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

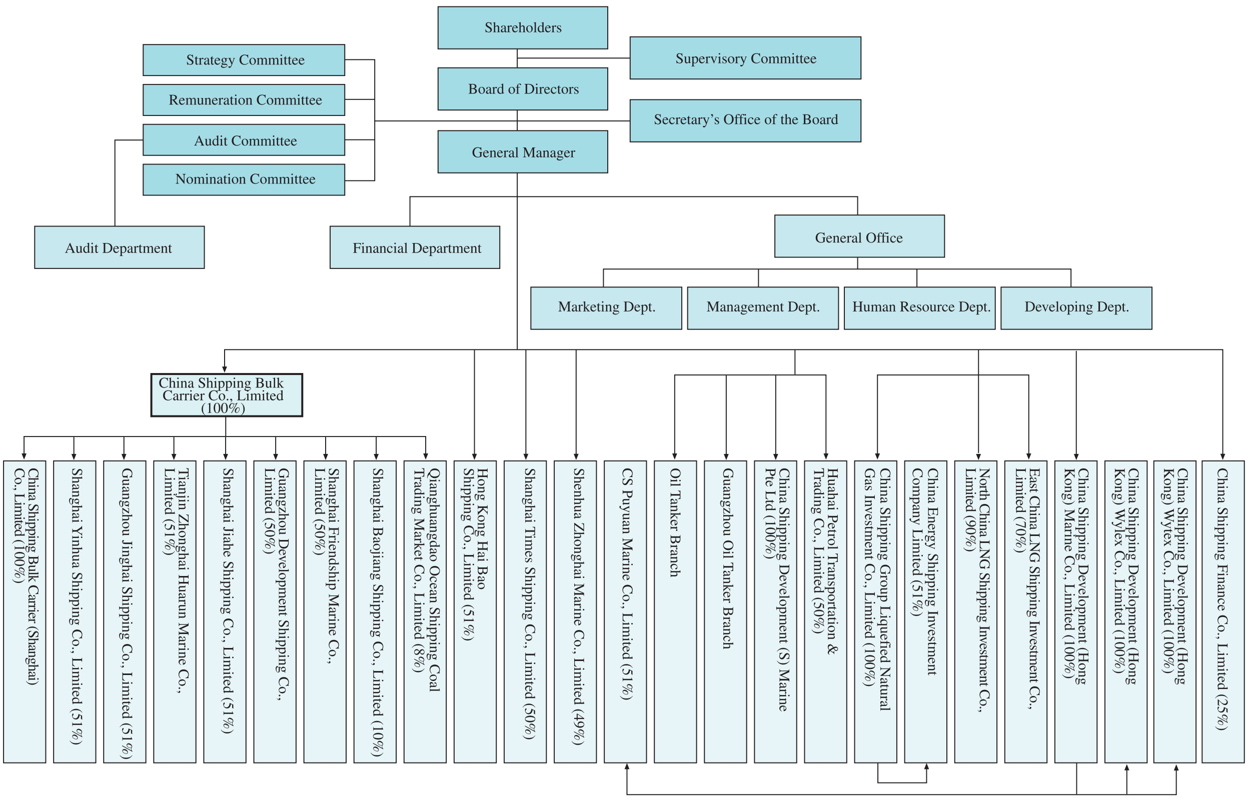
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

2012 ANNUAL REPORT

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

CONTENT

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 2012, the Group owned assets totalling of approximately RMB57.861 billion, of which there are shareholders' funds of approximately RMB23.517 billion, and a fleet of 195 vessels with an aggregate deadweight of approximately 15.348 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				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Turnover	**11,053,628**	12,157,458	11,283,594	8,729,969	17,214,283
(Loss)/profit before tax	**(331,375)**	1,244,073	2,171,408	1,342,337	6,432,685
Profit for the year attributable to owners of the Company	**73,741**	1,062,214	1,716,522	1,064,794	5,373,010
Total assets	**57,860,523**	51,747,288	40,710,175	33,929,549	30,028,594
Non-controlling interests and total liabilities	**34,343,386**	27,988,983	18,131,630	12,534,976	8,574,574
Equity attributable to owners of the Company	**23,517,137**	23,758,305	22,578,545	21,394,573	21,454,020
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.908**	6.978	6.632	6.284	6.302
Earning per share	**0.0217**	0.3120	0.5042	0.3128	1.5864
Dividend per share	**0.000**	0.100	0.170	0.100	0.300

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

In 2012, amid a depressed global economy, the international shipping market continued to be hovering at the bottom, and the industry still faced with losses.

As for the dry bulk cargo shipping market, affected by factors such as weak international economy, high oil prices and a large number of new vessels delivered, the international dry bulk cargo shipping market remained sluggish in 2012 due to the severe supply and demand imbalance. The Baltic Dry Bulk Freight Rate Index ("BDI") reached a record low and averaged daily in 2012 at 920 points, down 40.6% compared with the same period last year.

The domestic coastal bulk shipping market continued the weak trend from its low levels in 2011, with the relatively prominent imbalance between supply and demand for shipping. The Coastal Bulk Freight Index ("CBFI") averaged daily in 2012 at 1,099 points, down 19.7% compared with the same period in 2011.

In 2012, the shipping volumes of international crude oil and refined oil experienced a slight increase. Although the growth in the scale of oil tanker fleets slowed down year-on-year, the problem of oversupply of shipping capacity still existed. In 2012, the Baltic Dirty Tanker Index ("BDTI") averaged daily at 719 points, representing a decrease of 8.1% compared with the same period in 2011. 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 2012, averaged daily at 47.6 points, representing a decrease of 10.3% compared with the same period in 2011. The average daily revenue for VLCC was USD11,329, representing an increase of 32.9% compared with the same period in 2011.

As for coastal oil shipment, affected by the construction of crude oil terminals and pipelines, the trans-shipment volume of imported crude oil fell significantly. Also, due to the consequential impact of the accident at Penglai 19-3 oilfield in Bohai Bay, the offshore oil shipping volume decreased year-on-year. Overall, the coastal oil shipment market remained relatively stable. 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 approximately 60% in the domestic crude oil shipping market in 2012 and maintained its leading position in the domestic coastal oil shipping market.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In 2012, faced with a severe downturn of the market environment, the Group firmly focused on its core operation of domestic coastal thermal coal shipping and oil shipping businesses, continued to adhere to the core strategy of “major clients”, and put considerable effort into market expansion. The Group also enhanced its association and cooperation with customers to reduce operating costs and improve operating efficiency. 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 389.4 billion tonne-nautical miles, representing an increase of 12.6% as compared with that of the same period in 2011; the total revenue (after business tax and surplus) derived from shipment was approximately RMB11.054 billion, representing a decrease of 9.1% as compared with that of the same period in 2011. The total operating costs incurred from shipping operations was approximately RMB11.252 billion, representing an increase of 5.8% as compared with that of the same period in 2011. Net profit attributable to owners of the Company was approximately RMB74 million, representing a decrease of approximately 93.1% as compared with that of the same period in 2011. Basic earnings per share was approximately RMB0.0217.

(1) Revenue from Principal Operations

In 2012, overall details of the Group's principal operations by products transported and geographical regions were as follows:

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 2011 (%)	Increase/(decrease) in operating costs as compared with 2011 (%)	Increase/(decrease) in gross profit margin as compared with 2011 (%)
Coal shipments	2,699,649	2,849,366	-5.5	-30.6	-4.4	-28.8
Iron ore shipments	2,154,841	1,820,945	15.5	55.5	45.8	5.6
Other dry bulk shipments	606,343	768,830	-26.8	-7.2	20.1	-28.9
Oil shipments	5,592,795	5,813,110	-3.9	-10.2	0.8	-11.4
Total	11,053,628	11,252,251	-1.8	-9.1	5.8	-14.3

Principal Operations by Geographical Regions

Regions	Revenue (RMB'000)	Increase/(decrease) in revenue as compared with 2011 (%)
Domestic shipment	4,913,910	-33.5%
International shipment	6,139,718	28.8%

(1) Shipping business – Dry bulk shipments

In 2012, the Group reorganised its internal dry bulk business, and established China Shipping Bulk Carrier Co., Limited. As a result, an intensive and professional operation management platform has been set up, and the equity transfer of 5 subsidiaries, 2 jointly-controlled entities and 2 available-for sale investments has been completed. The Group has made great efforts in the operation and management of the dry bulk vessels so as to build-up the "China Shipping Dry Bulk" brand.

Confronted with unfavourable factors such as sluggish market demand and intense market competition, the Group strengthened its marketing activities to increase revenue and reduce expenses, and enhanced its management and staff training, so as to promote a balanced growth in its three major segments, being coastal, offshore and joint ventures, and achieve better operational efficiency than other players in the shipping industry.

With respect to coastal shipment, the Group insisted to focus on thermal coal contracts of affreightment ("COA contracts") and reinforced the customer manager accountability system to improve the fulfilment rate of COA contracts. Meanwhile, it actively explored new cargo sources for marketed coal, ore and grain in trans-shipment from new and existing customers. In 2012, the Group completed domestic dry bulk shipment volume of 43 million tonnes through COA contracts, and the average benchmark freight rate decreased by approximately 6.67% as compared with that of the same period in 2011, higher than the market level of freight rates.

With respect to offshore shipment, with the Group's very large ore carrier ("VLOC") vessels being put into operation successively, its offshore shipping capacity was significantly enhanced, which has currently exceeded 50% of the total capacity for dry bulk. In 2012, the Group concentrated on its advantages and focused on the operation of VLOC, actively finalised the demand sources from various steel companies and expanded the Pacific, Atlantic and other foreign trade markets. Under the extremely depressed market conditions, the Group's international dry bulk shipment recorded a profit of approximately RMB 311 million, which became a growth highlight of the Group's foreign trade shipping operations in 2012.

With respect to joint venture partnerships, the Group continued to implement its strategies of cooperation with major customers and strengthened the management, guidance, supervision and services for the associated companies. In 2012, with the joint efforts of the associated companies, the market share of the Group (including its associated companies) in the domestic coal shipping market reached 27%, representing an increase of approximately 0.8 percentage points over the same period last year. Meanwhile, against the backdrop of extreme market downturn, the bulk associates of the Group achieved a total profit of approximately RMB 870 million, which played an important role for the Group to consolidate the coastal market and increase operational efficiency.

In 2012, the Group achieved a shipping volume of approximately 191.13 billion tonne-nautical miles of dry bulk cargo, representing an increase of approximately 20.5% as compared with that of the same period in 2011; revenue derived from dry bulk cargo transportation was approximately RMB5.461 billion, representing a decrease of 7.9% as compared with that of the same period in 2011.

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

Transportation volume by types

	In 2012 (billion tonne nautical miles)	In 2011 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2011 (%)
Domestic Shipment	**63.46**	62.76	1.1
Coal	**51.68**	52.14	-0.9
Iron ore	**6.35**	6.73	-5.6
Other dry bulk	**5.43**	3.89	39.6
International Shipment	**127.67**	95.81	33.3
Coal	**19.08**	14.13	35.0
Iron ore	**86.48**	49.32	75.3
Other dry bulk	**22.11**	32.36	-31.7
Total	**191.13**	158.57	20.5

Revenue by shipments types

	In 2012 (RMB million)	In 2011 (RMB million)	Increase/ (decrease) in revenue as compared with 2011 (%)
Domestic Shipment	**2,719**	3,995	-31.9
Coal	**2,138**	3,458	-38.2
Iron ore	**265**	316	-16.1
Other dry bulk	**316**	221	43.0
International Shipment	**2,742**	1,932	41.9
Coal	**561**	429	30.8
Iron ore	**1,890**	1,070	76.6
Other dry bulk	**291**	433	-32.8
Total	**5,461**	5,927	-7.9

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

(2) Shipping business – Oil shipments

In 2012, the international oil shipment market remained depressed and the competition in the domestic oil shipment market intensified. Under such circumstances, the Group set up a specialised marketing department to seek for and secure the supply, while continuously deepening its cooperation with major clients to execute COA contracts with major refineries and more customers. In 2012, the Group's shipping volume and revenue from cargo shipment of three major oil companies accounted for nearly 70% of its total oil shipping volume and revenue from oil shipments. In the foreign trade market, the Group made strong efforts to promote diversified operations, strengthen the efficiency estimates of shipping routes, optimise the route configuration, and actively take over the backhaul supply and triangular route supply, with the aim to improve the efficiency of its vessels.

In 2012, the Group achieved a shipping volume of approximately 198.28 billion tonne-nautical miles of oil shipment, representing an increase of 5.9% as compared with that of the same period in 2011; the revenue achieved was approximately RMB5.593 billion, representing a decrease of 10.2% as compared with that of the same period in 2011. An analysis of the transportation volume and revenue in terms of product types is as follow:

Transportation volume in terms of products types

	In 2012 (billion tonne nautical miles)	In 2011 (billion tonne nautical miles)	Increase/ (decrease) in volume as compared with 2011 (%)
Domestic Shipment	**17.84**	25.53	-30.1
Crude oil	**12.60**	18.11	-30.4
Refined oil	**5.24**	7.42	-29.4
International Shipment	**180.44**	161.79	11.5
Crude oil	**148.82**	136.58	9.0
Refined oil	**31.62**	25.21	25.4
Total	**198.28**	187.32	5.9

Revenue by product types

	In 2012 (RMB million)	In 2011 (RMB million)	Increase/ (decrease) in revenue as compared with 2011 (%)
Domestic Shipment	**2,195**	3,396	-35.4
Crude oil	**1,796**	2,771	-35.2
Refined oil	**399**	625	-36.2
International Shipment	**3,398**	2,834	19.9
Crude oil	**2,023**	1,773	14.1
Refined oil	**1,375**	1,061	29.6
Total	**5,593**	6,230	-10.2

(3) Progress made in LNG shipments

In 2012, the Group continued to promote the LNG shipments, and it is currently preparing to establish its own LNG fleet while actively participating in the construction of four LNG vessels for Mitsui OSK Lines. The Group has established China Energy Shipping Investment Co., Ltd. (中國能源運輸投資有限公司), a subsidiary company incorporated in Hong Kong, with Kantons Investment, a wholly-owned subsidiary of Sinopec Kantons. In addition, it has set up a vessel management company and six single-vessel companies to deal with the basic preliminary work for building LNG shipping vessels.

3. COSTS AND EXPENSES ANALYSIS

In 2012, international oil prices continued to fluctuate at high levels. The WTI prices averaged daily at USD94.1 per barrel, representing a year-on-year decrease of 1%. Under the impact of global inflation, various kinds of costs increased at different extent, which posed serious challenges to the Company on cost control and operation management.

