	**3,404,552**	3,404,552
Reserves	35	**19,893,810**	18,595,219
Proposed final dividend	12	**340,455**	578,774
		23,638,817	22,578,545
Non-controlling interests		**702,791**	512,916
Total equity		**24,341,608**	23,091,461
NON-CURRENT LIABILITIES			
Other loans	28	**515,603**	429,934
Provisions	29	**—**	85,500
Derivative financial instruments	30	**15,645**	13,218
Notes, interest-bearing bank and other borrowings	27	**16,754,515**	12,122,219
Convertible bonds	31	**3,110,598**	—
Deferred tax liabilities	32	**371,382**	405,460
Total non-current liabilities		**20,767,743**	13,056,331
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**45,109,351**	36,147,792

Li Shaode
Director

Yan Zhichong
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY													
	Share capital RMB'000	Share premium 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	Convertible bonds equity 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 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 loss on cash flow hedges	–	–	–	–	–	(13,642)	–	–	–	–	–	(13,642)	–	(13,642)
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 and at 1 January 2011	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
Profit for the year	–	–	–	–	–	–	–	–	–	1,047,315	–	1,047,315	31,449	1,078,764
Net loss on cash flow hedges	–	–	–	–	–	(3,143)	–	–	–	–	–	(3,143)	–	(3,143)
Share of other comprehensive expense of associates	–	–	–	–	–	(6)	–	–	–	–	–	(6)	(2)	(8)
Exchange realignment	–	–	–	–	–	–	–	(278,163)	–	–	–	(278,163)	(1,567)	(279,730)
Total comprehensive income for the year	–	–	–	–	–	(3,149)	–	(278,163)	–	1,047,315	–	766,003	29,880	795,883
Transfer (from)/to reserves	–	–	–	104,097	–	–	–	–	–	(104,097)	–	–	–	–
Recognition of the equity component of convertible bonds	–	–	–	–	–	–	–	–	873,043	–	–	873,043	–	873,043
Dividend paid	–	–	–	–	–	–	–	–	–	–	(578,774)	(578,774)	–	(578,774)
2011 Proposed final dividend	–	–	–	–	–	–	–	–	–	(340,455)	340,455	–	–	–
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	159,995	159,995
At 31 December 2011	3,404,552	3,947,214	168,829	2,860,006	93,158	(17,379)	1,019	(922,389)	873,043	12,890,309	340,455	23,638,817	702,791	24,341,608

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Net cash inflow from operating activities	36	**1,421,967**	2,754,300
INVESTING ACTIVITIES			
Interest received		**37,034**	14,986
Acquisition of a subsidiary	33	**—**	(49,108)
Investments in associates		**(8)**	—
Payments for construction in progress		**(8,280,555)**	(7,927,479)
Purchases of property, plant and equipment		**(93,608)**	(95,057)
Proceeds from disposal of assets held for sale		**—**	87,864
Proceeds from disposal of property, plant and equipment		**205,467**	264,650
Loan to a shareholder of a subsidiary		**(49,000)**	—
Loan to associates		**(49,747)**	—
Dividends received from jointly-controlled entities		**58,433**	—
Dividends received from available-for-sale investments		**1,512**	1,343
Investments in jointly-controlled entities		**(663,000)**	(742,840)
Net cash outflow used in investing activities		**(8,833,472)**	(8,445,641)
FINANCING ACTIVITIES			
Interest paid		**(673,355)**	(363,888)
Dividend paid		**(578,774)**	(340,455)
Proceeds from other loans		**108,060**	—
Net proceeds from issue of convertible bonds		**3,912,372**	—
New bank loans		**11,824,668**	7,012,374
Repayment of bank loans		**(4,988,998)**	(1,871,627)
Contribution from non-controlling shareholders of subsidiaries		**159,995**	117,600
Net cash inflow from financing activities		**9,763,968**	4,554,004
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,352,463**	(1,137,337)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,061,735**	2,222,147
Effect of foreign exchange rate changes, net		**(37,506)**	(23,075)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,376,692**	1,061,735
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,376,692**	1,061,735

The accompanying notes form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**236,198**	—
Property, plant and equipment	15	**25,583,658**	23,083,032
Interests in subsidiaries	16	**1,410,676**	572,388
Investments in jointly-controlled entities	19	**2,623,639**	1,945,679
Loan receivables	18	**424,177**	445,840
Available-for-sale investments	20	**4,300**	4,300
Total non-current assets		**30,282,648**	26,051,239
CURRENT ASSETS			
Bunker oil inventories		**566,702**	331,541
Trade and bills receivables	21	**848,657**	672,540
Prepayments, deposits and other receivables	22	**4,222,238**	4,085,301
Cash and cash equivalents	24	**1,795,817**	402,137
Total current assets		**7,433,414**	5,491,519
CURRENT LIABILITIES			
Trade and bills payables	25	**810,211**	707,657
Other payables and accruals	26	**435,514**	617,638
Tax payable	10	**70**	74,488
Current portion of notes, interest-bearing bank and other borrowings	27	**2,974,652**	1,467,333
Total current liabilities		**4,220,447**	2,867,116
NET CURRENT ASSETS		**3,212,967**	2,624,403
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,495,615**	28,675,642

STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
EQUITY			
Issued capital	34	**3,404,552**	3,404,552
Reserves	35	**18,018,762**	16,755,543
Proposed final dividend	12	**340,455**	578,774
Total equity		**21,763,769**	20,738,869
NON-CURRENT LIABILITIES			
Provisions	29	**—**	85,500
Notes, interest-bearing bank and other borrowings	27	**8,621,248**	7,851,273
Convertible bonds	31	**3,110,598**	—
Total non-current liabilities		**11,731,846**	7,936,773
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**33,495,615**	28,675,642

Li Shaode
Director

Yan Zhichong
Director

The accompanying notes from 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 and 670 Dong Da Ming Road, Shanghai, the PRC respectively. During the year, the Company and its subsidiaries (together 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 15 March 2012.

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 consolidated 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 consolidated 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.

Changes in the Group's ownership interests in existing subsidiaries

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 of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Business combinations

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)

2.3 Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

2.5 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.

2.6 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 consolidated 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 - 15 years
Motor vehicles	5 - 10 years
Buildings	10 - 50 years

Note: Used vessels acquired 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 consolidated 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 amortisation 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 Investment properties

Investment properties are properties held to earn rentals and/or for capital. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The annual rate used for depreciation purpose is 40 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

2.9 Impairment of non-financial assets other than goodwill

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

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

An assessment is made at 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)

2.10 Leases

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

2.11 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 profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivates are separated from the host contract which is not measured at fair value through 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)

2.11 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 consolidated 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 consolidated 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)

2.12 Impairment of financial assets

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

Assets carried at amortised cost

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

2.12 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 consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Impairment losses on equity investments classified as available for sale are not reversed through the consolidated statement of comprehensive income.

2.13 Derecognition of financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank borrowings and notes and are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortised 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 consolidated 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.

2.15 Derecognition of financial liabilities

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

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

2.16 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 consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging (Continued)

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.

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 consolidated statement of comprehensive income when the hedged transaction affects the consolidated 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 consolidated statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Convertible bonds

Convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

2.18 Revenue recognition

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

2.20 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Income tax (Continued)

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 the end of each reporting period 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.

2.21 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 consolidated 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 consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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.

2.23 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.

2.24 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 consolidated 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.

2.25 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)

2.26 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 value of the Group's vessels as at 31 December 2011 was RMB32,954,597,000 (2010: RMB26,950,516,000).

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 end of the reporting period. 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 (2010: Nil).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Accounting estimates and judgements (Continued)

Estimated net realisable value of inventories

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

Estimated provision for impairment of trade and bills receivables

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

2.27 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 consolidated statement of comprehensive income.

2.28 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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Bonus entitlements

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

Housing funds

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

Retirement benefit costs

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

For Hong Kong employees, the Group contributes to Mandatory Provident Fund 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.

Enterprise annuity

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

Termination benefits

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

Housing subsidies

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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 to the Group's financial year beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory effective date of HKFRS 9 and transaction disclosures[6]
	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Income taxes – Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

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; and

— coal shipment

— iron ore shipment

— other dry bulk shipment

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:

	2011		2010	
	Turnover	**Contribution**	Turnover	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity :				
Oil shipment	**6,230,194**	**462,965**	6,097,958	1,150,397
Dry bulk shipment				
– Coal shipment	**3,887,438**	**907,022**	3,509,492	834,899
– Iron ore shipment	**1,386,126**	**137,031**	766,047	63,780
– Other dry bulk shipment	**653,700**	**13,752**	910,097	303,676
	5,927,264	**1,057,805**	5,185,636	1,202,355
	12,157,458	**1,520,770**	11,283,594	2,352,752
Other income and gains		**234,121**		201,883
Marketing expenses		**(51,735)**		(42,887)
Administrative expenses		**(368,237)**		(315,759)
Other expenses		**(64,069)**		(36,007)
Share of profits of jointly-controlled entities		**368,775**		216,596
Finance costs		**(414,574)**		(205,170)
Profit before tax		**1,225,051**		2,171,408
Total segment assets				
Oil shipment		**23,775,961**		21,605,564
Dry bulk shipment		**23,525,486**		15,853,841
Unallocated corporate assets		**4,287,367**		3,250,770
		51,588,814		40,710,175
Total segment liabilities				
Oil shipment		**12,865,773**		10,334,938
Dry bulk shipment		**13,955,718**		6,877,739
Unallocated corporate liabilities		**425,715**		406,037
		27,247,206		17,618,714

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 directors' remuneration), marketing expenses, other expenses, share of profits of associates, 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 carrying values of oil vessels and dry bulk vessels at 31 December 2011 amounted to RMB16,439,710,000 and RMB16,514,887,000 respectively (2010: RMB17,419,190,000 and RMB9,531,326,000 respectively).