In 2012, the Group steadily promoted comprehensive budget management. By adhering to the development approach of “Green, Low Carbon”, the Group thoroughly implemented energy conservation and discharge reduction measures, and increased incomes and decreased expenditures through different ways:

(1) established a fuel management team, strengthened the centralised procurement of fuel and timely purchased fuel oil at locking prices;

(2) introduced energy-saving management approaches, fully implemented the policy of economic speed, appropriate arrangement for vessel repairing projects and fuel supply;

(3) controlled the salaries and costs of crew members, and adjusted the teams of crew and their allowances;

(4) disposed the small and high energy consumption vessels which were close to retirement age so as to eliminate the operating losses therefrom;

(5) signed preferential rates with ports to strictly control the port costs; and

(6) strictly implemented comprehensive internal budget management systems to ensure all expenses to be controlled within budget targets.

The total operating costs incurred in 2012 was approximately RMB11.252 billion, representing an increase of 5.8% as compared with that of 2011. The composition of the main operating costs is as follows:

Item	In 2012 (RMB'000)	In 2011 (RMB'000)	Increase/ (decrease) (%)	Composition ratio in 2012 (%)
Fuel cost	**5,303,973**	5,016,390	5.7	**47.1**
Port cost	**1,106,553**	861,360	28.5	**9.8**
Labour cost	**1,545,480**	1,452,920	6.4	**13.7**
Lubricants expenses	**244,858**	132,490	84.8	**2.2**
Depreciation	**1,448,173**	1,751,410	-17.3	**12.9**
Insurance expenses	**260,733**	241,510	8.0	**2.3**
Repair expenses	**386,791**	358,600	7.9	**3.4**
Charter cost	**623,567**	583,930	6.8	**5.5**
Others	**332,123**	238,078	39.5	**3.1**
Total	**11,252,251**	10,636,688	5.8	**100.0**

The fuel cost incurred by the Group in 2012 was approximately RMB5,304 million, an increase of 5.7% as compared with 2011, representing 47.1% of the total operating cost. In 2012, the Group further enhanced its fuel saving, and in light of the total shipping volume increase of 12.6%, the total fuel consumption of the Group amounted to 1.177 million tons, representing an increase of 4.2% as compared with the same period in 2011. The fuel consumption per thousand nautical miles was 3.02 kg, representing a decrease of 7.6% as compared with that of the same period in 2011.

4. CHANGE IN ACCOUNTING POLICY

In the previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was 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. According to the seventeenth Board meeting of the Company held on 27 November 2012, with effect from 1 December 2012, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. In April 2011, owner-occupied properties with carrying amount of RMB238,728,000 were transferred from property, plant and equipment to investment properties after these had been leased out for rental income under operating leases. Relevant increase in fair value arising between the carrying amount at that date and the fair value amounted to RMB139,452,000. After recognition of deferred tax liabilities of RMB34,863,000, the net amount of RMB104,589,000 was recognised in other comprehensive income and accumulated in property revaluation reserve under equity. At the end of the reporting period in 2011, such investment properties were further revalued and net increase in fair value of RMB16,492,000 was recognised in profit or loss for the year ended 31 December 2011. Furthermore, depreciation recognised for these investment properties of RMB2,530,000 was reversed during the year ended 31 December 2011 after change in accounting policy in investment properties from cost to fair value model.

The effects of the change in accounting policy in the consolidated statement of comprehensive income for the year ended 31 December 2011, the consolidated and company statements of financial position at 31 December 2011 are set out in the consolidated financial statements. No restatements to the consolidated and company statements of financial position at 31 December 2010 are necessary as the Group or the Company does not have investment properties in 2010.

5. OPERATING RESULTS OF THE JOINTLY-CONTROLLED ENTITIES

In 2012, the Group has recognised its profits in its jointly-controlled entities of approximately RMB294 million, representing a decrease of 20.4% as compared with that of the same period in 2011. In 2012, the 5 jointly-controlled shipping entities achieved a shipping volume of 127.73 billion tonne-nautical miles, representing an increase of 30.1% as compared with the same period in 2011. The turnover achieved by the 5 jointly-controlled shipping entities in 2012 was approximately RMB7,033 million, with a net profit of approximately RMB546 million, representing a decrease of 12.8% and 22.2% as compared with those of the same period in 2011 respectively. The jointly-controlled entities of the Group which operate bulk cargo related business played an important role for the Group to consolidate its coastal market share and increase operational efficiency.

As at 31 December 2012, the 5 jointly-controlled shipping entities owned 53 bulk vessels with a total capacity of 2,771,000 deadweight tonnes and 48 vessels under construction with the capacity of 1,946,000 deadweight tonnes.

The operating results achieved by the 5 jointly-controlled shipping entities in 2012 are as follows:

Company name	Interest held by the Group	2012 Shipping volume (billion tonne nautical miles)	2012 Operating revenue (RMB'000)	2012 Net profit/ (loss) (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	82.59	4,319,809	507,819
Shanghai Times Shipping Co., Limited	50%	34.30	2,097,866	47,255
Shanghai Friendship Marine Co., Limited	50%	1.40	113,526	(20,911)
Huahai Petrol Transportation & Trading Co., Limited	50%	1.77	148,444	10,873
Guangzhou Development Shipping Co., Limited	50%	7.67	353,037	1,261

In 2012, 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 approximately RMB151,018,000.

6. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group decreased from approximately RMB1,421,967,000 for the year ended 31 December 2011 to approximately RMB891,308,000 for the year ended 31 December 2012, representing a decrease of approximately 37.32%.

(2) Capital commitments

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**6,742,053**	11,299,626	**2,245,880**	4,351,747
Equity Investments (Note 2)	**1,029,703**	1,486,735	**1,029,703**	1,486,735
	7,771,756	12,786,361	**3,275,583**	5,838,482

The Group and the Company had capital commitments as at 31 December 2012, of which RMB6,742,053,000 (2011: RMB6,514,365,000) from the Group and RMB2,245,880,000 (2011: RMB2,520,067,000) from the Company will be due within one year.

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

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai Marine Co., Limited of RMB1,029,668,000 (2011: RMB1,470,668,000) and a subsidiary, China Energy Shipping Investment Co., Limited of RMB35,000 (2011 : RMBNil) respectively.

In addition to the above, the Group's share of the capital commitments of its associates in 2012 which are contracted for but not provided amounted to RMB1,561,350,000 (2011: RMB1,589,308,000). The Group's share of the capital commitments of its jointly-controlled entity in 2012 which are contracted for but not provided amounted to RMB2,353,458,000 (2011: RMB2,176,696,000); which are authorised but not contracted for amounted to RMB1,286,211,000 (2011: RMB2,100,538,000).

(3) Capital structure

The Group's and Company's net debt-to-equity ratio at 31 December 2012 and 2011 was as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**31,158,949**	24,954,170	**18,154,979**	14,706,498
Less: Cash and cash equivalents	**(3,285,745)**	(3,376,692)	**(1,278,982)**	(1,795,817)
Net debt	**27,873,204**	21,577,478	**16,875,997**	12,910,681
Total equity	**24,385,563**	24,461,096	**21,728,801**	21,883,257
Debt to equity ratio	**114%**	88%	**78%**	59%

(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 31 December 2012 RMB'000	Group 31 December 2011 RMB'000	Group 1 January 2011 RMB'000	Company 31 December 2012 RMB'000	Company 31 December 2011 RMB'000	Company 1 January 2011 RMB'000
Current liabilities									
(i)	**Bank loans**								
	Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2013	**1,069,328**	922,423	561,041	—	35,614	35,539
	Unsecured	Libor + 0.40% to 4.00%, 3.5%	2013	**1,678,164**	686,993	662,809	**628,550**	—	231,794
				2,747,492	1,609,416	1,223,850	**628,550**	35,614	267,333
(ii)	**Notes**								
	Unsecured	4.18%	2012	—	1,998,038	—	—	1,998,038	—
(iii)	**Other borrowings**								
	Secured	5.89%, 6.46%	2013	**18,657**	—	—	—	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2013	**1,428,740**	966,000	1,200,000	**1,300,000**	941,000	1,200,000
				1,447,397	966,000	1,200,000	**1,300,000**	941,000	1,200,000
Notes, interest-bearing bank and other borrowings – current portion				**4,194,889**	4,573,454	2,423,850	**1,928,550**	2,974,652	1,467,333

				Group			Company	
			31 December	31 December	1 January	31 December	31 December	1 January
	Annual effective interest	Maturity	2012	2011	2011	2012	2011	2011
	(%)		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities								
(i) **Bank loans**								
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2014-2024	**8,327,379**	7,185,601	4,590,795	—	284,160	319,849
Unsecured	Libor + 0.40% to 1.70%, 6.55%	2019-2024	**1,257,236**	1,231,826	—	—	—	—
			9,584,615	8,417,427	4,590,795	—	284,160	319,849
(ii) **Notes**								
Unsecured	3.90%	2014	**2,997,211**	2,995,537	4,989,873	**2,997,211**	2,995,537	4,989,873
(iii) **Other borrowings**								
Secured	5.89%, 6.46%	2023	**188,663**	—	—	—	—	—
Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014-2022	**5,436,590**	5,341,551	2,541,551	**5,000,000**	5,341,551	2,541,551
			5,625,253	5,341,551	2,541,551	**5,000,000**	5,341,551	2,541,551
Notes, interest-bearing bank and other borrowings – Non-current portion			**18,207,079**	16,754,515	12,122,219	**7,997,211**	8,621,248	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 31 vessels (2011: 22 vessels) and another 6 vessels under construction (2011: 9 vessels under construction) with total net carrying value of RMB16,073,385,000 (2011: RMB13,044,293,000) as at 31 December 2012.

The Company's bank loans were secured by pledges or mortgages of the Company's 2 vessels with total net carrying value of RMB428,817,000 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 RMB8,924,947,000 (2011: RMB7,788,252,000), unsecured bank loans of RMB1,964,098,000 (2011: RMB1,861,916,000) and unsecured other borrowings of RMB628,550,000 (2011: RMBNil) which are denominated in USD, all borrowings are denominated in RMB.

(b) *At 31 December 2012, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:*

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) **Bank loans:**				
Within one year or on demand	**2,747,492**	1,609,416	**628,550**	35,614
In the second year	**1,254,148**	1,389,529	—	35,614
In the third to fifth year, inclusive	**3,595,355**	3,028,983	—	106,842
Over five years	**4,735,112**	3,998,915	—	141,704
	12,332,107	10,026,843	**628,550**	319,774
(ii) **Notes:**				
Within one year or on demand	—	1,998,038	—	1,998,038
In the second year	**2,997,211**	—	**2,997,211**	—
In the third to fifth year, inclusive	—	2,995,537	—	2,995,537
	2,997,211	4,993,575	**2,997,211**	4,993,575
(iii) **Other borrowings:**				
Within one year or on demand	**1,447,397**	966,000	**1,300,000**	941,000
In the second year	**86,554**	1,500,000	—	1,500,000
In the third to fifth year, inclusive	**2,407,994**	841,551	**2,000,000**	841,551
Over five years	**3,130,705**	3,000,000	**3,000,000**	3,000,000
	7,072,650	6,307,551	**6,300,000**	6,282,551
	22,401,968	21,327,969	**9,925,761**	11,595,900

Included in other borrowings represent an amount of RMB562,930,000 (2011: RMB1,607,551,000) were borrowed from CS Finance, a jointly-controlled entity of the Group. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB59,200,000 (2011: RMB566,000,000) and RMB503,730,000 (2011: RMB1,041,551,000) respectively.

Included in other borrowings represent an amount of RMB6,300,000,000 (2011: RMB4,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB1,300,000,000 (2011: RMBNil) and RMB5,000,000,000 (2011: RMB4,300,000,000) respectively.

Included in other borrowings represent an amount of RMBNil (2011: RMB400,000,000) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2012, the current portion of this borrowing amounted to RMBNil (2011: RMB400,000,000).

(c) *Details of the notes at 31 December 2012 are as follows:*

	Group and Company	
	2012	2011
	RMB'000	RMB'000
Principal amount	**3,000,000**	5,000,000
Notes issuance cost	**(8,245)**	(14,496)
Proceeds received	**2,991,755**	4,985,504
Accumulated amortisation	**5,456**	8,071
	2,997,211	4,993,575

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 become interest bearing since 4 August 2009 and 27 November 2009 respectively, payable annually in arrears on 4 August and 27 November of each year respectively. The note with principal amount of RMB3,000,000,000 will mature on 3 August 2014 and the other note with principal amount of RMB2,000,000,000 matured on 26 November 2012.

(5) Other loans

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**437,318**	30,874	—
Shanghai Puyuan Shipping Co., Limited	**76,993**	77,186	—
Kantons International Investment Limited	**12,574**	—	—
Petrochina International Co., Limited	**878**	—	—
Baosteel Resources Co., Ltd ("Baosteel")	—	407,543	429,934
	527,763	515,603	429,934

According to the contract signed between Hong Kong Hai Bao Shipping Co., Limited ("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. In 2012, this loan was fully assigned to Baosteel Resources International, the subsidiary of Baosteel, with the terms remain unchanged.

Included in loan from Baosteel Resources International represents an amount of USD4,900,000 (2011: 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 ("CS Puyuan") and its non-controlling shareholder, Shanghai Puyuan Shipping Co., Limited, USD12,250,000 was provided to CS Puyuan to finance the construction of vessels. The loan is unsecured, non-interest bearing and repayable within 5 years after delivery of the vessels.

According to the contract signed between East China LNG Shipping Investment Co., Limited ("ELNG") and its non-controlling shareholder Kantons International Investment Limited, USD2,000,431 was provided to ELNG to finance the vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, bearing interest at approximately 3.3% over 3 months LIBOR per annum and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between North China LNG Shipping Investment Co., Limited ("NLNG") and its non-controlling shareholder Petrochina International Co., Limited, USD139,753 was provided to NLNG to finance the vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, bearing interest at approximately 4.9% over 3 months LIBOR per annum and have to repay within 20 years after such vessels construction projects completed.

(6) Bonds payable

	Group and Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Convertible bonds	**3,267,823**	3,110,598	—
Corporate bonds	**4,961,395**	—	—
	8,229,218	3,110,598	—

(a) *Convertible bonds*

The Company's A-share 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 convertible bonds are convertible into A-shares of the Company at anytime between six months after the date of issue of the convertible bonds and the maturity date of the convertible bonds, being 2 February 2012 to 1 August 2017, at initial conversion price of RMB8.7 per share.

If the convertible bonds have not been converted, they will be redeemed at 105% of par value within five trading days after the maturity of the convertible bonds. The convertible 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 starting from 2012.

Within the last two years of the convertible 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 convertible bonds holders are entitled a one-off right to request the Company to redeem the convertible bonds wholly or partially at par, with interest accrued on that day.

The Company is entitled to redeem the convertible bonds wholly at par plus accrued interest if: (i) the closing price of the Company's shares is at or higher than 130% of the initial conversion price for any fifteen trading days in thirty consecutive trading days from issuance of the Bonds; or (ii) the aggregate par value of the outstanding convertible bonds is less than RMB30,000,000 at any time from issuance of the convertible bonds.

The convertible bond was split into liability (including the value of closely-related early redemption option and callable option) and equity components of RMB3,039,329,000 and RMB873,043,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and equity component is recognised in the convertible bonds equity reserve. The effective interest of the liability component is 5.6% per annum.

The movement of the liability component of the convertible bonds for the year is set out below:

	RMB'000
Issued during the year of 2011	3,039,329
Interest charge	71,269
Carrying amount at 31 December 2011	3,110,598
Interest charge	176,978
Interest paid	(19,750)
Conversion during the year	(3)
Carrying amount at 31 December 2012	3,267,823

The fair value and effective interest rate of the liability component of the convertible bonds at 31 December 2012 are RMB3,267,823,000 (2011: RMB3,110,598,000) and 5.6% (2011: 5.6%) per annum respectively.

Interest expense of RMB176,978,000 (2011: RMB71,269,000) has been recognised in the consolidated statement of comprehensive income in respect of the Company's A-share convertible bonds for the year ended 31 December 2012.

(b) *Corporate bonds*

(i) The movement of the corporate bonds for the year is set out below:

	2012 **RMB'000**
Carrying amount at initial recognition	**4,959,500**
Interest charge	**1,895**
Balance as at 31 December 2012	**4,961,395**

As at 31 December 2012, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond RMB'000	Interest charge RMB'000	**At 31 December 2012 RMB'000**
3 August 2012	3 years	1,000,000	991,400	1,127	**992,527**
3 August 2012	10 years	1,500,000	1,487,100	419	**1,487,519**
29 October 2012	7 years	1,500,000	1,488,600	244	**1,488,844**
29 October 2012	10 years	1,000,000	992,400	105	**992,505**
		5,000,000	4,959,500	1,895	**4,961,395**

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is three-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 4.20% and matures on 3 August 2015. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.00% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued 2 batches of corporate bonds on 29 October 2012. The first batch is seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

(7) **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 RMB1,437,942,000 (2011: RMB209,470,000) 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**	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
RMB	**2,377,782**	2,644,443	**1,174,135**	1,602,403
USD	**899,247**	729,157	**103,979**	192,555
SGD	**4,731**	534	**—**	—
HKD	**3,154**	1,736	**37**	37
Others	**831**	822	**831**	822
	3,285,745	3,376,692	**1,278,982**	1,795,817

(8) **Deferred taxation**

The following are the major deferred tax recognised and movements thereon during the current and prior years.

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Deferred tax assets	**241,801**	—	**152,852**	—
Deferred tax liabilities	**(175,169)**	(410,368)	**(148,866)**	(38,986)
	66,632	(410,368)	**3,986**	(38,986)

The Group

	Tax losses	**Unremitted earnings**	**Revaluation of investment properties**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	(405,460)	—	(405,460)
Credited/(charged) to profit or loss during the year	—	34,078	(4,123)	29,955
Charged to other comprehensive income during the year	—	—	(34,863)	(34,863)
At 31 December 2011 and at 1 January 2012 (restated)	—	(371,382)	(38,986)	(410,368)
Credited/(charged) to profit or loss during the year	241,801	345,079	(109,880)	477,000
At 31 December 2012	241,801	(26,303)	(148,866)	66,632

The Company

	Tax losses	Revaluation of investment properties	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	—	—
Charged to profit or loss during the year	—	(4,123)	(4,123)
Charged to other comprehensive income during the year	—	(34,863)	(34,863)
At 31 December 2011 and 1 January 2012 (restated)	—	(38,986)	(38,986)
Credit/(charged) to profit or loss during the year	152,852	(109,880)	42,972
At 31 December 2012	152,852	(148,866)	3,986

A deferred tax asset in respect of tax losses approximating RMB113,271,000 (2011: RMB82,378,000) has not been recognised in these financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB64,773,000 (2011: RMB49,871,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

(9) 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 2012, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2012 would have been RMB140,559,000 (2011: RMB73,562,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

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

(ii) Cash flow and fair value interest rate risk

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

Borrowings at floating rates expose the Group to fair value interest rate risk. To minimise its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31 December 2012, 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 RMB163,840,000 (2011: RMB86,097,000) lower/higher, the Company's post-tax profit for the year would have been RMB40,250,000 (2011: RMB21,827,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

7. OTHERS

(1) Fleet expansion projects

In 2012, the Group has achieved further improvement in its fleet expansion.

In 2012, the total investment of the Group was approximately RMB6.612 billion which has been paid for construction of new vessels, transformation of old vessels and capital increases into joint ventures of the Company, including approximately RMB6.053 billion paid for the purchase of new vessels.

In terms of fleet expansion, 9 new oil tankers with a total capacity of approximately 480,000 deadweight tonnes and 14 new bulk vessels with a total capacity of approximately 1,987,000 deadweight tonnes have been delivered for use in 2012.

As at 31 December 2012, the composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes**	**Average age**
		('000)	(years)
Oil tankers	77	7,214	8.7
Dry bulk vessels	118	8,134	12.4
Total	195	15,348	10.7

(2) Material asset disposals

In 2012, the Group disposed of 14 vessels of an aggregate 392,700 deadweight tones, including 2 oil tankers 73,500 deadweight tonnes and 12 bulk vessels of 319,200 deadweight tonnes respectively.

8. OUTLOOK AND HIGHLIGHTS FOR 2012

(1) Competitive landscape and development trend in the industry

In 2013, the international economic condition is expected to remain complicated. The world economy has turned from rapid development before the outbreak of the economic crisis to slow recovery in the post-crisis stage, and therefore the growth of global trade also slows down. Although the global ship-owners have reduced new orders and accelerated the pace of ship scrapping, the problem of excessive supply of shipping capacity in the world still exists in 2013. Therefore, it is expected that the shipping market will remain in difficult times in 2013, and the operating environment will be more complex and volatile, with the co-existence of challenges and opportunities.

(2) Development strategies of the Company

Under the current market conditions, the Group will continue to focus on progress while maintaining stability in 2013. On the basis of increased cooperation with large customers, the Group will adapt to the large vessels and low carbon development trends to make scientific and reasonable adjustment to the fleet structure so as to improve core competitiveness. The Company currently has 50 old vessels of over 20 years of age with capacity of approximately 1,900,000 deadweight tonnes. The Company will further optimise its fleet structure step-by-step by timely disposing old vessels with high fuel consumption, small tonnage and low market competitiveness.

As the current oversupply condition of the shipping market is yet to improve, the Company will also be under relatively greater pressure to deliver new vessels. To this end, the Company will actively negotiate with shipyards to delay the construction and delivery schedule of part of the new vessels while lowering depreciation charges and finance costs. Meanwhile, the Company will further enhance digitised and streamlined management, strengthen risk management capacity and various cost controls to continuously improve the overall strength of the Group.

In 2013, the Company will continue to promote its LNG business. On the basis of participation in the project of MOL’s four LNG vessels and leveraging on the long-term cooperative relationships of the Company with Petrochina and Sinopec, the Company will actively explore new LNG transportation projects and commence estabishment of its own LNG fleet.

(3) **Operational plans**

31 new vessels of the Group with a total tonnage of 2,776,000 deadweight tonnes are scheduled to be delivered for use in 2013, including 6 tankers of 642,000 deadweight tonnes and 25 bulk vessels of 2,134,000 deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the its operations in 2013 is expected to be approximately 16.60 million deadweight tonnes, representing an increase of 16.5% as compared with that of the same period in 2012.

As of 19 March 2013, the Group had signed contracts of affreightment in respect of dry bulk cargo transportation for 2013 ("COA Contracts") with the contract volume of approximately 36 million tonnes and additional COA Contracts with the cargo volume of approximately 24 million tones are under negotiation.

Based on the market conditions of the domestic and overseas shipping industry in 2013, and taking into account of the delivery of new vessels, the Group's major operating plans are as follows: shipping volume of approximately 430.4 billion tonne nautical miles, an increase of approximately 10.5% as compared with 2012; estimated turnover of approximately RMB12.94 billion, an increase of approximately 17.1% as compared with 2012; operating costs of approximately RMB11.88 billion, an increase of approximately 5.6% as compared with 2012.

(4) **Work initiatives of the Company**

To cope with the current market situation, in 2013, the Group will:

(1) enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. In the face of tough market condition in 2013, the Company will continue to adhere to the strategy of "major clients and great co-operation", carry out systematic coordination and communication with major clients at all levels, and enhance the executive ability on the management of major clients. Meanwhile, the Company will increase its efforts on the development of customer base, so as to integrate small and medium-sized customers into major client to facilitate management, nurture its potential customers and short-term customers to establish a fixed long-term relationship with the Company;

    The tanker companies under the Group will focus on promoting the cooperation projects with large domestic oil companies to increase presence in the offshore oil incremental market and enhance its coastal market share. China Shipping Dry Bulk will strengthen the profitability of the associated companies, improve its communication with the senior management of all partners, and maintain the results of joint venture partnerships. It will also make good use of the unified platform for bulk business, enhance the share of offshore shipping business, improve the supply structure and increase the shipping volumes of grain and fertiliser;

(2) strengthen its cost management to control cost indicators. In 2013, the Group will continue to foster the awareness of resource conservation, and make great efforts to implement various measures to save energy and reduce discharge. It will cut down the expenses and expenditures, and strengthen its control on fuel costs, management fees and ship and onshore staff costs, as well as further strengthen and improve the financial management system, in order to provide an institutional guarantee for cost controls;

(3) attach importance to personnel cultivation, adhere to promoting the Group's development on the basis of its talents, and establish human resources management strategy to ensure the availability of talents for the sustainable development of the Company. Firstly, it will strengthen the cultivation on operational personnel to create an excellent marketing team. Secondly, it will enhance the training on its management in respect of specialised skills to maximise their full potential. Thirdly, it will set up a crew team with high quality to ensure the safety and security of vessels and improve the service quality for its customers;

(4) expand its financing sources to secure development funds for the Company. According to the Group's new vessels delivery plans, the capital expenditure of the Group from 2013 to 2014 is approximately RMB6.08 billion and RMB1.68 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

(5) continue to strengthen security and stability. The Group will implement various safety measures based on the quality and safety management system. The Group will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures to achieve the safety targets without PSC detention or material FSC safety defects throughout the year.

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, in 2011 the Company 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 Non-executive 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".

In 2012, pursuant to new regulations released by the CSRC, the Company has revised the Registration System of Insider and made amendments to the relevant provisions under Chapter 15 "Accounting regulation and profit distribution" of the Articles of Association of the Company, further clarifying the requirements such as the "Basic principles of profit distribution and cash distribution policy". That reflects the Company's consistent policy to lay stress on returns to shareholders by maintaining a long-run stable proportion of dividends distribution.

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 standardised 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 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 organising 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 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.

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 facilitated and implemented the construction of internal control step by step. The Company completed preparing the Internal Control Manual of China Shipping Development in December 2011 following the organisation, comparison and comprehensive categorisation 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 and 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. The manual took effect on 13 January 2012 upon approval by the Board.

In accordance with the Notice Regarding the Trial of Regulation on Internal Control of Listed Companies (關於做好上市公司內部控制規範試點有關工作的通知) issued by the CSRC, the Company was designated as a pilot entity for establishing internal controls among listed companies and strived to advance the establishment of internal controls within the joint stock company in an all-round manner in 2012. The updating of the Internal Control Handbook of China Shipping Development (2011 Edition) has been basically completed, taking full account of the changes in our business processes and departments as well as the establishment of China Shipping Bulk Carrier Co., Limited.

The establishment of internal control systems for the Company's PRC controlling subsidiaries that are included in the internal control establishment plan for 2012 has also been basically completed, and all copies of the Internal Control Handbook (fascicles for relevant subsidiaries) have been proofread and bound.

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, organisational 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 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 15 February 2012, 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 fourth Board Meeting of the Company in 2012.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing shareholders' value.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in the former Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") effective prior to 1 April 2012, and the new Corporate Governance Code set out in the revised Appendix 14 to the Listing Rules ("Code"), effective since 1 April 2012 throughout the corresponding effective periods.

Under the revised code provision E.1.2, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and any other committees (as appropriate) to attend. However, in the annual general meeting held on 17 May 2012 ("2012 AGM"), Chairman Mr. Li Shaode was unable to attend the 2012 AGM as he had to attend to other commitments. Mr. Yan Zhichong, Chief Executive Officer of the Company, was elected to chair the 2012 AGM on the behalf of the chairman. Further, Mr. Lu Wenbin and Mr. Wang Wusheng, both being independent non-executive Directors and members of each of the Audit Committee and Nomination Committee, were invited to attend the 2012 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in the revised code provision A.6.7, independent non-executive directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. 2 independent non-executive Directors, Mr. Zhu Yongguang and Mr. Zhang Jun were unable to attend the 2012 AGM due to prior commitments.

We will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices having regard to the latest developments including any new amendments to the Code.

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. In 2012, the Company held 4 general meetings. The table on page 38 shows the attendance of the Directors at the general meetings. At the annual general meeting of the Company held on 17 May 2012, 10 resolutions were passed, among which the Report of Directors for 2011, the Report of Supervisory Committee for 2011, the profit distribution plan for 2011 and the remuneration proposal of the Company's directors ("Directors") and supervisors ("Supervisors") for 2012 were adopted.

According to the Articles of Association of the Company, shareholders individually or jointly holding more than 10% of the shares with voting rights at the extraordinary general meeting or class general meeting to be convened may sign one or more written requests with the same format and contents to propose to the Board to the convening of an extraordinary general meeting or class general meeting, and specify the topics thereof.

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. During the Reporting Period, the Board also performed the following corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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 endeavours 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 a term of three years. Directors may be re-elected upon the expiration of their terms. The terms of the independent non-executive Directors shall be the same with the other Directors, i.e. for three years but not exceeding six years.

The Directors of the Company during the Reporting Period were:

Executive Directors:
Mr. Li Shaode（李紹德）(Chairman)
Mr. Xu Lirong（許立榮）(Vice Chairman) (Appointed on 16 January 2012)
Mr. Lin Jianqing（林建清）(Vice Chairman) (Resigned on 29 June 2012)
Mr. Zhang Guofa（張國發）(Vice Chairman)
Mr. Wang Daxiong（王大雄）
Mr. Ding Nong（丁農）(Appointed on 18 December 2012)
Mr. Yan Zhichong（嚴志沖）(Chief Executive Officer) (Resigned on 19 March 2013)
Mr. Qiu Guoxuan（邱國宣）

Independent non-executive Directors:
Mr. Zhu Yongguang（朱永光）
Mr. Zhang Jun（張軍）
Mr. Lu Wenbin（盧文彬）
Mr. Wang Wusheng（王武生）(Appointed on 16 January 2012)

The Company convened the 2nd extraordinary general meeting on 20 June 2012, in which the Directors of the seventh term of the Company were appointed for a term of three years. Pursuant to the service contracts entered into between the Company and each of the Directors, the term of Directors will expire on 19 June 2015.