Geographical segments

	2011		2010	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	**7,391,558**	**1,780,901**	7,223,435	1,973,829
International	**4,765,900**	**(260,131)**	4,060,159	378,923
	12,157,458	**1,520,770**	11,283,594	2,352,752
Other income and gains		**234,121**		201,883
Marketing expenses		**(51,735)**		(42,887)
Administrative expenses		**(368,237)**		(315,759)
Other expenses		**(64,069)**		(36,007)
Share of profits of jointly-controlled entities		**368,775**		216,596
Finance costs		**(414,574)**		(205,170)
Profit before tax		**1,225,051**		2,171,408
Turnover				
Total segment turnover		**12,157,458**		11,283,594
Less: inter-company transactions		**—**		—
Total consolidated turnover		**12,157,458**		11,283,594

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	2011			
	Oil shipment RMB'000	Dry bulk shipment RMB'000	Others RMB'000	Total RMB'000
Additions to segment non-current assets	**2,382,974**	**7,141,855**	**1,846**	**9,526,675**
Depreciation	**793,396**	**943,058**	**9,794**	**1,746,248**
Gain/(loss) on disposal properly, plant and equipment	**463**	**156,064**	**(71)**	**156,456**
Interest income	**6,724**	**9,880**	**20,430**	**37,034**

	2010			
	Oil shipment RMB'000	Dry bulk shipment RMB'000	Others RMB'000	Total RMB'000
Additions to segment non-current assets	3,345,624	5,067,282	891	8,413,797
Depreciation	527,409	872,682	4,350	1,404,441
Gain/(loss) on disposal properly, plant and equipment	31,646	147,892	(985)	178,553
Interest income	3,460	4,292	7,234	14,986

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	
	2011	2010
	RMB'000	RMB'000
Other income		
Bank interest income	**35,497**	14,986
Interest income from loan receivable	**1,537**	—
Government subsidies (Note)	**34,258**	31,346
Rental income from investment properties	**8,778**	—
Others	**7,132**	8,537
	87,202	54,869
Other gains/(losses)		
Gain on disposal of property, plant and equipment, net	**156,456**	178,553
Exchange losses, net	**(13,406)**	(41,687)
Dividends received from available-for-sale investments	**1,512**	1,343
Recovery of bad debts written off in prior years	**1,168**	—
Others	**1,189**	8,805
	146,919	147,014
Other income and gains	**234,121**	201,883

Note:

The Group received government subsidies for business development purpose. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	Group	
	2011	2010
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– Bank loans repayable within five years	**259,270**	94,351
– Bank loans repayable over five years	**166,458**	51,077
– Notes	**204,302**	199,825
– Hedge loan	**10,396**	12,676
– Convertible bonds	**71,269**	—
Other loan or borrowings costs and charges	**43,305**	5,959
	755,000	363,888
Less: Interest capitalised	**(340,426)**	(158,718)
Finance costs	**414,574**	205,170

7. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**5,727,101**	4,523,307
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**4,909,587**	4,407,535
Depreciation	**1,746,248**	1,404,441
Operating lease rentals:		
Land and buildings	**38,400**	33,617
Vessels	**578,325**	351,692
Total operating lease rentals	**616,725**	385,309
Auditor's remuneration	**3,200**	3,039
Staff costs (including directors' remuneration (note 8)):		
Wages, salaries, crew expenses and related expenses	**1,626,025**	1,419,013
Pension scheme contributions	**142,694**	137,811
Total staff costs	**1,768,719**	1,556,824
Gain on disposal of property, plant and equipment, net	**(156,456)**	(178,553)
Reversal of provision for bad and doubtful debts	**—**	(207)
Recovery of bad debts written off in prior years	**(1,168)**	—
Written off of bad and doubtful debts	**—**	1,169
Dry-docking and repairs	**358,264**	526,125
Government subsidies	**(34,258)**	(31,346)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Directors		Supervisors	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**375**	320	**—**	—
Salaries, allowances and benefits in kind	**1,881**	1,630	**1,133**	1,112
Pension scheme contributions	**60**	56	**60**	56
Total	**2,316**	2,006	**1,193**	1,168

(a) Independent non-executive directors

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

	2011	2010
	RMB'000	RMB'000
Mr. Zhu Yongguang	**100**	80
Mr. Lu Wenbin	**100**	80
Mr. Gu Gongyun	**75**	80
Mr. Zhang Jun	**100**	80
	375	320

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2011	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	—	88	2	90
Mr. Yan Zhichong	—	949	28	977
Mr. Qiu Guoxuan	—	844	30	874
	—	1,881	60	1,941
Supervisors:				
Mr. Kou Laiqi	—	33	—	33
Mr. Yan Zhichong	—	—	—	—
Mr. Xu Hui	—	—	—	—
Mr. Yu Shicheng	—	83	—	83
Mr. Luo Yuming	—	509	30	539
Ms. Chen Xiuling	—	508	30	538
	—	1,133	60	1,193

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

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

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year. No director 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 (2010: one) director or supervisor, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2010: four) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,660**	4,062
Pension scheme contributions	**149**	139
	4,809	4,201

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

	Number of employees	
	2011	2010
HKDNil to HKD1,000,000	**—**	4
HKD1,000,001 to HKD2,000,000	**4**	—
	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 2011 and 2010.

PRC Corporate Income Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The Company is entitled to a preferential income tax rate of 18%-24% effective from 1 January 2008. The existing preferential tax rate currently enjoyed by the Company is gradually transited to the new standard rate of 25% over a five-year transitional period. Accordingly, the PRC corporate income tax of the Company has been provided at the rate of 24% (2010:22%) 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 "New Tax Law"). The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group.

	Group	
	2011	2010
	RMB'000	RMB'000
Current:		
Hong Kong	**—**	—
PRC		
– Charge for the year	**180,220**	366,682
– Under/(over) provision in prior years	**145**	(15)
Deferred tax (note 32)	**(34,078)**	82,778
Total tax charge for the year	**146,287**	449,445

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB124,177,000 (2010: RMB77,962,000).

No income tax for the year attributable to the Group from the associates (2010: RMBNil).

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, associates 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:

	2011		2010	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,225,051**		2,171,408	
Tax at the statutory tax rate	**294,012**	**24.0**	477,710	22.0
Higher tax rate for specific provinces	**25,513**	**2.1**	14,884	0.7
Adjustments in respect of current tax of previous periods	**145**	**0.0**	(15)	0.0
Expenses not deductible for tax	**26,036**	**2.1**	15,650	0.7
Income not subject to tax	**(199,419)**	**(16.3)**	(58,784)	(2.7)
Tax charge at the Group's effective rate	**146,287**	**11.9**	449,445	20.7

Tax payable in the consolidated and company's statements of financial position represented by:

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Income tax payable at the beginning of the year	**78,604**	9,745	**74,488**	10,028
Provision for Corporate Income Tax	**180,220**	366,682	**169,593**	361,368
Under/(over) provision in prior years	**145**	(15)	**(934)**	(14)
Income tax paid	**(254,506)**	(297,808)	**(243,077)**	(296,894)
Income tax payable at the end of the year	**4,463**	78,604	**70**	74,488

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2011 includes a profit of RMB730,631,000 (2010: RMB1,535,720,000) which has been dealt within the financial statements of the Company (note 35).

12. DIVIDEND

The dividend paid in 2011 was RMB578,774,000, representing 2010 final dividend of RMB0.17 per share (2010: Dividend paid in 2010 was RMB340,455,000, representing 2009 final dividend of RMB0.10 per share).

	2011 **RMB'000**	2010 RMB'000
Proposed final dividend: RMB0.10 (2010: RMB0.17 per share) per share	**340,455**	578,774

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

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,047,315,000 (2010: RMB1,716,522,000) and the weighted average of 3,404,552,000 shares (2010: 3,404,552,000 shares) in issue during the year, calculated as follows:

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**1,047,315**	1,716,522
Weighted average number of shares in issue (thousands)	**3,404,552**	3,404,552
Basic earnings per share (RMB cents per share)	**30.76**	50.42

13. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the diluted profit attributable to equity holders of the Company of RMB1,053,470,000 (2010: RMB1,716,522,000) and the diluted weighted average number of shares of 3,593,728,000 shares (2010: 3,404,552,000 shares), calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	2011	2010
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**1,047,315**	1,716,522
After tax effect of effective interest on the liability component of convertible bonds	**6,155**	—
Profit attributable to equity holders (diluted)	**1,053,470**	1,716,522

(ii) Weighted average number of shares (diluted)

	2011	2010
	'000	'000
Weighted average number of shares at 31 December	**3,404,552**	3,404,552
Effect of conversion of convertible bonds	**189,176**	—
Weighted average number of shares (diluted) at 31 December	**3,593,728**	3,404,552

	2011	2010
Diluted earnings per share (RMB cents per share)	**29.31**	50.42

14. INVESTMENT PROPERTIES

	Group and Company RMB'000
Cost	
At 31 December 2010 and 1 January 2011	—
Transfer from buildings (note 15)	238,728
At 31 December 2011	**238,728**
Depreciation	
At 31 December 2010 and 1 January 2011	—
Transfer from buildings (note 15)	2,530
At 31 December 2011	**2,530**
Carrying value	
At 31 December 2011	**236,198**
At 31 December 2010	—

The investment properties comprise commercial buildings located at 670 Dong Da Ming Road, Shanghai, the PRC, held under medium term lease.

The directors consider that the carrying value of investment properties as at 31 December 2011 approximates to its fair value.

15. 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 2011	109,672	34,278,147	70,575	16,119	191,846	8,136,827	42,803,186
Transfers	—	8,506,765	1,547	—	400,916	(8,909,228)	—
Transfer to investment properties (note 14)	—	—	—	—	(238,728)	—	(238,728)
Additions	21,300	61,970	7,319	2,751	268	9,433,067	9,526,675
Disposals	—	(719,325)	(5,793)	(2,208)	—	—	(727,326)
Exchange realignment	—	(544,148)	(74)	—	—	(204,809)	(749,031)
At 31 December 2011	**130,972**	**41,583,409**	**73,574**	**16,662**	**354,302**	**8,455,857**	**50,614,776**
Accumulated depreciation							
At 1 January 2011	34,224	7,291,693	38,345	10,068	6,961	—	7,381,291
Transfer to investment properties (note 14)	—	—	—	—	(2,530)	—	(2,530)
Charge for the year	10,258	1,714,982	10,661	1,678	8,669	—	1,746,248
Disposals	—	(332,914)	(5,376)	(2,116)	—	—	(340,406)
Exchange realignment	—	(80,887)	—	—	—	—	(80,887)
At 31 December 2011	**44,482**	**8,592,874**	**43,630**	**9,630**	**13,100**	**—**	**8,703,716**
Impairment losses							
At 31 December 2011	**—**	**35,938**	**—**	**—**	**—**	**—**	**35,938**
At 31 December 2010	—	35,938	—	—	—	—	35,938
Accumulated depreciation and Impairment losses							
At 31 December 2011	**44,482**	**8,628,812**	**43,630**	**9,630**	**13,100**	**—**	**8,739,654**
At 31 December 2010	34,224	7,327,631	38,345	10,068	6,961	—	7,417,229
Net carrying value							
At 31 December 2011	**86,490**	**32,954,597**	**29,944**	**7,032**	**341,202**	**8,455,857**	**41,875,122**
At 31 December 2010	75,448	26,950,516	32,230	6,051	184,885	8,136,827	35,385,957

15. 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 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 value							
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

15. 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 2011	95,450	23,866,264	65,604	12,787	191,846	4,506,714	28,738,665
Transfers	—	5,041,869	1,547	—	400,916	(5,444,332)	—
Transfer to investment properties (notes 14)	—	—	—	—	(238,728)	—	(238,728)
Additions	21,300	98,446	6,616	1,909	268	4,262,743	4,391,282
Disposals	—	(695,379)	(5,793)	(2,208)	—	—	(703,380)
At 31 December 2011	**116,750**	**28,311,200**	**67,974**	**12,488**	**354,302**	**3,325,125**	**32,187,839**
Accumulated depreciation							
At 1 January 2011	25,800	5,576,834	36,913	9,125	6,961	—	5,655,633
Transfer to investment properties (notes 14)	—	—	—	—	(2,530)	—	(2,530)
Charge for the year	7,425	1,256,999	9,398	1,118	8,669	—	1,283,609
Disposals	—	(325,039)	(5,376)	(2,116)	—	—	(332,531)
At 31 December 2011	**33,225**	**6,508,794**	**40,935**	**8,127**	**13,100**	**—**	**6,604,181**
Net carrying value							
At 31 December 2011	**83,525**	**21,802,406**	**27,039**	**4,361**	**341,202**	**3,325,125**	**25,583,658**
At 31 December 2010	69,650	18,289,430	28,691	3,662	184,885	4,506,714	23,083,032

15. 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
Net carrying value							
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

15. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels				
Cost at 31 December	**2,009,265**	3,253,445	**1,457,335**	2,817,364
Accumulated depreciation at 31 December	**425,284**	948,412	**389,999**	740,923

Further details of the operating leases are included in note 39(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 RMB411,868,000 (2010: RMB493,217,000).

At 31 December 2011, certain of the Groups' and the Company's vessels and vessels under were pledged to secure general banking facilities granted to the Group (note 27).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**1,410,676**	572,388

16. INTERESTS IN SUBSIDIARIES (Continued)

As at 31 December 2011 and 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 ("CSHK Development")	Hong Kong Limited liability company	USD100,000,000 (2010: USD500,000)	Ordinary	100%	Investment holding
China Shipping Group Liquefied Natural Gas Investment Co., Limited	PRC Limited liability company	RMB100,000,000	Ordinary	100%	Investment holding
China Shipping Development (S) Marine Pte Ltd (incorporated in 2010)	Singapore Limited liability company	USD2,000,000	Ordinary	100%	Provision of shipping services
East China LNG Shipping Investment Co., Limited (incorporated in 2011)	Hong Kong Limited liability company	USD5,000,000	Ordinary	70%	Investment holding
Guangzhou Jinghai Shipping Co., Limited	PRC Limited liability company	RMB100,000,000	Ordinary	51%	Provision of shipping services
Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao")	Hong Kong Limited liability company	USD8,000,000	Ordinary	51%	Investment holding
North China LNG Shipping Investment Co., Limited (incorporated in 2010)	Hong Kong Limited liability company	USD5,000,000	Ordinary	90%	Investment holding
Shanghai Jiahe Shipping Co., Limited (incorporated in 2010)	PRC Limited liability company	RMB240,000,000	Ordinary	51%	Provision of shipping services
Shanghai Yinhua Shipping Co., Limited	PRC Limited liability company	RMB200,000,000	Ordinary	51%	Provision of shipping services
Tianjin Zhonghai Huarun Marine Co., Limited ("Tianjin Zhonghai") (acquired in 2010)	PRC Limited liability company	RMB557,283,156 (2010: RMB257,280,000)	Ordinary	51%	Provision of shipping services

16. INTERESTS IN SUBSIDIARIES (Continued)

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.

17. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	RMB'000	RMB'000
Cost of unlisted investments in associates	**8**	—
Share of profits and other comprehensive expenses	**(8)**	—
	—	—

As at 31 December 2011 and 2010, the Group had investments in the following associates:

Name	Place of incorporation and operations / legal status	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
			2011	2010	**2011**	2010	
Aquarius LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**21%**	—	**30%**	—	Inactive
Aries LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**27%**	—	**30%**	—	Inactive
Capricorn LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**27%**	—	**30%**	—	Inactive
Gemini LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**21%**	—	**30%**	—	Inactive

17. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2011 RMB'000	2010 RMB'000
Total assets	428,821	—
Total liabilities	(831,126)	—
Net liabilities	(402,305)	—
Group's share of net assets of associates	—	—

	2011 RMB'000	2010 RMB'000
Revenue	—	—
Profit for the year	—	—
Other comprehensive expenses	(402,331)	—
Group's share of profits and other comprehensive expenses of associates for the year	(8)	—

18. LOANS RECEIVABLES

	Group	
	2011 RMB'000	2010 RMB'000
Loans to associates	49,747	—

The loans to associates denominated in USD are unsecured, bear interests at Libor plus 3.3% to 4.8% over 3 months LIBOR per annum, and repayable in year 2030 to year 2031.