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 188 to 192 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 judgement 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 exceeding one-third of the total number of the Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The 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.

In 2012, 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") set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code.

6. Board Meetings

In 2012, the Board convened a total of 19 meetings and considered and passed 63 Board resolutions so as to review the financial and operating performance of the Group. The following table shows the attendance of the Directors at the Board meetings and general meetings.

	Rate of attendance	
	Board meeting	**General meeting**
Executive Directors		
Mr. Li Shaode*	18/19	0/4
Mr. Xu Lirong (Appointed on 16 January 2012)*	17/18	0/4
Mr. Lin Jianqing (Resigned on 29 June 2012)*	9/10	0/3
Mr. Zhang Guofa*	18/19	0/4
Mr. Wang Daxiong*	18/19	0/4
Mr. Ding Nong (Appointed on 18 December 2012)	2/2	0/1
Mr. Yan Zhichong (Resigned on 19 March 2013)	19/19	3/4
Mr. Qiu Guoxuan*	18/19	0/4
Independent Non-executive Directors		
Mr. Zhu Yongguang*	18/19	2/4
Mr. Zhang Jun*	18/19	2/4
Mr. Lu Wenbin	19/19	3/4
Mr. Wang Wusheng (Appointed on 16 January 2012)	18/18	3/4

* In addition to the Director's attendance in person to the Board meeting as disclosed in the table, the Director appointed an alternative to attend 1 of the Board meetings.

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 judgement 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. Yan Zhichong, an executive Director, is responsible for executing the business policy and decisions on management and operations of the Group.

8. The Professional Committees 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, namely, 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, 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 inter national 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 2012, 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	2/3
Mr. Zhang Jun	2/3
Mr. Wang Wusheng (Appointed on 16 January 2012)	3/3

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 2011, status report of the Company 's continuing connected transactions for 2011, appraisal report of the Company's internal control for 2011, the appointment of the Company's PRC and overseas auditors for 2012 and the interim financial report of the Company for 2012, and formed the written opinions of the Audit Committee in respect of the Company's financial report for 2011, the draft profit distribution plan for 2011 and the interim financial report of the Company for 2012.

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. In 2013 the Audit Committee held 3 meetings with the external auditor. 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 and Appraisal Committee comprises all four independent non-executive Directors, and Mr. Zhu Yongguang is the Chairman of the Remuneration and Appraisal Committee. The Remuneration and Appraisal 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 2012, the Remuneration and Appraisal Committee held two meetings, and all members attended the meeting. In the meeting, the Remuneration and Appraisal Committee assessed performance of executive Directors, 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 for 2012 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 and Appraisal Committee:

Members of the Remuneration Committee	**Rate of attendance**
Mr. Zhu Youngguang (Chairman)	2/2
Mr. Zhang Jun	2/2
Mr. Lu Wenbin	2/2
Mr. Wang Wusheng (Appointed on 16 January 2012)	2/2

(3) Strategy Committee

The duties of the Strategy Committee include review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns 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 Strategy Committee.

During 2012, 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 authorise the Chairman to consolidate a list of the director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised 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 and all four independent non-executive Directors, in which Mr. Wang Wusheng is the Chairman of the Nomination Committee.

In 2012, the Nomination Committee held two meetings. The Nomination Committee considered the proposals in respect of the appointment of Mr. Zhuang Deping as a vice general manager of the Company and the appointment of Mr. Ding Nong as an 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. Wang Wusheng (Chairman) (Appointed on 16 January 2012)	2/2
Mr. Zhang Guofa	2/2
Mr. Wang Daxiong	2/2
Mr. Lu Wenbin	2/2
Mr. Zhang Jun	2/2
Mr. Zhu Yongguang	2/2

9. Accountability and Audit

FINANCIAL REPORTING

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Group's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgements and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

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 2012. 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 2012.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The external auditor provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. Baker Tilly China and Baker Tilly Hong Kong Limited have been engaged as the Company's external auditor. Their independence and audit process are reviewed and monitored by the audit committee which considers the scope of the audit work, audit fees, non-audit services as well as their appointment and retention.

In 2012, the Group paid an audit fee of RMB1,350,000 to Baker Tilly China and RMB1,650,000 to Baker Tilly Hong Kong Limited, respectively.

Also, the Group paid RMB100,000 to Baker Tilly Hong Kong Limited for its professional services rendered in respect of the circular dated 23 November 2012 issued in connection with the Company entered into the New Financial Services Framework Agreement and New Services Agreement and paid Baker Tilly China Certified Public Accountants RMB 600,000 for internal control audit service.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate system of internal control and reviewing its effectiveness.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

During the year, the Audit Committee, as delegated by the board, has reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

INTERNAL AUDIT

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business and direct access to any level of management including the Chairman of the Company and the Chairman of the audit committee as it considers necessary. It submits regular reports for the audit committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions.

INSIDE/PRICE-SENSITIVE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

10. Delegation by the Board of Directors

The management is authorised 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.

11. Directors' and Company Secretary's Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Reporting Year, the Company has also organised two briefing sessions conducted by Jun He Law Offices Shanghai Office and Beijing Hotfound International Consulting Co., Ltd respectively for the Directors of the Company. The briefing sessions covered topics including the "SSE Stock Listing Rules (Amendment in 2012)" and establishment of an internal control system.

A summary of training received by the Directors since 1 April 2012 up to 31 December 2012 is as follows:

Directors	**Type of continuous professional development programme**
Executive Directors	
Mr. Li Shaode	A, B
Mr. Xu Lirong	A, B
Mr. Zhang Guofa	A, B
Mr. Wang Daxiong	A, B
Mr. Ding Nong	B
Mr. Yan Zhichong	A, B
Mr. Qiu Guoxuan	A, B
Independent Non-executive Directors	
Mr. Zhu Yongguang	A, B
Mr. Zhang Jun	A, B
Mr. Lu Wenbin	A, B
Mr. Wang Wusheng	A, B

Notes:

A: attending briefing sessions

B: reading materials relating to the latest development of the Listing Rules and other applicable regulatory requirements including review of recent changes to the Corporate Governance Code and associated Listing Rules provided by the Company's Hong Kong legal adviser and the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission.

In 2012, the Company Secretary took no less than 15 hours of relevant professional training and complied with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

The supervisory committee consists of five members, of which two supervisors are elected from the staff as representatives of the employees of the Company. The supervisors of the Company during 2012 were:

Mr. Xu Wenrong (Chairman) (Appointed on 20 June 2012)
Mr. Kou Laiqi (Resigned on 20 June 2012)
Mr. Xu Hui (Resigned on 19 March 2013)
Mr. Zhang Rongbiao (Appointed on 20 June 2012)
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 2012, 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 2012, 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.

13. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for the matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organising results presentation, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquiries in respect of the Company, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community may at any time make enquiry in respect of the Company in writing at the Company's head office in PRC by post, facsimile or email via the numbers and email address provided on the Company's website. Shareholders may direct enquiries about their shareholdings to the Company's Share Registrars.

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

The board (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 2012 ("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, vessel chartering and financial services. There have been no significant changes in the nature of the Group's principal activities during the Year Under Review.

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.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results		(restated)			
Revenue	**11,053,628**	12,157,458	11,283,594	8,729,969	17,214,283
Operating costs	**(11,252,251)**	(10,636,688)	(8,930,842)	(7,260,412)	(11,110,771)
Gross (loss)/profit	**(198,623)**	1,520,770	2,352,752	1,469,557	6,103,512
Other income and gains	**663,340**	250,613	201,883	251,572	460,900
Marketing expenses	**(50,256)**	(51,735)	(42,887)	(38,955)	(37,907)
Administrative expenses	**(418,976)**	(368,237)	(315,759)	(286,756)	(256,883)
Other expenses	**(27,401)**	(61,539)	(36,007)	(44,397)	(284,429)
Share of profits of jointly-controlled entities	**293,701**	368,775	216,596	61,099	531,566
Finance costs	**(593,160)**	(414,574)	(205,170)	(69,783)	(84,074)
(Loss)/profit before tax	**(331,375)**	1,224,073	2,171,408	1,342,337	6,432,685
Tax credit/(charge)	**469,144**	(150,410)	(449,445)	(277,696)	(1,056,690)
Profit for the year	**137,769**	1,093,663	1,721,963	1,064,641	5,375,995
Attributable to:					
Owners of the Company	**73,741**	1,062,214	1,716,522	1,064,794	5,373,010
Non-controlling interests	**64,028**	31,449	5,441	(153)	2,985
	137,769	1,093,663	1,721,963	1,064,641	5,375,995
Basic earnings per share	**RMB2.17 cents**	RMB31.20cents	RMB50.42 cents	RMB31.28 cents	RMB158.64 cents
Diluted earnings per share	**RMB2.17 cents**	RMB29.73cents	RMB50.42 cents	RMB31.28 cents	RMB158.64 cents
Assets, liabilities and non-controlling interests					
Total assets	**57,860,523**	51,747,288	40,710,175	33,929,549	30,028,594
Total liabilities and non-controlling interests	**(34,343,386)**	(27,988,983)	(18,131,630)	(12,534,976)	(8,574,574)
	23,517,137	23,758,305	22,578,545	21,394,573	21,454,020

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 three years ended 31 December 2010 are extracted from the Company's 2011 annual report dated 5 April 2012, while those for the two years ended 31 December 2012 were prepared based on the consolidated statement of comprehensive income and consolidated statement of financial position as set out on pages 74 and 75, respectively, of the financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2012 is based on the profit attributable to owners of the Company for the year ended 31 December 2012 of RMB73,741,000 and 3,404,552,613 ordinary shares. Basic earnings per share for the year ended 31 December 2012 is RMB0.0217.

   In 2012, the calculation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in profit per share from continuing operations. Diluted earnings per share is the same as basic earnings per share.

   The calculation of basic earnings per share for the year ended 31 December 2011 is based on the (restated) profit attributable to owners of the Company for the year ended 31 December 2011 (restated) of RMB1,062,214,000 and 3,404,552,270 ordinary shares. Earnings per share for the year ended 31 December 2011 is RMB0.3120.

   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 (restated) of RMB1,068,369,000 and the diluted weighted average number of shares of 3,593,728,000 shares. Diluted earnings per share for the year ended 31 December 2011 (restated) is RMB0.2973.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 74 to 76 and 79 to 80.

The net profit of the Company for 2012, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP"), was RMB159,391,000, 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 do not recommend any payment of dividend in respect of the year ended 31 December 2012.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB77,943 (2011: RMB12,000,000).

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 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital including the conversion of convertible bonds during the year are set out in note 37 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

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

CORPORATE BONDS

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is three-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 4.20% and matures on 3 August 2015. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.00% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued 2 batches of corporate bonds on 29 October 2012. The first batch is seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

Further details of the Company's corporate bonds are disclosed in note 35 to the financial statements on pages 158 to 160.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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 RMB10,263,644,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB3,947,492,000 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 31 to the financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for less than 26% (2011: 32%) of the Group's total revenue. The largest customer is Ningbo China Offshore Oil Shipping Co., Ltd. "寧波中海油船務有限公司" and the sales to it accounted for 8% (2011: 10%) of the Group's total sales in that year. None of the Directors, supervisors of the Company ("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 57% (2011: 37%) 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 33% (2011: 29%) of the Group's total purchases in that year.

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. Xu Lirong	(appointed on 16 January 2012)
Mr. Lin Jianqing	(resigned on 29 June 2012)
Mr. Zhang Guofa	
Mr. Wang Daxiong	
Mr. Ding Nong	(appointed on 18 December 2012)
Mr. Yan Zhichong	(resigned on 19 March 2013)
Mr. Qiu Guo Xuan	

Independent non-executive Directors:

Mr. Zhu Yongguang	
Mr. Zhang Jun	
Mr. Lu Wenbin	
Mr. Wang Wusheng	(appointed on 16 January 2012)

Supervisors:

Mr. Xu Wenrong	(appointed on 20 June 2012)
Mr. Kou Laiqi	(resigned on 20 June 2012)
Mr. Xu Hui	(resigned on 19 March 2013)
Mr. Zhang Rongbiao	(appointed on 20 June 2012)
Ms. Chen Xiuling	
Mr. Luo Yuming	

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. Zhu Yongguang, Mr. Wang Wusheng, Mr. Zhang Jun and Mr. Lu Wenbin 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 188 to 196 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 19 June 2015 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 and Appraisal Committee is headed by Mr. Zhu Yongguang, an independent non-executive Director. The other three members of the Remuneration and Appraisal Committee are Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Wang Wusheng, all being independent non-executive Directors. The Remuneration and Appraisal 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 44(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB30,706,000 (2011: RMB24,740,000).

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

As at 31 December 2012, 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 (L)	74.86%	46.36%
JPMorgan Chase & Co.	H	275,173,858 (L)	21.23%	8.08%
		50,192,000 (S)	3.87%	1.47%
		92,039,588 (P)	7.10%	2.70%
Prudential plc	H	109,282,000 (L)	8.43%	3.21%
Citigroup Inc.	H	87,809,509 (L)	6.78%	2.58%
		408,992 (S)	0.03%	0.01%
		60,791,565 (P)	4.69%	1.79%
Schroders Plc	H	76,944,000 (L)	5.94%	2.26%
BlackRock, Inc.	H	75,363,722 (L)	5.82%	2.21%
		31,259,342 (S)	2.41%	0.92%
UBS AG	H	73,835,839 (L)	5.70%	2.17%
		69,731,345 (S)	5.38%	2.05%
Government of Singapore Investment Corporation Pte Ltd	H	67,038,900 (L)	5.17%	1.97%

Note 1: A – A Shares
H – H Shares
L – represents long position
S – represents short position
P – represents lending pool

Note 2: Percentage shown on that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2012, the total issued share capital of the Company was 3,404,552,613 Shares of which 1,296,000,000 were H Shares and 2,108,552,613 were A Shares.

Save as disclosed above, as at 31 December 2012, 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 2012 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 2012, 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 2012, 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 2012 are set out in note 41 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 44(2)(i)(ii)(iii)(iv) and notes 44(1) and 44(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 44 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 favourable 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 44(1) and 44(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 31 December 2012, the Company had approximately 6,879 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 Group. 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 2012, the total staff costs was RMB1,816,541,000 (2011: RMB1,768,719,000).

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 organised 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 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER REPORTING PERIOD

(i) The first Board meeting of the Company held on 21 January 2013, resolved to utilised a portion of proceeds from the issuance of convertible bonds on 1 August 2011 with the amount of RMB380,000,000, as general working capital for a period of not more than six months. Details of this resolution are also set out in the Company's announcement dated 22 January 2013.

(ii) According to the third Board meeting of the Company held on 28 February 2013, the Board approved to appoint Mr. Han Jun as the Company's General Manager with effective on 28 February 2013 for a period of three years and Mr. Yan Zhichong retired on the same day. Mr. Qiu Guoxuan, Mr.Tan Weixin and Mr. Zhuang Deping continued to be the Company's deputy general managers; Mr. Wang Kang Tian continued to be the deputy general manager and the chief financial controller of the Company, with effect from 28 February 2013 for a period of three years.

(iii) According to the fourth Board meeting of the Company held on 19 March 2013, the Board approved to appoint Mr. Han Jun as an executive Director subject to the Company's Shareholders approval at the upcoming annual general meeting which is expected to be held no later than 30 June 2013. On the same day, Mr. Yan Zhichong's resignation as an executive Director and member of the Strategic Committee of the Company took effect.

(iv) At the second Supervisory Committee meeting held on 19 March 2013, the Supervisory Committee approved to appoint Mr. Chen Jihong as an supervisor of the Company subject to the Company's Shareholders approval at the upcoming annual general meeting which is expected to be held no later than 30 June 2013. On the same day, Mr. Xu Hui's resignation as a supervisor of the Company took effect.

DUTY PERFORMANCE REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS IN 2012

To the Board:

We, as independent non-executive Directors of China Shipping Development Company Limited (hereinafter refer to as "the Company" or "Company"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2012 in accordance with the format and requirement provided in the Memorandum for Periodic Work Report of Listed Companies (No.5) – Guidance on Independent Non-executive Directors' Work during Annual Duty Report Period (《上市公司定期報告工作備忘錄(第五號) — 獨立董事年度報告期間工作指引》) as below, and will report the same to shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As independent non-executive Directors of the sixth and seventh Board of the Company with tenures no more than six consecutive years, we are familiar with the basic knowledge of the operation of listed companies and the relevant laws and regulations, and possess the work experience and qualification necessary for due performance of the duties as independent non-executive directors. We hereby reiterate that we never have any relations with China Shipping Development Company Limited which would impact our independence, and that none of us belong to the personnel who are identified by the China Securities Regulatory Commission for banning the entry into the securities market and the banning has not been lifted so far. We undertake again that any one of us will voluntarily resign as independent non-executive Director in case of any disqualification to act as an independent non-executive Director during our tenure.

The Company has four independent non-executive directors, who are professionals with work experience in the fields of shipping, economics, accounting and law, respectively and meet the duty requirement as verified and confirmed by the relevant securities regulatory institutions, in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Four independent non-executive Directors, Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Wang Wusheng, are all members and as Chairman of the relevant committee (as the case may be), in four Professional Committees, i.e. the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee under the Board. For further information of their biographical details, please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

Our four independent non-executive Directors all earnestly performed their duties with independent judgement by fulfilling the statements and undertakings they made during selection since the date on which they were selected and appointed at the general meeting of the Company. They acted independently of the substantial shareholders and the ultimate controlling shareholder of the Company or other entities or individuals who have a stake in the Company, protecting the legitimate rights and interests of shareholders as a whole according to law.

1. Attendance of Board Meetings and General Meetings

In 2012, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2012, the Company convened 19 Board meetings (16 meetings of which were held by way of correspondence) and 4 general meetings. The following table shows the attendance of independent non-executive Directors at the above meetings:

Name of independent non-executive Director	Number of Board meetings/ general meetings required to attend this year	Attend Board meetings and general meetings in person (times)	Attend Board meetings and general meetings by proxies (times)	Absence (times)
Mr. Zhu Yongguang	19/4	18/2	1/0	0/2
Mr. Zhang Jun	19/4	18/2	1/0	0/2
Mr. Lu Wenbin	19/4	19/3	0/0	0/1
Mr. Wang Wusheng	18/3	18/3	0/0	0/0

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

2. Work of Professional Committees of the Board

(1) The Strategy Committee of the Board of the Company consists of nine Directors, including seven executive Directors and two independent non-executive Directors, in which our Chairman Li Shaode is the Chairman. Independent Non-executive Directors Mr. Zhu Yongguang and Mr. Zhang Jun, with extensive professional knowledge and work experience in shipping and economics, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

(2) The Audit Committee comprises four members, all being independent non-executive Directors, in which Mr. Lu Wenbin is the Chairman of the committee. In 2012, three meetings were held which mainly reviewed the 2011 annual report of the Company, the accounting policies adopted by the Company, the effectiveness of internal control system and the relevant financial issues. Relevant opinions were issued for the reference of the Board to ensure the completeness, fairness and accuracy of the Company's financial statements and the relevant information.

(3) The Remuneration and Appraisal Committee comprises four members, all being independent non-executive Directors. The committee held two meetings in 2012. One was convened by way of communication which mainly considered the proposal in respect of annual assessment on the senior operating management of the Company. On 2 March 2012, Mr. Zhu Yongguang chaired an on-site meeting of this professional committee, at which such relevant issues as annual salary assessment on the Directors and Supervisors as well as senior managerial staff were considered, and the annual work report of the Remuneration and Assessment Committee were considered and approved.

(4) The Nomination Committee of the Company consists of four independent non-executive Directors and two executive Directors, and independent non-executive Director Mr. Wang Wusheng is the Chairman of the committee. In 2012, the committee convened two meetings to consider relevant issues such as the appointment of executive Directors and senior managerial staff of the Company, relevant proposal was submitted to the Board for approval.

Each of us earnestly executed our duties as independent non-executive Directors in the above-mentioned four professional committees under the Board.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Connected Transactions

The Company formulated and executed the "Measures for the Administration of Connected Transactions of China Shipping Development", pursuant to which, the connected transactions business was operated according to law and regulation. For example, a class general meeting is convened as required at which the substantial shareholders abstain from voting, the minority shareholders vote and approve the execution of transactions while independent non-executive Directors all make statements and express independent opinions, which fundamentally eradicates the occurrence of the transfer of profits by the substantial shareholders through connected transactions.

2. External Guarantee and Funds Embezzlement

The Company monitored its external guarantee actions in strict compliance with the external guarantee procedures explicitly provided in the Articles of Association of the Company. The "Measures for the Administration of Preventing Funds Embezzlement by Controlling Shareholder and Related Parties in China Shipping Development Company Limited" (《中海發展股份有限公司防範控股東及關聯方資金佔用管理辦法》) was worked out and executed, and so far there has occurred neither any illegal guarantee action in the Company, nor the funds embezzlement by the substantial shareholders.

3. Use of the Raised Funds

The Company complied with the relevant laws and regulations with respect to the deposit and use of the raised funds during the course of funds-raising management. The raised funds was deposited in separate accounts and used for professional purposes, therefore there is no any case for the illegal use of these funds and which may impair shareholders' interests.

4. Nomination of Senior Managerial Staff and their Remuneration

In 2012, the Nomination Committee held two meetings. At the meetings, the proposal in respect of advising on the appointment of Mr. Zhuang Deping as the deputy General Manager of the Company (《關於建議聘任莊德平先生為公司副總經理的議案》) and the proposal on advising the appointment of Mr. Ding Nong as an executive Director of the Company (《關於建議聘任丁農先生為公司執行董事的議案》) were considered respectively, and the same were submitted to the Board for its approval. The nomination procedure is in line with the relevant laws and regulations as well as the requirements of the Articles of Association of the Company.

Whilst the Company, as a listed company controlled by the state-owned enterprise, has currently not established a share incentive mechanism, several incentive mechanisms were in place which can fully arouse enthusiasm of the core management personnel and technical staff for work.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

5. Results Forecast and Preliminary Financial Data

In 2012, the shipping market suffered continuous downturn with a slump in freight rate due to the sluggish demand and oversupply of shipping capacity in the domestic and overseas shipping markets. The international oil prices continued to rise significantly as compared with 2011, and fuel cost stayed high. Against such backdrop, the shipping enterprises faced more austere conditions. The Company has released the relevant announcements on the alert of loss-making results forecast and explanation for the reasons thereof according strictly to the requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

6. Appointment or Replacement of Certified Public Accountants

During the year, we did not appoint any external auditors or consultants other than Baker Tilly China and Baker Tilly Hong Kong Limited, which were appointed by the Company.

7. Cash Dividends and Other Returns for Investors

The Company has distributed cash dividends for consecutive twelve financial years since 2000, the amount of dividends totaling RMB7.607 billion (tax inclusive). In 2012, pursuant to the "Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies" (《關於進一步落實上市公司現金分紅有關事項的通知》) released by the CSRC and the new requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and integrating with its actual situation, the Company made amendments to the relevant provisions under Chapter 15 "Accounting regulation and profit distribution" of the Articles of Association of the Company, further clarifying the requirements such as the "Basic principles of profit distribution and cash distribution policy". That reflects the Company's consistent policy to lay stress on returns to shareholders by maintaining a long-run stable proportion of dividends distribution.

8. Fulfilment of Undertakings by the Company and Shareholders

China Shipping (Group) Company, the controlling shareholder of the Company, actively fulfilled its non-competition undertakings made on 23 May 2001 to the Company that it would not engage in any business which may compete with the Company, and that it would procure subsidiaries controlled by it not to carry out any business which may compete with the Company. On 15 June 2011, in addition to continuous fulfilment of the previous undertakings, the controlling shareholder made a further non-competition undertaking. From then to date, no any breach of the undertaking was committed.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, appetite of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the mainland China and Hong Kong. In the meantime, the Company has promoted the investor relations management and the exchange and communication with investors at home and abroad, and has disclosed information according to laws and regulations to improve the transparency of the Company. In 2012, the Company was awarded "The Best Investor Relations Listed Company in 2012 – Third of the Transportation Sector" (2012年亞洲最佳投資者關係上市公司—交通行業第3位) by Institutional, an international authoritative financial magazine, and was granted the award of "The Best Investor Relations Management Listed Company" (最佳投資者關係管理上市公司) at the campaign of "China Securities Golden Bauhinia Awards" organised by Ta Kung Pao of Hong Kong.

10. Implementation of Internal Controls

In accordance with the Notice Regarding the Trial of Regulation on Internal Control of Listed Companies (關於做好上市公司內部控制規範試點有關工作的通知) issued by the CSRC, the Company was designated as a pilot entity for establishing internal controls among listed companies and strived to advance the establishment of internal controls within the joint stock company in an all-round manner in 2012. The updating of the Internal Control Handbook of China Shipping Development (2011 Edition) has been basically completed, taking full account of the changes in our business processes and departments as well as the establishment of China Shipping Bulk Carrier Co., Limited. The management of the Company is making final confirmation of the submission of the Internal Control Handbook of China Shipping Development (2012 Edition).

The establishment of internal control systems for the Company's PRC controlling subsidiaries that are included in the internal control establishment plan for 2012 has also been basically completed, and all copies of the Internal Control Handbook (fascicles for relevant subsidiaries) have been proofread and bound.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

11. Operation of the Board and its Professional Committees

The Board of the Company was scientifically established with clear terms of reference and sound systems, and the independent non-executive director system was effectively implemented. The Board currently comprises 11 directors, including 5 shareholding directors, 4 independent non-executive Directors and 2 management directors. In accordance with the provisions of relevant laws and regulations such as the PRC Company Law as well as the Articles of Association, the Company formulated the Rules and Procedures of Meetings of the Board of Directors, which formed an integral part of the Articles of Association. All procedures, rules and systems required by the Rules and Procedures of Meetings of the Board of Directors were strictly followed.

According to the Implementation Rules, professional committees of the Board of the Company convened regular or ad hoc meetings to conduct special discussions or researches on any resolution relating to significant matters before it was proposed to the Board for consideration and approval. This not only ensured the quality of resolutions proposed to the Board, but also strengthened the communications and exchanges among the Company, our independent non-executive Directors and relevant intermediaries. It was also instrumental in improving the operation efficiency of the Board and making scientific decisions for significant matters, and played an active role in promoting the standardised operation of the Company.

12. Other Matters which are Required by the Independent non-executive Directors to be Improved

We, the four independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During the year, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

We hope that in the new year, the Company will further expand its market presence, strive to achieve stable development and reward its shareholders with excellent results.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2012, we maintained regular contact with the management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board of the Company, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2013, we will take more time and energy to perform our duties. We will also continue to comply with the laws and regulations and the provisions of the Articles of Association of the Company in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

We would like to take this opportunity to express our respect and gratitude to the Board, the management team and relevant staff of the Company for their positive and effective cooperation and support for our performance of duties.

Independent Non-executive Directors:
Zhu Yongguang, Zhang Jun,
Lu Wenbin, Wang Wusheng

19 March 2013

REPORT OF SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2012, the Supervisory Committee held nine meetings, details of which are set out below:

	Date	Resolutions
1	Feb. 20	1. Motion on the use of funds raised from convertible bonds to complement the company's liquidity 2. Entrusted loan agreement of RMB 2.0 billion with China Shipping (Group) Company 3. Revise to the registration system of insider of the Company 4. Proposal on the establishment China Shipping Bulk Carrier Co., Limited 5. Proposal of moving the Company's registered office to the Yangshan Free Trade Port Area
2	Mar. 15	1. 2011 Supervisor Committee's report of the Company 2. 2011 financial report of the Company 3. 2011 annual report and annual report summary of the Company 4. Profit distribution plan of the Company for 2011 5. 2011 internal control self evaluation report of the Company 6. 2011 society responsibility report of the Company 7. Proposal on change of accounting estimation 8. Proposal of the storage and use of the raised funds of the Company in 2011
3	Mar. 26	Proposal of issue not more than RMB 5 billion company bond to the public
4	Apr. 26	2012 first quarterly report of the Company
5	Jun. 28	Election of the chairman of the Supervisor Committee
6	Aug. 16	1. 2012 interim financial report of the Company 2. 2012 interim report and 2012 interim report summary of the Company 3. Proposal of the storage and use of the raised funds of the Company in the first half of 2012 4. Capital increase to Tianjin Zhonghai Huarun Marine Co., Limited 5. Proposal of disposal of Hongqi 204

1. WORK OF THE SUPERVISORY COMMITTEE (Continued)

	Date	Resolutions
7	Oct. 12	1. Signing new supply and services framework agreement with China Shipping (Group) Company and the proposed annual caps for the supply and service contemplated of year 2013-2015 2. Signing new financial services framework agreement with China Shipping Finance Company Limited and the proposed annual caps for the deposit and loan transactions contemplated of year 2013-2015 3. Proposal on the ceasing to recognise the deferred income tax liability accumulated in previous years 4. Proposal on incorporating four joint venture companies into the scope of consolidated financial statements
8	Oct. 29	2012 third quarterly report of the Company
9	Nov. 27	1. Proposal regarding the change of accounting treatment of investment properties 2. Entering the chartering agreements of "Song Lin Wan" 3. Proposal of disposal of Changjian

(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 2012. The following were presented to the supervisors: the 2011 audited financial report of the Company, the proposed profit distribution plan of the Company for 2011, the 2011 annual report and annual report summary of the Company, and the proposal of issuing not more than RMB 5 billion company bond. 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 2011 AGM, at which the Supervisory Committee gave an account of the 2011 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 three EGMs held in 2012.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2012:

(1) The Company has established a comparatively complete internal controlling system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalised process for listed companies. 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.