	Company	
	2011 RMB'000	2010 RMB'000
Loan to a subsidiary	424,177	445,840

The loan to a subsidiary is unsecured, bear interests at 3% per annum and repayable in year 2018.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2011	2010
	RMB'000	RMB'000
Equity method	**3,562,519**	2,574,217

	Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**2,623,639**	1,945,679

As at 31 December 2011 and 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 directly attributable to the Group	Principal activities
Shanghai Friendship Marine Co., Limited	Registered Capital of RMB 1 each (RMB200,000,000)	PRC Limited liability company	50%	Provision of shipping services
Shanghai Times Shipping Co., Limited	Registered Capital of RMB 1 each (RMB1,200,000,000)	PRC Limited liability company	50%	Provision of shipping services
China Shipping Finance Co., Limited ("CS Finance")	Registered Capital of RMB 1 each (RMB600,000,000) (2010: RMB300,000,000)	PRC Limited liability company	25%	Financial services
Huahai Petrol Transportation & Trading Co., Limited ("Huahai") (acquired in 2010)	Registered Capital of RMB 1 each (RMB56,879,168) (2010: 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 RMB 1 each (RMB597,000,000)	PRC Limited liability company	50%	Provision of shipping services
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	Registered Capital of RMB 1 each (RMB2,200,000,000) (2010: RMB1,000,000,000)	PRC Limited liability company	49%#	Provision of shipping services

19. 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's and the Company's investments in jointly-controlled entities, and no contingent liabilities of the jointly-controlled entities 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 the other significant 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 financial information of its jointly controlled entities:

	Non-current Assets RMB'000	Current Assets RMB'000	Non-current Liabilities RMB'000	Current Liabilities RMB'000	Revenues RMB'000	Profit for the year RMB'000
2011	**6,223,601**	**1,743,840**	**1,862,670**	**2,542,252**	**4,062,759**	**368,775**
2010	4,695,746	2,127,272	2,167,817	2,080,984	2,647,418	216,596

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2011	2010
	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 2011, unlisted equity investments with a carrying amount of RMB4,300,000 (2010: 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 2011, the Group does not provide impairments on available-for-sale financial assets (2010: Nil).

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

21. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivables	**1,066,631**	856,607	**789,871**	637,538
Due from jointly-controlled entities and fellow subsidiaries	**61,314**	34,456	**58,786**	35,002
	1,127,945	891,063	**848,657**	672,540

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

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

21. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group			
	2011		2010	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,110,985**	**98**	813,110	92
4 - 6 months	**12,604**	**1**	65,631	7
7 - 9 months	**4,047**	**1**	10,690	1
10 - 12 months	**309**	**—**	1,615	—
1 - 2 years	**—**	**—**	17	—
	1,127,945	**100**	891,063	100

	Company			
	2011		2010	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**832,763**	**98**	608,954	90
4 - 6 months	**12,059**	**1**	58,484	9
7 - 9 months	**3,835**	**1**	5,051	1
10 - 12 months	**—**	**—**	51	—
	848,657	**100**	672,540	100

No impairment loss is provided for the trade and bills 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 and bills receivables, the Group considers any change in credit quality of the trade and bills receivables from the date credit was initially granted up to the end of the reporting period. 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 and bills receivables are debtors with carrying amount of approximately RMB16,960,000 (2010: RMB13,987,000) which are past due as at the end of the reporting period 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 (2010: RMBNil).

21. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**16,651**	12,355	**15,894**	11,389
7 months – 12 months	**309**	1,632	**—**	51
	16,960	13,987	**15,894**	11,440

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 and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

IMPAIRMENT OF TRADE AND BILLS RECEIVABLES

Impairment losses in respect of trade and bills 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 and bills receivables directly. In addition, impairment loss of RMBNil (2010: RMB1,169,000) was directly written off against the trade and bills receivables.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**—**	207	**—**	—
Reversal of provision for bad and doubtful debts	**—**	(207)	**—**	—
At 31 December	**—**	—	**—**	—

The Group does not hold any collateral over these balances.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**678,595**	621,511	**611,675**	547,577
USD	**449,350**	269,552	**236,982**	124,963
	1,127,945	891,063	**848,657**	672,540

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**118,796**	29,818	**24,265**	8,070
Deposits and other receivables	**153,395**	186,005	**98,617**	148,403
Due from fellow subsidiaries	**211,139**	127,795	**104,529**	63,318
Due from subsidiaries	**—**	—	**3,994,827**	3,865,510
	483,330	343,618	**4,222,238**	4,085,301

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**275,046**	120,091	**3,329,934**	3,561,863
RMB	**172,103**	186,138	**868,020**	503,774
AUD	**19,874**	14,100	**8,484**	3,786
JPY	**10,898**	11,265	**10,898**	11,224
HKD	**2,903**	7,350	**2,408**	961
EUR	**1,653**	1,258	**1,874**	1,237
GBP	**341**	1,479	**341**	1,479
Others	**512**	1,937	**279**	977
	483,330	343,618	**4,222,238**	4,085,301

23. LOAN TO A SHAREHOLDER OF A SUBSIDIARY

The loan to a shareholder of a subsidiary denominated in RMB is unsecured, bear interests at 6.31% per annum, and repayable in year 2012.

24. 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.

Included in cash and cash equivalents is an amount of RMB209,470,000 (2010: RMB307,451,000) of bank balance deposited with CS Finance, a jointly- controlled entity of the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**2,644,443**	705,513	**1,602,403**	315,905
USD	**729,157**	351,880	**192,555**	85,130
HKD	**1,736**	1,376	**37**	41
EUR	**799**	1,021	**799**	1,021
SGD	**534**	1,905	**—**	—
GBP	**22**	33	**22**	33
JPY	**1**	7	**1**	7
	3,376,692	1,061,735	**1,795,817**	402,137

25. TRADE AND BILLS PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payables	**458,534**	485,120	**287,524**	277,649
Due to subsidiaries	**—**	—	**7,556**	2,512
Due to fellow subsidiaries	**614,627**	428,601	**515,131**	427,496
	1,073,161	913,721	**810,211**	707,657

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.

25. TRADE AND BILLS PAYABLES (Continued)

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

Group

	2011 Balance RMB'000	2011 Percentage %	2010 Balance RMB'000	2010 Percentage %
1 - 3 months	**611,989**	**57**	706,129	77
4 - 6 months	**363,898**	**34**	60,709	7
7 - 9 months	**61,871**	**6**	58,871	6
10 - 12 months	**25,986**	**2**	79,755	9
1 - 2 years	**8,049**	**1**	7,605	1
Over 2 years	**1,368**	**—**	652	—
	1,073,161	**100**	913,721	100

Company

	2011 Balance RMB'000	2011 Percentage %	2010 Balance RMB'000	2010 Percentage %
1 - 3 months	**399,880**	**49**	548,025	79
4 - 6 months	**347,127**	**43**	38,284	5
7 - 9 months	**48,631**	**6**	44,760	6
10 - 12 months	**14,118**	**2**	73,619	10
1 - 2 years	**155**	**—**	2,318	—
Over 2 years	**300**	**—**	651	—
	810,211	**100**	707,657	100

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

25. TRADE AND BILLS PAYABLES (Continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**644,998**	640,829	**600,638**	588,328
USD	**410,284**	250,190	**198,936**	111,549
JPY	**6,525**	4,446	**4,814**	1,057
HKD	**5,736**	7,239	**3,779**	4,714
AUD	**3,408**	6,893	**327**	252
EUR	**1,030**	1,495	**847**	476
GBP	**24**	608	**24**	548
Others	**1,156**	2,021	**846**	733
	1,073,161	913,721	**810,211**	707,657

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**46,443**	123,120	**41,158**	117,496
Other payables	**731,271**	731,938	**216,207**	145,430
Due to subsidiaries	**—**	—	**138,676**	80,012
Due to fellow subsidiaries	**50,671**	291,150	**39,473**	274,700
	828,385	1,146,208	**435,514**	617,638

The carrying value of other payables and accruals approximate to 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.

26. OTHER PAYABLES AND ACCRUALS (Continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**536,749**	457,436	**57,431**	23,987
RMB	**272,945**	670,458	**378,083**	593,651
HKD	**—**	17,520	**—**	—
Others	**18,691**	794	**—**	—
	828,385	1,146,208	**435,514**	617,638

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 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Current liabilities						
(i) Bank loans						
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 1.60%	2012	**922,423**	561,041	**35,614**	35,539
Unsecured	Libor + 0.35% to 4.00%, 5.904%	2012	**686,993**	662,809	**—**	231,794
			1,609,416	1,223,850	**35,614**	267,333
(ii) Notes						
Unsecured	4.18%	2012	**1,998,038**	—	**1,998,038**	—
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 5.904% to 6.56%	2012	**966,000**	1,200,000	**941,000**	1,200,000
Notes, interest-bearing bank and other borrowings – current portion			**4,573,454**	2,423,850	**2,974,652**	1,467,333

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 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Non-current liabilities						
(i) Bank loans						
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.60%	2013-2022	**7,185,601**	4,590,795	**284,160**	319,849
Unsecured	Libor + 1.35% to 1.70%	2013-2019	**1,231,826**	—	**—**	—
			8,417,427	4,590,795	**284,160**	319,849
(ii) Notes						
Unsecured	3.90%	2014	**2,995,537**	4,989,873	**2,995,537**	4,989,873
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 4.86% to 6.51%	2013 - 2018	**5,341,551**	2,541,551	**5,341,551**	2,541,551
Notes, interest-bearing bank and other borrowings – Non-current portion			**16,754,515**	12,122,219	**8,621,248**	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 22 vessels (2010: 15 vessels) and another 9 vessels under construction (2010: 2 vessels under construction) with total net carrying value of RMB13,044,293,000 (2010: RMB7,585,649,000) as at 31 December 2011.

The Company's bank loan are secured by pledges or mortgages of the Company's 2 vessels (2010: 2 vessels) with total net carrying value of RMB428,817,000 (2010: RMB 447,353,000) as at 31 December 2011.

The carrying value 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 RMB7,788,252,000 (2010: RMB4,796,448,000) and unsecured bank loans of RMB1,861,916,000 (2010: RMB649,010,000) which are denominated in USD, all borrowings are denominated in RMB.