(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 2012 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2012. The audited financial reports audited by Baker Tilly China and Baker Tilly Hong Kong Limited respectively are objective and fair.

(3) During the Reporting Period, the 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. 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.

(4) In the Reporting Period, according to the PRC Company Law, the PRC Security Law, the Listing Corporation Governance Guidelines of CSRC and relevant laws and regulations, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures of the Company and improves the Corporate Governance of the Company. In 2012, the Company proposed to amend the Articles of Association of the Company (to be proved by the shareholder at the upcoming AGM) and has revised the registration system of insider of the Company. Checks and balances were achieved through the coordination among the Shareholders at the general meeting, the Board of directors and its related special Board committees, the supervisory committee of the Company and the management headed by the General Manager. With the implementation of the effective internal control and management systems, the Company's internal management and operations are further standardised and the corporate governance of the Company is further enhanced.

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

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2012: (Continued)

(6) In 2011, the Company issued RMB3.95 billion convertible bond publicly and the net amount raised from such issue was RMB3.912 billion. The storage, use and management of the raised funds of the Company in 2011 and 2012 is strictly complied with "Management system for raised funds of the Company". The Company has used RMB1,284.94 million in 2012, and the cumulative amount used is RMB3,545.04 million. As at December 31, 2012, the rest amount in the special account in RMB411.18 million (including the interest of RMB40.26 million). 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 its opinion.

By order of the Supervisory Committee
Xu Wenrong
Chairman of the Supervisory Committee

Shanghai, People's Republic of China
19 March 2013

BAKER TILLY
HONG KONG | 天職香港

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 74 to 186, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 judgement, 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 2012 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, 19 March 2013
Lo Wing See
Practising Certificate Number: P04607

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
Revenue			
Turnover	6	**11,053,628**	12,157,458
Operating costs		**(11,252,251)**	(10,636,688)
Gross (loss)/profit		**(198,623)**	1,520,770
Other income and gains	7	**663,340**	250,613
Marketing expenses		**(50,256)**	(51,735)
Administrative expenses		**(418,976)**	(368,237)
Other expenses		**(27,401)**	(61,539)
Share of profits of jointly-controlled entities		**293,701**	368,775
Finance costs	8	**(593,160)**	(414,574)
(LOSS)/PROFIT BEFORE TAX	9	**(331,375)**	1,244,073
Tax credit/(charge)	12	**469,144**	(150,410)
PROFIT FOR THE YEAR		**137,769**	1,093,663
Other comprehensive income/(expenses)			
Exchange realignment		**17,444**	(279,730)
Net gain/(loss) on cash flow hedges		**2,846**	(3,143)
Gain on revaluation of properties		**—**	104,589
Share of other comprehensive expense of associates		**—**	(8)
Other comprehensive income/(expenses) for the year		**20,290**	(178,292)
Total comprehensive income for the year		**158,059**	915,371
Profit for the year attributable to:			
Owners of the Company		**73,741**	1,062,214
Non-controlling interests		**64,028**	31,449
		137,769	1,093,663
Total comprehensive income for the year attributable to:			
Owners of the Company		**94,128**	885,491
Non-controlling interests		**63,931**	29,880
		158,059	915,371
Earnings per share – basic	15	**2.17 cents**	31.20 cents
Earnings per share – diluted	15	**2.17 cents**	29.73 cents

Details of the dividend payable and proposed for the year are disclosed in note 14 to the consolidated financial statements.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000
NON-CURRENT ASSETS				
Investment properties	16	**1,193,458**	394,672	—
Property, plant and equipment	17	**45,734,065**	41,875,122	35,385,957
Investments in associates	19	—	—	—
Investments in jointly-controlled entities	20	**4,020,369**	3,562,519	2,574,217
Loan receivables	21	**110,198**	49,747	—
Available-for-sale investments	22	**5,873**	4,300	4,300
Deferred tax assets	36	**241,801**	—	—
		51,305,764	45,886,360	37,964,474
CURRENT ASSETS				
Inventories	23	**934,159**	823,961	449,285
Trade and bills receivables	24	**1,484,866**	1,127,945	891,063
Prepayments, deposits and other receivables	25	**756,161**	483,330	343,618
Loan to a shareholder of a subsidiary	26	—	49,000	—
Cash and cash equivalents	27	**3,285,745**	3,376,692	1,061,735
		6,460,931	5,860,928	2,745,701
Assets classified as held for sale	28	**93,828**	—	—
		6,554,759	5,860,928	2,745,701
CURRENT LIABILITIES				
Trade and bills payables	29	**1,207,913**	1,073,161	913,721
Other payables and accruals	30	**916,965**	828,385	1,146,208
Tax payable	12	**3,206**	4,463	78,604
Current portion of notes, interest-bearing bank and other borrowings	31	**4,194,889**	4,573,454	2,423,850
		6,322,973	6,479,463	4,562,383
NET CURRENT ASSETS/(LIABILITIES)		**231,786**	(618,535)	(1,816,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,537,550**	45,267,825	36,147,792

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	37	**3,404,553**	3,404,552	3,404,552
Reserves	38	**20,112,584**	20,013,298	18,595,219
Proposed final dividend	14	—	340,455	578,774
		23,517,137	23,758,305	22,578,545
Non-controlling interests		**868,426**	702,791	512,916
Total equity		**24,385,563**	24,461,096	23,091,461
NON-CURRENT LIABILITIES				
Other loans	32	**527,763**	515,603	429,934
Provisions	33	—	—	85,500
Derivative financial instruments	34	**12,758**	15,645	13,218
Notes, interest-bearing bank and other borrowings	31	**18,207,079**	16,754,515	12,122,219
Bonds payable	35	**8,229,218**	3,110,598	—
Deferred tax liabilities	36	**175,169**	410,368	405,460
		27,151,987	20,806,729	13,056,331
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**51,537,550**	45,267,825	36,147,792

Li Shaode
Director

Qiu Guoxuan
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund 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 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, as restated (note 5)	–	–	–	–	–	–	–	–	–	–	1,062,214	–	1,062,214	31,449	1,093,663
Net loss on cash flow hedges	–	–	–	–	–	–	(3,143)	–	–	–	–	–	(3,143)	–	(3,143)
Share of other comprehensive expense of associates	–	–	–	–	–	–	(6)	–	–	–	–	–	(6)	(2)	(8)
Gain on revaluation of properties	–	–	104,589	–	–	–	–	–	–	–	–	–	104,589	–	104,589
Exchange realignment	–	–	–	–	–	–	–	–	(278,163)	–	–	–	(278,163)	(1,567)	(279,730)
Total comprehensive income for the year	–	–	104,589	–	–	–	(3,149)	–	(278,163)	–	1,062,214	–	885,491	29,880	915,371
Transfer to/(from) reserves	–	–	–	105,587	–	–	–	–	–	–	(105,587)	–	–	–	–
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 and at 1 January 2012, as restated	3,404,552	3,947,214	273,418	2,861,496	–	93,158	(17,379)	1,019	(922,389)	873,043	12,903,718	340,455	23,758,305	702,791	24,461,096
Profit for the year	–	–	–	–	–	–	–	–	–	–	73,741	–	73,741	64,028	137,769
Net gain on cash flow hedges	–	–	–	–	–	–	2,846	–	–	–	–	–	2,846	–	2,846
Exchange realignment	–	–	–	–	–	–	–	–	17,541	–	–	–	17,541	(97)	17,444
Total comprehensive income for the year	–	–	–	–	–	–	2,846	–	17,541	–	73,741	–	94,128	63,931	158,059
Conversion of convertible bonds	1	2	–	–	–	–	–	–	–	(1)	–	–	2	–	2
Transfer to/(from) reserves	–	–	–	15,939	5,157	–	–	–	–	–	(15,939)	–	5,157	403	5,560
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(340,455)	(340,455)	(12,107)	(352,562)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	113,408	113,408
At 31 December 2012	3,404,553	3,947,216	273,418	2,877,435	5,157	93,158	(14,533)	1,019	(904,848)	873,042	12,961,520	–	23,517,137	868,426	24,385,563

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
Net cash inflow from operating activities	39	**891,308**	1,421,967
INVESTING ACTIVITIES			
Interest received		**60,897**	37,034
Investments in associates		—	(8)
Payments for construction in progress		**(6,101,907)**	(8,280,555)
Purchases of property, plant and equipment		**(69,953)**	(93,608)
Proceeds from disposal of property, plant and equipment		**253,147**	205,467
Repayment from/(loan to) a shareholder of a subsidiary		**49,000**	(49,000)
Loan to associates		**(57,450)**	(49,747)
Dividends received from jointly-controlled entities		**226,850**	58,433
Dividends received from available-for-sale investments		**2,240**	1,512
Investments in available-for-sale investments		**(1,573)**	—
Investments in jointly-controlled entities		**(455,960)**	(663,000)
Net cash outflow used in investing activities		**(6,094,709)**	(8,833,472)
FINANCING ACTIVITIES			
Interest paid		**(744,280)**	(673,355)
Dividend paid		**(340,455)**	(578,774)
Increase in other loans		**13,452**	108,060
Net proceeds from issue of convertible bonds		—	3,912,372
Net proceeds from issue of corporate bonds		**4,959,500**	—
Increase in bank loans		**8,071,023**	11,824,668
Repayment of bank loans		**(6,949,889)**	(4,988,998)
Contribution from non-controlling shareholders of subsidiaries		**113,408**	159,995
Distribution to non-controlling shareholders of subsidiaries		**(12,107)**	—
Net cash inflow from financing activities		**5,110,652**	9,763,968
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(92,749)**	2,352,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,376,692**	1,061,735
Effect of foreign exchange rate changes, net		**1,802**	(37,506)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,285,745**	3,376,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,285,745**	3,376,692

The accompanying notes form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000
NON-CURRENT ASSETS				
Investment properties	16	**1,193,458**	394,672	—
Property, plant and equipment	17	**14,335,294**	25,583,658	23,083,032
Interests in subsidiaries	18	**8,186,365**	1,410,676	572,388
Investments in jointly-controlled entities	20	**2,636,663**	2,623,639	1,945,679
Loan receivables	21	**5,005,000**	424,177	445,840
Available-for-sale investments	22	—	4,300	4,300
Deferred tax assets	36	**152,852**	—	—
		31,509,632	30,441,122	26,051,239
CURRENT ASSETS				
Inventories	23	**347,403**	566,702	331,541
Trade and bills receivables	24	**481,399**	848,657	672,540
Prepayments, deposits and other receivables	25	**6,226,402**	4,222,238	4,085,301
Loan receivables	21	**1,300,000**	—	—
Cash and cash equivalents	27	**1,278,982**	1,795,817	402,137
		9,634,186	7,433,414	5,491,519
Assets classified as held for sale	28	**93,828**	—	—
		9,728,014	7,433,414	5,491,519
CURRENT LIABILITIES				
Trade and bills payables	29	**458,237**	810,211	707,657
Other payables and accruals	30	**746,763**	435,514	617,638
Tax payable	12	—	70	74,488
Current portion of notes, interest-bearing bank and other borrowings	31	**1,928,550**	2,974,652	1,467,333
		3,133,550	4,220,447	2,867,116
NET CURRENT ASSETS		**6,594,464**	3,212,967	2,624,403
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,104,096**	33,654,089	28,675,642

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000
EQUITY				
Issued capital	37	**3,404,553**	3,404,552	3,404,552
Reserves	38	**18,324,248**	18,138,250	16,755,543
Proposed final dividend	14	—	340,455	578,774
Total equity		**21,728,801**	21,883,257	20,738,869
NON-CURRENT LIABILITIES				
Provisions	33	—	—	85,500
Notes, interest-bearing bank and other borrowings	31	**7,997,211**	8,621,248	7,851,273
Bonds payable	35	**8,229,218**	3,110,598	—
Deferred tax liabilities	36	**148,866**	38,986	—
		16,375,295	11,770,832	7,936,773
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**38,104,096**	33,654,089	28,675,642

Li Shaode
Director

Qiu Guoxuan
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 Room A-1015, No 188 Ye Sheng Road, Yangshan Free Trade Port, 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 19 March 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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 comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior periods reflected in these financial statements. 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 2.30.

A summary of the significant accounting policies adopted by the Group is set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). 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. 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.

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.

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 loses 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 benefits" 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 Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Interests in associates (Continued)

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

2.4 Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures 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 Inventories

Inventories comprise bunker oil inventories, ship stores and spare parts, and are stated at cost less any impairment losses considered necessary by the directors. Cost is determined on the weighted average cost method basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	25 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 each 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.8 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 measured at fair value. Gains and losses arising from change in fair value of investment properties are included in profit and loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 each 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 consolidated 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables 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 each 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

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 the end of each reporting period 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Derecognition of financial assets (Continued)

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

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

Financial liabilities include trade and bills payables, other payables and accruals, bonds payable, 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging (Continued)

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

Cash flow hedges

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

Amounts taken to equity are transferred to the 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.

2.17 Convertible bonds

Convertible bonds issued by the Group contain liability, conversion option, callable option and early redemption option. 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. Callable option and early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component are not separated from the liability component.

On initial recognition, the fair value of the liability component (including the callable option and early redemption option which is closely related) is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option of the holder to convert the bond into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option is not subsequently re-measured. 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 bonds, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Convertible bonds (Continued)

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 Assets held for sale

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

2.19 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)

2.20 Borrowing costs

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

2.21 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax (Continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each 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 the reporting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Foreign currencies

(a) Functional and presentation currency

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

2.23 Dividend

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Cash and cash equivalents

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

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

2.25 Government 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.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 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 end of the reporting period, 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.

Fair value of investment properties

Messrs. China Tong Cheng Assets Appraisal Co., Ltd. ("China Tong Cheng"), an independent property valuer, was engaged to carry out a valuation of the Group's investment properties as at 31 December 2012 and 2011. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment properties is reasonable.

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 each 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 2012 was RMB39,651,171,000 (2011: RMB32,954,597,000).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Accounting estimates and judgements (Continued)

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 (2011: Nil).

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 realisable value is less than cost. The determination of net realisable 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Accounting estimates and judgements (Continued)

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 the 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.

Income taxes

As at 31 December 2012, a deferred tax asset of RMB241,801,000 (31 December 2011: RMBNil) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

3. APPLICATION OF NEW AND REVISED HKFRSs

Impact of revised HKFRSs

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA that are effective to the Group's financial year beginning 1 January 2012.

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Income taxes – Deferred tax: Recovery of underlying assets

The adoption of the revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Impact of HKFRSs issued but not yet effective

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

Improvements to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 19 (2011)	Employee benefits[2]
HKAS 27 (2011)	Separate financial statements[2]
HKAS 28 (2011)	Investments in associates and joint ventures[2]
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[1]
HKAS 32 (Amendments)	Presentation offsetting financial assets and financial liabilities[3]
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial positions.

4. CHANGES IN ACCOUNTING ESTIMATES

Effective from 1 January 2012, the Group adjusted the estimated useful lives of vessels from the range of 17 to 25 years to 25 years. Residual values of vessels were adjusted from USD180 (approximately RMB1,350) per light displacement ton to USD470 (approximately RMB2,960) per light displacement ton. As a result of these changes in accounting estimates, the depreciation decreased by approximately RMB592,479,000 for the year ended 31 December 2012.

5. CHANGE IN ACCOUNTING POLICY

In the previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was 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. According to the seventeenth Board meeting of the Company held on 27 November 2012, with effect from 1 December 2012, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. In April 2011, owner-occupied properties with carrying amount of RMB238,728,000 were transferred from property, plant and equipment to investment properties after these had been leased out for rental income under operating leases. Relevant increase in fair value arising between the carrying amount at that date and the fair value amounted to RMB139,452,000. After recognition of deferred tax liabilities of RMB34,863,000, the net amount of RMB104,589,000 was recognised in other comprehensive income and accumulated in property revaluation reserve under equity. At the end of the reporting period in 2011, such investment properties were further revalued and net increase in fair value of RMB16,492,000 was recognised in profit or loss for the year ended 31 December 2011. Furthermore, depreciation recognised for these investment properties of RMB2,530,000 was reversed during the year ended 31 December 2011 after change in accounting policy in investment properties from cost to fair value model.

The effects of the change in accounting policy in the consolidated statement of comprehensive income for the year ended 31 December 2011, the consolidated and company statements of financial position at 31 December 2011 are set out below. No restatements to the consolidated and company statements of financial position at 31 December 2010 are necessary as the Group or the Company does not have investment properties in 2010.

5. CHANGE IN ACCOUNTING POLICY (Continued)

Consolidated statement of comprehensive income for the year ended 31 December 2011

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
Revenue			
Turnover	12,157,458	—	12,157,458
Operating costs	(10,636,688)	—	(10,636,688)
Gross profit	1,520,770	—	1,520,770
Other income and gains	234,121	16,492	250,613
Marketing expenses	(51,735)	—	(51,735)
Administrative expenses	(368,237)	—	(368,237)
Other expenses	(64,069)	2,530	(61,539)
Share of profits of jointly-controlled entities	368,775	—	368,775
Finance costs	(414,574)	—	(414,574)
PROFIT BEFORE TAX	1,225,051	19,022	1,244,073
Tax	(146,287)	(4,123)	(150,410)
PROFIT FOR THE YEAR	1,078,764	14,899	1,093,663
Other comprehensive income/(expenses)			
Exchange realignment	(279,730)	—	(279,730)
Net loss on cash flow hedges	(3,143)	—	(3,143)
Gain on revaluation of properties	—	104,589	104,589
Share of other comprehensive expense of associates	(8)	—	(8)
Other comprehensive income/(expenses) for the year	(282,881)	104,589	(178,292)
Total comprehensive income for the year	795,883	119,488	915,371

5. CHANGE IN ACCOUNTING POLICY (Continued)

Consolidated statement of comprehensive income for the year ended 31 December 2011 (Continued)

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
Profit for the year attributable to:			
Owners of the Company	1,047,315	14,899	1,062,214
Non-controlling interests	31,449	—	31,449
	1,078,764	14,899	1,093,663
Total comprehensive income for the year attributable to:			
Owners of the Company	766,003	119,488	885,491
Non-controlling interests	29,880	—	29,880
	795,883	119,488	915,371
Earnings per share – basic	30.76 cents	0.44 cents	31.20 cents
Earnings per share – diluted	29.31 cents	0.42 cents	29.73 cents

5. CHANGE IN ACCOUNTING POLICY (Continued)

Consolidated statement of financial position as at 31 December 2011

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
NON-CURRENT ASSETS			
Investment properties	236,198	158,474	394,672
Properties, plant and equipment	41,875,122	—	41,875,122
Investments in associates	—	—	—
Investments in jointly-controlled entities	3,562,519	—	3,562,519
Loan receivables	49,747	—	49,747
Available-for-sale investments	4,300	—	4,300
	45,727,886	158,474	45,886,360
CURRENT ASSETS			
Inventories	823,961	—	823,961
Trade and bills receivables	1,127,945	—	1,127,945
Prepayments, deposits and other receivables	483,330	—	483,330
Loan to a shareholder of a subsidiary	49,000	—	49,000
Cash and cash equivalents	3,376,692	—	3,376,692
	5,860,928	—	5,860,928
CURRENT LIABILITIES			
Trade and bills payables	1,073,161	—	1,073,161
Other payables and accruals	828,385	—	828,385
Tax payable	4,463	—	4,463
Current portion of notes, interest-bearing bank and other borrowings	4,573,454	—	4,573,454
	6,479,463	—	6,479,463
NET CURRENT LIABILITIES	(618,535)	—	(618,535)
TOTAL ASSETS LESS CURRENT LIABILITIES	45,109,351	158,474	45,267,825

5. CHANGE IN ACCOUNTING POLICY (Continued)

Consolidated statement of financial position as at 31 December 2011 (Continued)

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	3,404,552	—	3,404,552
Reserves	19,893,810	119,488	20,013,298
Proposed final dividend	340,455	—	340,455
	23,638,817	119,488	23,758,305
Non-controlling interests	702,791	—	702,791
Total equity	24,341,608	119,488	24,461,096
NON-CURRENT LIABILITIES			
Other loan	515,603	—	515,603
Derivative financial instruments	15,645	—	15,645
Notes, interest-bearing bank and other borrowings	16,754,515	—	16,754,515
Convertible bonds	3,110,598	—	3,110,598
Deferred tax liabilities	371,382	38,986	410,368
	20,767,743	38,986	20,806,729
TOTAL EQUITY AND NON-CURRENT LIABILITIES	45,109,351	158,474	45,267,825

5. CHANGE IN ACCOUNTING POLICY (Continued)

Statement of financial position as at 31 December 2011

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
NON-CURRENT ASSETS			
Investment properties	236,198	158,474	394,672
Properties, plant and equipment	25,583,658	—	25,583,658
Interests in subsidiaries	1,410,676	—	1,410,676
Investments in jointly-controlled entities	2,623,639	—	2,623,639
Loan receivables	424,177	—	424,177
Available-for-sale investments	4,300	—	4,300
	30,282,648	158,474	30,441,122
CURRENT ASSETS			
Inventories	566,702	—	566,702
Trade and bills receivables	848,657	—	848,657
Prepayments, deposits and other receivables	4,222,238	—	4,222,238
Cash and cash equivalents	1,795,817	—	1,795,817
	7,433,414	—	7,433,414
CURRENT LIABILITIES			
Trade and bills payables	810,211	—	810,211
Other payables and accruals	435,514	—	435,514
Tax payable	70	—	70
Current portion of notes, interest-bearing bank and other borrowings	2,974,652	—	2,974,652
	4,220,447	—	4,220,447
NET CURRENT ASSETS	3,212,967	—	3,212,967
TOTAL ASSETS LESS CURRENT LIABILITIES	33,495,615	158,474	33,654,089

5. CHANGE IN ACCOUNTING POLICY (Continued)

Statement of financial position as at 31 December 2011 (Continued)

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
EQUITY			
Issued capital	3,404,552	—	3,404,552
Reserves	18,018,762	119,488	18,138,250
Proposed final dividend	340,455	—	340,455
Total equity	21,763,769	119,488	21,883,257
NON-CURRENT LIABILITIES			
Notes, interest-bearing bank and other borrowings	8,621,248	—	8,621,248
Convertible bonds	3,110,598	—	3,110,598
Deferred tax liabilities	—	38,986	38,986
	11,731,846	38,986	11,770,832
TOTAL EQUITY AND NON-CURRENT LIABILITIES	33,495,615	158,474	33,654,089

6. 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; and

(ii) dry bulk shipment:

– coal shipment

– iron ore shipment

– other dry bulk shipment

6. 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 (loss)/profit from operating activities by principal activity and geographical area of operations for the year is set out as follows:

	2012		2011	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000 (restated)
By principal activity:				
Oil shipment	**5,592,795**	**(220,315)**	6,230,194	462,965
Dry bulk shipment				
– Coal shipment	**2,699,649**	**(149,717)**	3,887,438	907,022
– Iron ore shipment	**2,154,841**	**333,896**	1,386,126	137,031
– Other dry bulk shipment	**606,343**	**(162,487)**	653,700	13,752
	5,460,833	**21,692**	5,927,264	1,057,805
	11,053,628	**(198,623)**	12,157,458	1,520,770
Other income and gains		**663,340**		250,613
Marketing expenses		**(50,256)**		(51,735)
Administrative expenses		**(418,976)**		(368,237)
Other expenses		**(27,401)**		(61,539)
Share of profits of jointly-controlled entities		**293,701**		368,775
Finance costs		**(593,160)**		(414,574)
(Loss)/profit before tax		**(331,375)**		1,244,073
Total segment assets				
Oil shipment		**20,571,880**		23,775,961
Dry bulk shipment		**16,571,656**		23,525,486
Unallocated corporate assets		**20,716,987**		4,445,841
		57,860,523		51,747,288
Total segment liabilities				
Oil shipment		**14,230,822**		12,865,773
Dry bulk shipment		**13,923,313**		13,955,718
Unallocated corporate liabilities		**5,320,825**		464,701
		33,474,960		27,286,192

6. 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 gross (loss)/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 2012 amounted to RMB19,258,740,000 and RMB20,392,431,000 respectively (2011: RMB16,439,710,000 and RMB16,514,887,000 respectively).

Geographical segments

	2012		2011	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000 (restated)
By geographical area :				
Domestic	**4,913,910**	**163,760**	7,391,558	1,780,901
International	**6,139,718**	**(362,383)**	4,765,900	(260,131)
	11,053,628	**(198,623)**	12,157,458	1,520,770
Other income and gains		**663,340**		250,613
Marketing expenses		**(50,256)**		(51,735)
Administrative expenses		**(418,976)**		(368,237)
Other expenses		**(27,401)**		(61,539)
Share of profits of jointly-controlled entities		**293,701**		368,775
Finance costs		**(593,160)**		(414,574)
(Loss)/profit before tax		**(331,375)**		1,244,073
Turnover				
Total segment turnover		**11,053,628**		12,157,458
Less: inter-company transactions		—		—
Total consolidated turnover		**11,053,628**		12,157,458

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	2012			
	Oil shipment RMB'000	**Dry bulk shipment RMB'000**	**Others RMB'000**	**Total RMB'000**
Additions to segment non-current assets	**1,932,802**	**4,084,647**	**1,807**	**6,019,256**
Depreciation	**733,697**	**743,030**	**9,743**	**1,486,470**
Gain/(loss) on disposal of property, plant and equipment	**(16,752)**	**63,629**	**(8)**	**46,869**
Interest income	**7,871**	**10,622**	**45,601**	**64,094**

	2011 (restated)			
	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	943,058	793,396	7,264	1,743,718
Gain/(loss) on disposal of property, plant and equipment	463	156,064	(71)	156,456
Interest income	6,724	9,880	20,430	37,034

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.

7. OTHER INCOME AND GAINS

	Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Other income		
Government subsidies (Note)	**99,085**	34,258
Bank interest income	**58,064**	35,497
Rental income from investment properties	**23,373**	8,778
Interest income from loan receivable	**6,030**	1,537
Others	**5,286**	7,132
	191,838	87,202
Other gains/(losses)		
Gain on revaluation of investment properties	**439,126**	16,492
Gain on disposal of property, plant and equipment, net	**46,869**	156,456
Exchange gains/(losses), net	**5,535**	(13,406)
Dividends received from available-for-sale investments	**2,240**	1,512
Impairment losses on assets classified as held for sale	**(27,963)**	—
Recovery of bad debts written off in prior years	—	1,168
Others	**5,695**	1,189
	471,502	163,411
Other income and gains	**663,340**	250,613

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

8. FINANCE COSTS

	Group	
	2012	2011
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– Bank loans and other borrowings repayable over five years	**356,891**	166,458
– Bank loans and other borrowings repayable within five years	**248,118**	259,270
– Convertible bonds	**176,978**	71,269
– Notes	**173,870**	204,302
– Corporate bonds	**70,682**	—
– Hedge loan	**7,545**	10,396
Other loan or borrowings costs and charges	**63**	43,305
	1,034,147	755,000
Less: Interest capitalised	**(440,987)**	(340,426)
Finance costs	**593,160**	414,574

9. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax is arrived at after charging/(crediting):

	Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**6,410,526**	5,727,101
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**4,841,725**	4,909,587
Depreciation	**1,486,470**	1,743,718
Operating lease rentals:		
Land and buildings	**52,233**	38,400
Vessels	**616,386**	578,325
Total operating lease rentals	**668,619**	616,725
Auditor's remuneration	**4,026**	3,200
Staff costs (including directors' remuneration (note 10)):		
Wages, salaries, crew expenses and related expenses	**1,685,035**	1,626,025
Pension scheme contributions	**131,506**	142,694
Total staff costs	**1,816,541**	1,768,719
Dry-docking and repairs	**386,791**	358,264
Impairment losses on assets classified as held for sale	**27,963**	—
Government subsidies	**(99,085)**	(34,258)
Gain on disposal of property, plant and equipment, net	**(46,869)**	(156,456)
Recovery of bad debts written off in prior years	**—**	(1,168)

10. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**400**	375	**—**	—
Salaries, allowances and benefits in kind	**1,671**	1,851	**903**	381
Discretionary bonuses	**30**	30	**365**	752
Pension scheme contributions	**66**	60	**66**	60
Total	**2,167**	2,316	**1,334**	1,193

(a) Independent non-executive directors

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

	2012	2011
	RMB'000	RMB'000
Mr. Zhang Jun	**100**	100
Mr. Wang Wusheng	**100**	—
Mr. Zhu Yongguang	**100**	100
Mr. Lu Wenbin	**100**	100
Mr. Gu Gongyun (resigned on 16 September 2011)	**—**	75
	400	375

There were no other emoluments payable to the independent non-executive directors during the year (2011: RMBNil).