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

(b) At 31 December 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**1,609,416**	1,223,850	**35,614**	267,333
In the second year	**1,389,529**	612,084	**35,614**	35,539
In the third to fifth year, inclusive	**3,028,983**	1,866,396	**106,842**	106,617
Over five years	**3,998,915**	2,112,315	**141,704**	177,693
	10,026,843	5,814,645	**319,774**	587,182
(ii) Notes:				
Within one year or on demand	**1,998,038**	—	**1,998,038**	—
In the second year	**—**	1,995,946	**—**	1,995,946
In the third to fifth year, inclusive	**2,995,537**	2,993,927	**2,995,537**	2,993,927
	4,993,575	4,989,873	**4,993,575**	4,989,873
(iii) Other borrowings:				
Within one year or on demand	**966,000**	1,200,000	**941,000**	1,200,000
In the second year	**1,500,000**	200,000	**1,500,000**	200,000
In the third to fifth year, inclusive	**841,551**	2,341,551	**841,551**	2,341,551
Over five years	**3,000,000**	—	**3,000,000**	—
	6,307,551	3,741,551	**6,282,551**	3,741,551
	21,327,969	14,546,069	**11,595,900**	9,318,606

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

(b) At 31 December 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows: (Continued)

Included in other borrowings represent an amount of RMB1,607,551,000 (2010: RMB1,441,551,000) were borrowed from CS Finance, a jointly controlled entity of the Group. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMB566,000,000 (2010: RMB200,000,000) and RMB1,041,551,000 (2010: RMB1,241,551,000) respectively.

Included in other borrowings represent an amount of RMB4,300,000,000 (2010: RMB2,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMBNil (2010: RMB1,000,000,000) and RMB4,300,000,000 (2010: RMB1,300,000,000) respectively.

Included in other borrowings represent an amount of RMB400,000,000 (2010: RMB Nil) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2011, the current portion of this borrowing amounted to RMB400,000,000 (2010: RMB Nil).

(c) Details of the notes at 31 December 2011 are as follows:

	Group and Company	
	2011	2010
	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	**8,071**	4,369
	4,993,575	4,989,873

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 respectively. The notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

28. OTHER LOANS

	Group	
	2011	2010
	RMB'000	RMB'000
Baosteel Resources Co., Ltd ("Baosteel")	**407,543**	429,934
Baosteel Resources International Company Limited	**30,874**	—
Shanghai Puyuan Shipping Co., Limited	**77,186**	—
	515,603	429,934

According to the contract signed between Hai Bao and its non-controlling shareholder, Baosteel, USD64,680,000 was provided to Hai Bao to finance the construction of vessels. The loan is unsecured, non-interest bearing before the date of transferring the vessels and repayable in year 2018.

According to the contract signed between Hai Bao and Baosteel Resources International Company Limited, the subsidiary of Baosteel, USD4,900,000 was provided to Hai Bao to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3% per annum and repayable in 2014.

According to the contract signed between CS Puyuan Marine Co., Limited and its non-controlling shareholder, Shanghai Puyuan Shipping Co., Limited, USD12,250,000 was provided to CS Puyuan Marine Co., Limited to finance the construction of vessels. The loan is unsecured, repayable within 5 years after delivery of the vessels and bears a fixed interest rate of 3% per annum.

29. PROVISIONS

	Group and Company		
	Legal claims	**Other provisions**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 31 December 2010 and 1 January 2011	**66,000**	**19,500**	**85,500**
Reductions	**(66,000)**	**(19,500)**	**(85,500)**
At 31 December 2011	**—**	**—**	**—**

The legal claims provisions at 31 December 2010 represented the compensation for the pollution caused by vessel "Daiqing 91" and the collision of vessels caused by vessel "Fuzhou". No provision of compensation made at 31 December 2011 as the compensations were settled during the year.

The other provisions at 31 December 2010 represented the compensation for pollution caused by vessels "Wanshoushan" and "Jiaxinshan". No provision of compensation made at 31 December 2011 as the compensations were settled during the year.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements	**15,645**	13,218

As at 31 December 2011, the Group held two interest rate swap agreements, the total notional principal amount of the outstanding two interest rate swaps agreements was USD114,093,333 (approximately RMB718,891,000). 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 2011, the floating rates of the bank loan were LIBOR + 0.42% or 0.45% (2010: 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:

	2011	2010
	RMB'000	RMB'000
Total fair value losses included in the hedging reserve	**(3,143)**	(13,642)
Hedge loan interest included in finance cost	**(10,396)**	(12,676)
Total losses on cash flow hedges interest rate swap agreements	**(13,539)**	(26,318)

31. CONVERTIBLE BONDS

	Group and Company	
	2011	2010
	RMB'000	RMB'000
Convertible bonds	**3,110,598**	—

Convertible bonds amounting to RMB3,950,000,000 were issued on 1 August 2011, with a term of 6 years, by 39,500,000 number of bonds at nominal value of RMB100 each (the "Bonds"). The Bonds are convertible into A-shares of the Company at anytime between six months after the date of issue of the Bonds and the maturity date of the Bonds, being 2 February 2012 to 1 August 2017, at initial conversion price of RMB8.7 per share.

If the Bonds have not been converted, they will be redeemed at 105% of par value within five trading days after the maturity of the Bonds. The Bonds bear interest at 0.5% for the first year, 0.7% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2% for the sixth year. The interests are payable annually in arrears on 1 August of each year.

Within the last two years of the Bonds, if the closing price of A-share is traded at lower of 70% of the initial conversion price for thirty consecutive trading days, the Bonds holders are entitled a one-off right to request the Company to redeem the Bonds wholly or partially at par, with interest accrued on that day.

The fair value of the liability component included in the Bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond equity reserve. The effective interest rate of the liability component is 5.6% per annum.

The movement of the Bonds for the year is set out below:

	2011	2010
	RMB'000	RMB'000
Carrying amount on initial recognition	**3,912,372**	—
Equity component on initial recognition	**(873,043)**	—
Liability component on initial recognition	**3,039,329**	—
Interest charge	**71,269**	—
Carrying amount at the end of the year	**3,110,598**	—

The fair value and effective interest rate of the liability component of the Bonds at 31 December 2011 is RMB3,110,598,000 and 5.6% per annum respectively.

Interest expense of RMB71,269,000 has been recognised in the statement of comprehensive income in respect of the Bonds for the year ended 31 December 2011.

32. DEFERRED TAX LIABILITIES

Deferred tax liabilities represent the unremitted earnings from the subsidiaries to the Group.

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

The Group

	RMB'000
At 1 January 2010	322,682
Charged to the consolidated statement of comprehensive income during the year (note 10)	82,778
At 31 December 2010	405,460
Credited to the consolidated statement of comprehensive income during the year (note 10)	(34,078)
At 31 December 2011	371,382

33. 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 were 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

33. BUSINESS COMBINATION (Continued)

Acquisition-related costs have been excluded from the cost of acquisition. The costs were insignificant and recognised as an expense in 2010, 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 were no contractual cash flows not expected to be collected.

	RMB'000
Cash consideration paid	49,347
Less: cash and cash equivalent balances acquired	(239)
Net cash outflow on acquisition of Tianjin Zhonghai	49,108

Included in the profit for 2010 was a loss of RMB5,205,000 attributable to the additional business generated by Tianjin Zhonghai Limited. Revenue for 2010 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 was for illustrative purposes only and was 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 was it intended to be a projection of future results.

34. ISSUED CAPITAL

	Group and Company			
	2011 Number of shares	**2011 RMB'000**	2010 Number of shares	2010 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 capital	**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.

35. RESERVES

Group

	Share premium 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	Convertible bonds equity reserves RMB'000	Retained profits RMB'000	Total RMB'000
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 loss on cash flow hedges	—	—	—	—	(13,642)	—	—	—	—	(13,642)
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 and at 1 January 2011	3,947,214	168,829	2,755,909	93,158	(14,230)	1,019	(644,226)	—	12,287,546	18,595,219
Profit for the year	—	—	—	—	—	—	—	—	1,047,315	1,047,315
Net loss on cash flow hedges	—	—	—	—	(3,143)	—	—	—	—	(3,143)
Share of other comprehensive expense of associates	—	—	—	—	(6)	—	—	—	—	(6)
Exchange realignment	—	—	—	—	—	—	(278,163)	—	—	(278,163)
Total comprehensive income for the year	—	—	—	—	(3,149)	—	(278,163)	—	1,047,315	766,003
Transfer (from)/to reserves	—	—	104,097	—	—	—	—	—	(104,097)	—
Recognition of the equity component of convertible bonds	—	—	—	—	—	—	—	873,043	—	873,043
2011 Proposed final dividend	—	—	—	—	—	—	—	—	(340,455)	(340,455)
At 31 December 2011	**3,947,214**	**168,829**	**2,860,006**	**93,158**	**(17,379)**	**1,019**	**(922,389)**	**873,043**	**12,890,309**	**19,893,810**

35. 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	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 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 and 1 January 2011	3,947,490	165,665	(1,796)	2,755,909	93,158	1,019	—	9,794,098	16,755,543
Profit for the year	—	—	—	—	—	—	—	730,631	730,631
Transfers (from)/to reserves	—	—	—	104,097	—	—	—	(104,097)	—
Recognition of the equity component of convertible bonds	—	—	—	—	—	—	873,043	—	873,043
2011 Proposed final dividend	—	—	—	—	—	—	—	(340,455)	(340,455)
At 31 December 2011	**3,947,490**	**165,665**	**(1,796)**	**2,860,006**	**93,158**	**1,019**	**873,043**	**10,080,177**	**18,018,762**

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").

The directors have proposed to transfer RMB104,097,000 (2010: RMB175,232,000) to SSR, represents 10% (2010: 10%) of the Company's profit after tax 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 2011, before the proposed final dividend, the Company had reserve of RMB10,420,632,000 (2010: RMB10,372,872,000).

In addition, in accordance with the Company Laws of the PRC, an amount of approximately RMB3,947,490,000 (2010: 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.

35. 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.

Convertible bonds equity reserve

The convertible bonds equity reserve represents the equity component (conversion right) of the Bonds issued during the year (note 31).

Other reserve

The reserve arises from the acquisition of subsidiary under common control in April 2010.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2011	2010
	RMB'000	RMB'000
Profit before tax	**1,225,051**	2,171,408
Adjustments for:		
Interest income	**(37,034)**	(14,986)
Depreciation	**1,746,248**	1,404,441
Share of profits of jointly-controlled entities	**(368,775)**	(216,596)
Gain on disposal of property, plant and equipment	**(156,456)**	(178,553)
Recovery of bad debts written off in prior years	**(1,168)**	—
Reversal of provision for bad and doubtful debts	**—**	(207)
Written off bad and doubtful debts	**—**	1,169
Provisions	**—**	4,500
Operating profit before working capital changes	**2,407,866**	3,171,176
Increase in trade and bills receivables	**(235,714)**	(193,966)
Increase in bunker oil inventories	**(374,676)**	(97,989)
Decrease in prepayments	**279,953**	1,211
Decrease in deposits and other receivables	**42,396**	77,682
Increase in amounts due from fellow subsidiaries	**(94,705)**	(29,774)
Decrease in trade and bills payables	**(213,356)**	(313,564)
Decrease in accruals	**(76,677)**	(52,895)
Decrease in other payables	**(6,934)**	(31,871)
Decrease in provisions	**(85,500)**	(20,000)
(Decrease)/increase in amounts due to fellow subsidiaries	**(380,754)**	336,928
Cash generated from operation	**1,261,899**	2,846,938
Finance costs	**414,574**	205,170
Income tax paid	**(254,506)**	(297,808)
Net cash inflow from operating activities	**1,421,967**	2,754,300

37. 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% (2010: 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 2011 amounted to RMB134,482,000 (2010: RMB133,291,000).

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 2011 amounted to RMB46,050,000 (2010: RMB46,822,000).

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 HKD20,000. Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2011 amounted to RMB8,212,000 (2010: RMB4,520,000).

38. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which sunk afterwards. The Group is in a progress to setup a Limitation of Liability for Maritime Claims amounting to RMB22,250,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 31 December 2011, the Group is still in the process of settling all the issues concerned.

(ii) 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.

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies as set out below entered into Ship Building Contracts for the construction of one LNG vessel. After the completion of the LNG vessels, four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following charterers:

Company name	**Charterer**
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four leases with guarantee ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

Accordingly to lease term, taking into account of the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guarantee provided by the Company is limited to USD8.2 million (approximately RMB53 million).

The guarantee period is limited to that of the lease period, which is 20 years.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years.

As at 31 December 2011, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**114,273**	53,581	**111,080**	50,689
In the second to fifth year, inclusive	**60,984**	14,744	**60,984**	14,744
	175,257	68,325	**172,064**	65,433

(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 15 years (2010: 1 to 4 years).

As at 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**957,084**	109,932	**628,228**	54,352
In the second to fifth year, inclusive	**1,290,907**	94,583	**288,173**	17,827
Over five years	**2,789,870**	—	**206,547**	—
	5,037,861	204,515	**1,122,948**	72,179

40. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group and the Company had capital commitments as at 31 December 2011, of which RMB6,514,365,000 (2010: RMB3,478,709,000) from the Group and RMB2,520,067,000 (2010: RMB793,814,000) from the Company will be due within one year.

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorized and contracted for:				
Construction and purchases of vessels (Note 1)	**11,299,626**	20,436,403	**4,351,747**	9,214,159
Equity Investments (Note 2)	**1,486,735**	2,111,649	**1,486,735**	2,111,649
	12,786,361	22,548,052	**5,838,482**	11,325,808

In addition to the above, the Group's share of the capital commitments of its associates, which are contracted for but not provided amounted to RMB1,589,308,000 (2010: RMBNil). The Group's share of the capital commitments of its jointly-controlled entity, which are contracted for but not provided amounted to RMB2,176,696,000 (2010: RMB913,786,000) which are authorised but not contracted for amounted to RMB2,100,538,000 (2010: RMB3,904,340,000).

Note:

(1) According to the construction or purchase agreements entered into by the Group in 2007 to 2011, these capital commitments will fall due as from 2012 to 2013 respectively.

(2) Included capital commitments in respect of equity investments is the commitment to invest in a jointly-controlled entity, Shenhua Zhonghai, of RMB1,470,668,000 (2010: RMB2,058,668,000).

41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, business transactions between the Group and its holding company, fellow subsidiaries, jointly-controlled entities as well as related parties for the year ended 31 December 2011 and 2010, which are also considered by directors as related party transactions, are set out as below:

(1) A services agreement signed in October 2009 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders of the Company at an extraordinary general meeting held on 22 December 2009. Pursuant to the services agreement entered into in 2009, 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 is effective for 3 years from 1 January 2010 to 31 December 2012. 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-fixed price, market price or cost.

41. 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 2011 and 2010 are set out below:

	Pricing basis	2011 Total value RMB'000	2010 Total value RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**212,869**	289,839
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	**2,039,943**	2,644,221
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**67,122**	60,513
Crew expenses	Market prices	**95,522**	47,623
Accommodation, lodging medical services and transportation for employees	State-fixed prices or market prices	**6,957**	4,905
Miscellaneous management services	Market prices	**24,740**	31,407
Shipping and freight forwarding agency commissions	Market prices	**113,941**	104,661
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**5,601**	6,200

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.

41. 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, associates and related companies are as follows:

	Notes	2011 RMB'000	2010 RMB'000
Vessel chartering charges paid	(i)	**65,126**	57,936
Vessel chartering income received		**24,594**	5,000
Sale of vessels	(ii)	**19,553**	69,420
Purchases of vessels	(iii)	**1,847,977**	2,300,649
Rental income received		**9,140**	4,649
Vessel management fees		**—**	2,033
Shipment income		**1,124,133**	968,281
Acquisition of a jointly-controlled entity		**—**	144,459
Interest income from associates		**759**	—
Loan interest payment	(iv)	**268,494**	78,687

Note:

The Group has entered into the following agreements:

(i) On 10 December 2010, Xi Chuan Shipping S.A., a wholly-owned subsidiary of the Company and China Shipping (Hong Kong) Holdings Co., Limited ("CSHK") entered into a bare-boat charter contract 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 is up to approximately USD5,293,000.

On 10 December 2010, Shanghai Maritime Enterprises Corp. and the Company entered into a bare-boat charter contract 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 September 2011. The aggregate payment is up to approximately USD2,153,000.

On 4 May 2009, Guangzhou Maritime Transport (Group) Co. Ltd ("Guangzhou Maritime") and the Company entered into a three bare-boats charter contract where Guangzhou Maritime 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 is RMB3,600,000 per annum.

(ii) The Company and Shanghai Shipping Group Company Digang Dili Recovery Company Limited ("Digang Dili") entered into two sale and purchase agreements on 22 December 2011 whereby the Company agreed to sell and Digang Dili agreed to purchase two bulk vessels. The total consideration for the sale of the two bulk vessels is approximately RMB33,239,000.

Digang Dili paid to the Company in cash a sum of RMB16,563,000 and RMB16,676,000 as consideration for the sale of the first bulk vessel "Hong Qi 120" and the second bulk vessel "Hong Qi 124" respectively. The net book value of the two bulk vessels is RMB9,243,000 and RMB9,223,000 respectively.

(iii) On 28 September 2010, the Company entered into 12 agreements with China Shipping Industrial Co., Ltd. and China Shipping Industrial (Jiangsu) Co., Ltd. ("CS Industrial (Jiangsu)") for the construction of 12 vessels for the transportation of coal and other bulk cargo. The total consideration for the construction of the 12 vessels is approximately RMB2,553,600,000 and the total consideration paid for the construction in progress of the vessels for the year ended 31 December 2011 is approximately RMB1,847,977,000.

41. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Note: (Continued)

(iv) At the 2010 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 and was subsequently approved by the Company's shareholders on 8 June 2010. The loan is used to pay CS Industrial (Jiangsu) 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 entered into a loan agreement with CS Finance whereby CS Finance provided a five-year loan in the amount up to RMB1,500,000,000 to the Company. The loan is used to finance the construction of 22 vessels. The interest rate is the preferential rate determined by applying a 10% discount to the 5-year term benchmark 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, and the principal would be repaid on 1 April 2015.

On 21 June 2011, the Company entered into a loan agreement with CS Finance whereby CS Finance provided a one-year loan in the amount up to RMB150,000,000 to the Company. The loan is used to finance business operation. The interest rate is fixed at 6.31% per annum and the principal would be repaid on 22 June 2012.

On 8 August 2011, the Company entered into the first entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB3,000,000,000 to the Company and the second entrusted loan agreement with Guangzhou Maritime and CS Finance whereby Guangzhou Maritime entrusted CS Finance to provide a loan in the amount of RMB400,000,000 to the Company.

The first entrusted loan has a term of seven years commenced from 9 August 2011 and ending on 8 August 2018. The interest rate is at 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum.

The second entrusted loan has a term of one year commenced from 9 August 2011 and ending on 8 August 2012. The interest rate is at 6.56% per annum. CS Finance will also charge a one-off administrative fee of RMB40,000.

The related interest expenses RMB268,494,000 for the year ended 31 December 2011 have been included in the finance cost.

On 23 December 2011, the Company entered into a loan agreement with CS Finance whereby CS Finance provided a one-year loan in the amount up to RMB200,000,000 to the Company. The loan is used to finance business operation. The interest rate is 6.56% per annum and the principal would be repaid on 24 December 2012.

41. RELATED PARTY TRANSACTIONS (Continued)

(3) In October 2009, the Group has entered into the "Financial Services Framework Agreement" with China Shipping. The agreement has been passed 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 the following 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 shareholder;

(iii) CS Finance has received its "Business Registration Certificate" and "Financial Certificate"; and

(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 period ended.

(4) Outstanding balances with related parties:

Details of the Group's current account balances with its fellow subsidiaries as at the end of the reporting period are disclosed in notes 21, 22, 23, 24, 25 and 26 to the consolidated financial statements.

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

	2011	2010
	RMB'000	RMB'000
Fees	**375**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**6,725**	5,880
Pension scheme contributions	**241**	223
	7,341	6,423

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

42. 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.

(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 2011, if USD and HKD had weakened or strengthened by 1% against Renminibi with all other variables held constant, post-tax profit for the year 2011 would have been RMB73,562,000 (2010: RMB45,689,000) 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

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 2011, 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 RMB86,097,000 (2010: RMB53,640,000) lower/higher, the Company's post-tax profit for the year would have been RMB21,827,000 (2010: RMB15,855,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

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

As at 31 December 2011 and 2010, 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**	**2011 RMB'000**
Bank of Communications	**A3/P-1/Stable**	**1,312,320**
Bank of China	**A1/P-1/Stable**	**917,613**
Industrial and Commercial Bank of China Limited	**A1/P-1/Stable**	**303,071**
Citibank	**A/Stable**	**121,610**
Agricultural Bank of China	**A1/P-1/Stable**	**100,868**

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

The Group does not have significant exposure to credit risk.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

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

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

Counterparty	**2011 RMB'000**
Unipec Asia Co., Limited	**62,651**
Shenhua Zhonghai Marine Co., Limited	**44,994**
Yangxi Haibin Electronic Developing Co., Ltd.	**43,528**
Ningbo China Offshore Oil Shipping Co., Ltd.	**41,459**
Baoshan Iron & Steel Co., Ltd.	**24,881**

Counterparty	2010 RMB'000
Unipec Asia Co., Limited	45,953
Ningbo China Offshore Oil Shipping Co., Ltd.	42,257
PetroChina Guangxi Petrochemical Company	35,471
Shenhua Zhonghai Marine Co., Limited	34,456
Sinopec Shanghai Gaoqiao Company	29,767

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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Group

At 31 December 2011

	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 carrying value RMB'000
Bank and other borrowings	3,076,809	3,280,909	12,471,675	18,829,393	16,334,394
Notes	2,200,600	117,000	3,117,000	5,434,600	4,993,575
Derivative financial instruments	—	—	15,645	15,645	15,645
Trade and bills payables	1,073,161	—	—	1,073,161	1,073,161
Other payables and accruals	745,897	—	—	745,897	745,897
Interest payments on notes and bank borrowings	82,488	—	—	82,488	82,488
Convertible bonds	19,750	27,650	4,179,100	4,226,500	3,110,598
Other loan	—	—	515,603	515,603	515,603
	7,198,705	3,425,559	20,299,023	30,923,287	26,871,361

Group

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 carrying value 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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2011

	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 carrying value RMB'000
Bank and other borrowings	1,374,596	1,835,501	5,099,286	8,309,383	6,602,325
Notes	2,200,600	117,000	3,117,000	5,434,600	4,993,575
Trade and bills payables	810,211	—	—	810,211	810,211
Other payables and accruals	367,608	—	—	367,608	367,608
Interest payments on notes and bank borrowings	67,906	—	—	67,906	67,906
Convertible bonds	19,750	27,650	4,179,100	4,226,500	3,110,598
	4,840,671	1,980,151	12,395,386	19,216,208	15,952,223

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 carrying value 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

42. 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 value 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:

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities:				
Derivative financial instruments	**—**	**15,645**	**—**	**15,645**

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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 2011 and 2010.

43. 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, other loan and convertible bonds less cash and cash equivalents.

The Group's and Company's net debt-to-equity ratio at 31 December 2011 and 2010 was as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**24,954,170**	14,976,003	**14,706,498**	9,318,606
Less: Cash and cash equivalents	**(3,376,692)**	(1,061,735)	**(1,795,817)**	(402,137)
Net debt	**21,577,478**	13,914,268	**12,910,681**	8,916,469
Total equity	**24,341,608**	23,091,461	**21,763,769**	20,738,869
Debt to equity ratio	**89%**	60%	**59%**	43%

44. EVENTS AFTER REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial statements, the following are the significant events after the reporting period.

(i) According to the first Board meeting of the Company held on 13 January 2012, the Board approved CSHK Development, a wholly owned subsidiary of the Company, entered into an agreement with China Shipping Industrial Co., Ltd. and CS Industrial (Jiangsu), both are related parties of the Group, for the construction of the tanker of 110,000 dead weight tons for the transportation of crude oil and refined oil on 13 January 2012. The total consideration for the construction of the tanker is approximately USD53,280,000.

(ii) According to the second Board meeting of the Company held on 1 February 2012, the Board agreed as part of the Company's strategy to establish two wholly-owned subsidiaries, which will be responsible for the operation of dry bulk transportation and oil products transportation respectively, and to gradually inject the Company's dry bulk vessel and oil tank related businesses into the two wholly-owned subsidiaries.

(iii) According to the third Board meeting of the Company held on 20 February 2012, the Board approved the funds of RMB 380,000,000 arise from the Company's A-Share convertible bonds issued on 1 August 2011 to be used as working capital of the Company for not more than 6 months.

(iv) According to the fourth Board meeting of the Company held on 15 March 2012, the Company will transfer RMB104,097,000, being 10% of its net profit of RMB1,040,974,000 determined under PRC GAAP to the statutory surplus reserve. The Directors also proposed to pay a final dividend for the year 2011 of RMB0.10 (before tax) per share based on the number of shares issued as at a date determined by the Company. The proposed final dividend is subject to the Company's Shareholders' approval at the forthcoming annual general meeting.

(v) According to the fourth Board meeting of the Company held on 15 March 2012, effective from 1 January 2012, the Board approved to revise the estimated useful life of vessels to be 17 to 25 years. The estimated useful life of new vessels is 25 years, where the useful life of used vessels was determined based on actual remaining useful life. Residual values of vessels were determined based on USD470 (approximately RMB2,960) per light displacement ton.

45. 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) 65966666
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 auditor:	Baker Tilly Hong Kong Limited Certified Public Accountants 2th Floor, 625 King's Road North Point Hong Kong
Domestic auditor:	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

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

7th Floor, 670 Dong Da Ming Road, Shanghai, The People's Republic of China

Company's website:	www.cnshippingdev.com

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Shaode, born in August 1950 and aged 61, is a senior economic engineer. He is currently the chairman and an executive director of the Company ("Director"), chairman of the strategy committee of the Company ("Strategy Committee"), the chairman and Secretary of the Party Committee of China Shipping (Group) Company and the chairman of China Shipping Container Lines Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code 601866) and its H shares are listed on the main board of the The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code 2866)). 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. (the former name of the Company) 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. Xu Lirong, born in July 1957 and aged 54, is a senior engineer. He is currently an executive Director and vice chairman of the Company, a member of the Strategy Committee, a director, executive president and a member of the Party Committee of China Shipping (Group) Company. He is also the chairman of a number of companies including China Shipping (Hong Kong) Holdings Co., Ltd., China Shipping (Europe) Holding GmbH, China Shipping (North America) Holding Co., Ltd., China Shipping (South Eastern Asia) Holding Co., Ltd. and China Shipping (Western Asia) Holdings Co., Ltd.. Mr. Xu is currently an executive director and vice chairman of China Shipping Container Lines Co., Ltd.. Mr. Xu had been the marine captain of COSCO Shanghai Company, the general manager of COSCO Shanghai International Freight Forwarding Company, the deputy managing director of COSCO Shanghai Company, the president of the Shanghai Shipping Exchange, the managing director of COSCO Container Lines Company Limited, the executive vice president and the non-executive director of China COSCO Holdings Company Limited (where its A shares are listed on the Shanghai Stock Exchange (stock code 601919) and its H shares are listed on the main board of the Stock Exchange (stock code 1919)) from 2007 to 2011, the chairman of COSCO Shipping Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code 600428)) from 2007 to 2011, the chairman and a non-executive director of COSCO Pacific Limited, a company listed on the main board of the Stock Exchange (stock code 1199) from October 2007 to February 2012 and the executive vice president, a member of the Party Committee and the chairman of the Labor Union of China Ocean Shipping (Group) Company from 2007 to 2011. Mr. Xu has over 30 years of experience in ocean shipping business management and extensive experience in corporate management. Mr. Xu joined the Company in January 2012 as an executive Director. Mr. Xu obtained his Master of Business Administration degree from the Shanghai Maritime University and the Maastricht School of Management in the Netherlands.

Mr. Lin Jianqing, born in February 1954 and aged 57, is a senior engineer. He is currently an executive Director and vice chairman of the Company, a member of each of the Strategy Committee and nomination committee of the Company ("Nomination Committee") respectively, the deputy general manager 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 joined the Company in December 2006 as an executive Director. 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. Wang Daxiong, born in December 1960 and aged 51, is a senior accountant. He is currently an executive Director, a member of the Strategy Committee, the deputy general manager of China Shipping (Group) Company and a non-executive director of China Shipping Container Lines Co., Ltd., the director of China Merchant Bank Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code: 600036) and its H shares are listed on the main board of the Stock Exchange (stock code: 3968)) and the chairman of China Shipping Haisheng Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600896)). 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 in 1983 from Shanghai Maritime University with a professional qualification in finance and accounting.

Mr. Zhang Guofa, born in October 1956 and aged 55, is a Doctor of economics at Wuhan University. He is currently an executive Director, a member of each of the Strategy Committee and Nomination Committee respectively, the deputy general manager 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 54, is a senior engineer. He is currently the general manager, an executive Director and a member of the Strategy Committee. 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., the general manager of China Shipping International Ship Management Co., Ltd. and the general manager of Guangzhou Maritime Transport (Group) Co., Ltd. He was a non-executive director of China Shipping Container Lines Co., Ltd. from June 2010 to June 2011 and a director of China Shipping Haisheng Co., Ltd. from May 2007 to April 2011. Mr. Yan was 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. Yan has been the general manager of the Company since January 2011 and an executive Director since April 2011.

Mr. Qiu Guoxuan, born in August 1957 and aged 54, is an MBA and is a senior engineer. He is currently the deputy general manager, an executive Director and a member of the Strategy Committee. 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 since May 2009.

Mr. Ma Zehua, born in January 1953 and aged 59, has a master degree and is a senior economic engineer. Mr. Ma 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. Ma was the Secretary of the Party Committee and vice-president of China Shipping (Group) Company from November 2006 to August 2011, and the vice chairman and executive Director of the Company from April 2007 to September 2011.

Mr. Mao Shijia, born in March 1950 and aged 62, 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 was the general manager of the Company during the period from December 2004 to January 2011, and an executive Director during the period from March 2005 to January 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongguang, born in June 1945 and aged 66, is a senior economics engineer. He is currently an independent non-executive Director, the chairman of each of the Company's remuneration and appraisal committee ("Remuneration and Appraisal Committee") and Nomination Committee, a member of each of the Strategy Committee and audit committee of the Company ("Audit Committee"). 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 is now also an independent non-executive director of Hao Tian Resources Group Limited (a company listed on the main board of the Stock Exchange (Stock code 0474), Mr. Zhu joined the Company as an independent non-executive Director in January 2008.

Mr. Zhang Jun, born in January 1963 and aged 49, is professor and a doctoral supervisor. He is currently an independent non-executive Director and a member of each of the Strategy Committee, Remuneration and Appraisal Committee, Audit Committee and Nomination Committee. 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 (stock codes: 600512 and 600503). Mr. Zhang joined the Company as an independent non-executive Director in May 2009.

Mr. Lu Wenbin, born in September 1967 and aged 44, is a Ph.D. in accounting. He is currently an independent non-executive Director, the chairman of Audit Committee, a member of each of the Remuneration and Appraisal Committee and Nomination Committee. 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 (stock codes: 975, 300008 and 300100). Mr. Lu joined the Company as an independent non-executive Director in May 2009.

Mr. Wang Wusheng, born in March 1951 and aged 61, is currently a lawyer and a senior partner of Jin Mao P.R.C. Lawyers, an independent non-executive Director, a member of each of the Remuneration and Appraisal Committee, Audit Committee and Nomination Committee. Mr. Wang had been a law consultant of Legal Affairs Center of Transportation of the Ministry of Transport of the PRC, and an independent director of Shuangliang Eco-Energy Systems Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code: 600481)). Mr. Wang joined the Company as an independent non-executive Director in January 2012.

Mr. Gu Gongyun, born in July 1957 and aged 54, is a professor and a doctoral supervisor. 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., Industrial Bank Co., Ltd. and Haitong Securities Company Limited, all of which are companies listed on the Shanghai Stock Exchange (stock codes: 600269, 600635, 600619, 601166 and 600837). Mr. Gu was an independent non-executive Director from May 2009 to September 2011.

SUPERVISORS

Mr. Kou Laiqi, was born in October 1950 and aged 61. He is currently the chairman of the supervisory committee of the 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. Mr. Kou was the secretary of the discipline inspection committee and party committee member of China Shipping (Group) Company from December 1997 to June 2011, 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 49. 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 graduated in 1983 from the ship management department of Jimei University and joined the Company in May 2006 as a supervisor.

Ms. Chen Xiuling, born in May 1965 and aged 46, has a master degree. She is currently a supervisor of the Company as a representative of staff and the section chief of business department in China Shipping Development Co., Ltd Tramp Co. Ms. Chen graduated from Navigation department of Wuhan University of Technology in May 1990. She 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. In 1998, she joined the Company and served as a deputy chief of business department, 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 has served as a supervisor of the Company as a representative of staff since May 2006.

Mr. Luo Yuming, born in December, 1967 and aged 44, is a senior engineer. He is currently a supervisor of the Company as a representative of staff, assistant to general manager and the head of the shipping department of China Shipping Development Company Limited Tanker Company. Mr. Luo graduated from the Dalian Maritime University majoring in vessel driving. He joined the Company in August 1989 and was captain of oil tankers, 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 administration department of China Shipping Development Co., Ltd. Tanker Company in September 2005 and the general manager of the shipping department in January 2007. Mr. Luo has served as a supervisor of the Company as a representative of staff since October 2007.

Mr. Yu Shicheng, born in August 1954 and aged 57, is a doctor in legal science, a lawyer and a professor. Mr. Yu graduated from Shanghai Maritime University majoring in ocean shipping and obtained a master's degree in legal 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 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 was formerly the president of Shanghai Maritime University, the independent supervisor of China COSCO Holdings Company Limited and the independent supervisor of COSCO Shipping Co., Ltd. Mr. Yu was an independent supervisor of the Company from January 2008 to October 2011.

SENIOR MANAGEMENT

Mr. Yan Zhichong, born in May 1957 and aged 54, is a senior engineer. He is currently the general manager, an executive Director and a member of Strategy Committee. 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., the general manager of China Shipping International Ship Management Co., Ltd. and the general manager of Guangzhou Maritime Transport (Group) Co., Ltd. He was a non-executive director of China Shipping Container Lines Co., Ltd. from June 2010 to June 2011 and a director of China Shipping Haisheng Co., Ltd. from May 2007 to April 2011. Mr. Yan was 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. Yan has been the general manager of the Company since January 2011 and an executive Director since April 2011.

Mr. Qiu Guoxuan, born in August 1957 and aged 54, is an MBA and is a senior engineer. He is currently the deputy general manager, an executive Director and a member of the Strategy Committee. 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 since May 2009.

Mr. Wang Kangtian, born in March 1966 and age 46, has a master's degree in economics and is a deputy general manager and the Chief Financial Officer 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, 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 53, 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 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 the Company in February 2007 as a deputy general manager.

Mr. Zhuang Deping, born in December 1959 and age 52, has a bachelor's degree and is a senior engineer. He is currently a deputy general manager of the Company. He was formerly a Captain of an oil shipping company of Guangzhou BOMTA, assistant general manager and deputy general manager of Guangzhou Maritime Transport (Group) Co., Ltd. Since July 1998, he has been the deputy general manager of China Shipping Development Co., Ltd. Oil Compnay and is now the general manager of China Shipping Group Gas Investment Co., Ltd. (a wholly owned subsidiary of the Company).

Ms. Yao Qiaohong, born in September 1969 and age 42, is an economic engineer, the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao joined Shanghai HaiXing 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.

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