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2012	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Li Shaode	—	—	—	—	—
Mr. Lin Jianqing (resigned on 29 June 2012)	—	—	—	—	—
Mr. Wang Daxiong	—	—	—	—	—
Mr. Xu Lirong	—	—	—	—	—
Mr. Zhang Guofa	—	—	—	—	—
Mr. Ding Nong	—	—	—	—	—
Mr. Yan Zhichong	—	949	—	33	982
Mr. Qiu Guoxuan	—	722	30	33	785
	—	1,671	30	66	1,767
Supervisors:					
Mr. Kou Laiqi (resigned on 20 June 2012)	—	—	—	—	—
Mr. Xu Wenrong	—	—	—	—	—
Mr. Zhang Rongbiao	—	—	—	—	—
Mr. Xu Hui	—	—	—	—	—
Mr. Luo Yuming	—	744	—	33	777
Ms. Chen Xiuling	—	159	365	33	557
	—	903	365	66	1,334

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

2011	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses 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	—	814	30	30	874
	—	1,851	30	60	1,941
Supervisors:					
Mr. Kou Laiqi	—	33	—	—	33
Mr. Xu Hui	—	—	—	—	—
Mr. Yu Shicheng	—	83	—	—	83
Mr. Luo Yuming	—	109	400	30	539
Ms. Chen Xiuling	—	156	352	30	538
	—	381	752	60	1,193

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 (2011: RMBNil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one (2011: one) director or supervisor, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2011: four) non-director, non-supervisor, highest paid employee for the year are included as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,432**	4,660
Discretionary bonuses	**48**	—
Pension scheme contributions	**167**	149
	4,647	4,809

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

	Number of employees	
	2012	2011
HKD1,000,001 to HKD2,000,000	**4**	4

12. 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 2012 and 2011.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC. 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 25% (2011: 24%) 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.

12. TAX (Continued)

	Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Current:		
Hong Kong	**—**	—
PRC		
– Charge for the year	**(4,700)**	(180,220)
– Under provision in prior years	**(3,156)**	(145)
Deferred tax (note 36)	**477,000**	29,955
Total tax credit/(charge) for the year	**469,144**	(150,410)

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB107,578,000 (2011: RMB124,177,000).

There was no income tax for the year attributable to the Group from the associates (2011: RMBNil).

PRC Corporate Income Tax

A reconciliation of the tax credit/(charge) applicable to (loss)/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 is as follows:

	2012	2011
	RMB'000	RMB'000
		(restated)
(Loss)/profit before tax	**(331,375)**	1,244,073
Tax at the statutory tax rate	**82,844**	(298,578)
Tax effect of share of profits of jointly-controlled entities	**107,578**	124,177
Expenses not deductible for tax	**(67,996)**	(23,581)
Income not subject to tax	**28,543**	79,596
Adjustments in respect of current tax of previous periods	**(3,156)**	(145)
Unused tax losses not recognised	**(6,363)**	(6,031)
Temporary differences not recognised	**(44)**	(54)
Different tax rate of subsidiaries operating in other jurisdiction	**(17,341)**	(25,794)
Reversal of deferred tax liabilities on unremitted earnings	**345,079**	—
Tax credit/(charge)	**469,144**	(150,410)

12. TAX (Continued)

PRC Corporate Income Tax (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Income tax payable at the beginning of the year	**4,463**	78,604	**70**	74,488
Provision for Corporate Income Tax	**4,700**	180,220	**—**	169,593
Under/(over) provision in prior years	**3,156**	145	**2,486**	(934)
Income tax paid	**(9,113)**	(254,506)	**(2,556)**	(243,077)
Income tax payable at the end of the year	**3,206**	4,463	**—**	70

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a profit of RMB185,997,000 (2011 (restated): profit of RMB745,530,000) which has been dealt with in the financial statements of the Company (note 38).

14. DIVIDEND

The dividend paid in 2012 was RMB340,455,000, representing 2011 final dividend of RMB0.10 per share (Dividend paid in 2011 was RMB578,774,000, representing 2010 final dividend of RMB0.17 per share)

	2012	2011
	RMB'000	RMB'000
Proposed final dividend: RMBNil (2011: RMB0.10 per share) per share	**—**	340,455

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

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB73,741,000 (2011 (restated): RMB1,062,214,000) and the weighted average of 3,404,553,000 shares (2011: 3,404,552,000 shares) in issue during the year, calculated as follows:

	2012	2011 (restated)
Profit attributable to owners of the Company (RMB'000)	**73,741**	1,062,214
Weighted average number of shares in issue (thousands)	**3,404,553**	3,404,552
Basic earnings per share (RMB cents per share)	**2.17**	31.20

(b) Diluted earnings per share

In 2012, the calculation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in profit per share from continuing operations. Diluted earnings per share is the same as basic earnings per share.

In 2011, the calculation of diluted earnings per share is based on the restated diluted profit attributable to owners of the Company of RMB1,068,369,000 and the diluted weighted average number of shares of 3,593,728,000 shares, calculated as follows:

15. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(i) Profit attributable to owners of the Company (diluted)

	2011 RMB'000 (restated)
Profit attributable to owners of the Company	1,062,214
After tax effect of effective interest on the liability component of convertible bonds	6,155
Profit attributable to owners of the Company (diluted)	1,068,369

(ii) Weighted average number of shares (diluted)

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

	2011 (restated)
Diluted earnings per share (RMB cents per share)	29.73

16. INVESTMENT PROPERTIES

	Group and Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)
Completed investment properties	**1,193,458**	394,672
At fair value		
At 1 January	**394,672**	—
Transfer from buildings	—	378,180
Transfer from construction in progress for completed investment properties	**359,660**	—
Net increase in fair value recognised in profit or loss	**439,126**	16,492
At 31 December	**1,193,458**	394,672

The fair value of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out at that date by China Tong Cheng, independent qualified professional valuers not connected to the Group. China Tong Cheng is a Certified Public Valuer in the PRC. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

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

17. 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 2012	130,972	41,583,409	73,574	16,662	354,302	8,455,857	50,614,776
Transfers	1,327	8,413,854	5,800	—	(277,755)	(8,143,226)	—
Transfer to investment properties (note 16)	—	—	—	—	—	(359,660)	(359,660)
Additions	586	62,245	4,194	1,257	1,671	5,949,303	6,019,256
Disposals	—	(426,085)	(1,896)	(5)	(2,102)	—	(430,088)
Reclassified as held for sale	—	(139,889)	—	—	—	—	(139,889)
Exchange realignment	—	(465)	—	—	—	599	134
At 31 December 2012	**132,885**	**49,493,069**	**81,672**	**17,914**	**76,116**	**5,902,873**	**55,704,529**
Accumulated depreciation							
At 1 January 2012	44,482	8,592,874	43,630	9,630	13,100	—	8,703,716
Charge for the year	12,007	1,450,942	14,539	1,802	7,180	—	1,486,470
Disposals	—	(219,894)	(1,811)	(5)	(15,988)	—	(237,698)
Reclassified as held for sale	—	(18,098)	—	—	—	—	(18,098)
Exchange realignment	—	136	—	—	—	—	136
At 31 December 2012	**56,489**	**9,805,960**	**56,358**	**11,427**	**4,292**	—	**9,934,526**
Impairment losses							
At 31 December 2012	—	**35,938**	—	—	—	—	**35,938**
At 31 December 2011	—	35,938	—	—	—	—	35,938
Accumulated depreciation and impairment losses							
At 31 December 2012	**56,489**	**9,841,898**	**56,358**	**11,427**	**4,292**	—	**9,970,464**
At 31 December 2011	44,482	8,628,812	43,630	9,630	13,100	—	8,739,654
Net carrying value							
At 31 December 2012	**76,396**	**39,651,171**	**25,314**	**6,487**	**71,824**	**5,902,873**	**45,734,065**
At 31 December 2011	86,490	32,954,597	29,944	7,032	341,202	8,455,857	41,875,122
At 1 January 2011	75,448	26,950,516	32,230	6,051	184,885	8,136,827	35,385,957

17. 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 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 16)	—	—	—	—	(378,180)	—	(378,180)
Additions	21,300	61,970	7,319	2,751	268	9,433,067	9,526,675
Revaluation surplus	—	—	—	—	139,452	—	139,452
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
Charge for the year	10,258	1,714,982	10,661	1,678	6,139	—	1,743,718
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

17. 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 2012	116,750	28,311,200	67,974	12,488	354,302	3,325,125	32,187,839
Transfers	—	2,961,564	5,800	—	(277,755)	(2,689,609)	—
Transfer to investment properties (notes 16)	—	—	—	—	—	(359,660)	(359,660)
Additions	—	29,227	3,242	435	1,671	2,243,262	2,277,837
Disposals	(95,450)	(317,000)	(26,210)	(3,098)	(2,102)	(1,457,076)	(1,900,936)
Transfer to subsidiaries	—	(14,339,864)	—	—	—	—	(14,339,864)
Reclassified as held for sale	—	(139,889)	—	—	—	—	(139,889)
At 31 December 2012	**21,300**	**16,505,238**	**50,806**	**9,825**	**76,116**	**1,062,042**	**17,725,327**
Accumulated depreciation							
At 1 January 2012	33,225	6,508,794	40,935	8,127	13,100	—	6,604,181
Charge for the year	6,586	694,835	11,522	1,061	7,180	—	721,184
Disposals	(34,485)	(186,108)	(17,538)	(2,279)	(15,988)	—	(256,398)
Transfer to subsidiaries	—	(3,660,836)	—	—	—	—	(3,660,836)
Reclassified as held for sale	—	(18,098)	—	—	—	—	(18,098)
At 31 December 2012	**5,326**	**3,338,587**	**34,919**	**6,909**	**4,292**	—	**3,390,033**
Net carrying value							
At 31 December 2012	**15,974**	**13,166,651**	**15,887**	**2,916**	**71,824**	**1,062,042**	**14,335,294**
At 31 December 2011	83,525	21,802,406	27,039	4,361	341,202	3,325,125	25,583,658
At 1 January 2011	69,650	18,289,430	28,691	3,662	184,885	4,506,714	23,083,032

17. 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 (note 16)	—	—	—	—	(378,180)	—	(378,180)
Additions	21,300	98,446	6,616	1,909	268	4,262,743	4,391,282
Revaluation surplus	—	—	—	—	139,452	—	139,452
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
Charge for the year	7,425	1,256,999	9,398	1,118	6,139	—	1,281,079
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

17. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels				
Cost at 31 December	**1,529,480**	2,009,265	**942,484**	1,457,335
Accumulated depreciation at 31 December	**385,309**	425,284	**336,923**	389,999

Further details of the operating leases are included in note 42(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 RMB330,519,000 (2011: RMB411,868,000).

At 31 December 2012, certain of the Groups' and the Company's vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (note 31).

18. INTERESTS IN SUBSIDIARIES

	Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Unlisted shares, at cost	**8,186,365**	1,410,676	572,388

As at 31 December 2012 and 2011, particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations/ legal status	Nominal value of issued / registered capital	Class of shares in issue	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2012	2011	**2012**	2011	
China Shipping Bulk Carrier Co., Limited ("Bulk Carrier") (incorporated in 2012)	PRC Limited liability company	RMB4,300,000,000	Ordinary	**100%**	0%	**0%**	0%	Provision of shipping services
China Shipping Bulk Carrier (Shanghai) Co., Limited ("Bulk Carrier Shanghai") (incorporated in 2012)	PRC Limited liability company	RMB1,000,000,000	Ordinary	**0%**	0%	**100%**	0%	Provision of shipping services
China Shipping Development (Hong Kong) Marine Co., Limited ("CSHK Development")	Hong Kong Limited liability company	USD100,000,000	Ordinary	**100%**	100%	**0%**	0%	Investment holding
China Shipping Development (S) Marine Pte Ltd	Singapore Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**0%**	0%	Provision of shipping services
China Shipping Development (Hong Kong) Wylex Co., Limited	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Development (Hong Kong) Wytex Co., Limited	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Group Liquefied Natural Gas Investment Co., Limited	PRC Limited liability company	RMB100,000,000	Ordinary	**100%**	100%	**0%**	0%	Investment holding
China Energy Shipping Investment Company Limited (incorporated in 2012)	Hong Kong Limited liability company	USD5,000,000	Ordinary	**0%**	0%	**51%**	0%	Dormant
CS Puyuan Marine Co., Limited ("CS Puyuan")	Hong Kong Limited liability company	USD19,000,000	Ordinary	**0%**	0%	**51%**	51%	Investment holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations/ legal status	Nominal value of issued / registered capital	Class of shares in issue	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2012	2011	2012	2011	
East China LNG Shipping Investment Co., Limited ("ELNG")	Hong Kong Limited liability company	USD5,000,000	Ordinary	70%	70%	0%	0%	Investment holding
Guangzhou Jinghai Shipping Co., Limited ("Guangzhou Jinghai")	PRC Limited liability company	RMB100,000,000	Ordinary	0%	51%	51%	0%	Provision of shipping services
Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao")	Hong Kong Limited liability company	USD8,000,000	Ordinary	51%	51%	0%	0%	Investment holding
North China LNG Shipping Investment Co., Limited ("NLNG")	Hong Kong Limited liability company	USD5,000,000	Ordinary	90%	90%	0%	0%	Investment holding
Shanghai Jiahe Shipping Co., Limited ("Shanghai Jiahe")	PRC Limited liability company	RMB240,000,000	Ordinary	0%	51%	51%	0%	Provision of shipping services
Shanghai Yinhua Shipping Co., Limited ("Shanghai Yinhua")	PRC Limited liability company	RMB200,000,000	Ordinary	0%	51%	51%	0%	Provision of shipping services
Tianjin Zhonghai Huarun Marine Co., Limited ("Tianjin Zhonghai")	PRC Limited liability company	RMB768,000,000 (2011: RMB557,283,156)	Ordinary	0%	51%	51%	0%	Provision of shipping services

The above table lists the subsidiaries 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.

In September 2012, the Company transferred its 51% equity interests in Guangzhou Jinghai, Shanghai Jiahe, Shanghai Yinhua and Tianjin Zhonghai and 100% equity interest in Bulk Carrier Shanghai to Bulk Carrier at a consideration of RMB2,131,211,000.

19. INVESTMENTS IN ASSOCIATES

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Cost of unlisted investments in associates	**8**	8	—
Share of profits and other comprehensive expenses	**(8)**	(8)	—
	—	—	—

As at 31 December 2012 and 2011, 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
			2012	2011	**2012**	2011	
Aquarius LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive
Aries LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Capricorn LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Gemini LNG Shipping Limited	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive

19. INVESTMENTS IN ASSOCIATES (Continued)

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

	2012	2011
	RMB'000	RMB'000
Total assets	**1,636,707**	428,821
Total liabilities	**(2,082,566)**	(831,126)
Net liabilities	**(445,859)**	(402,305)
Group's share of net assets of associates	—	—

	2012	2011
	RMB'000	RMB'000
Revenue	—	—
Profit for the year	—	—
Other comprehensive expenses	**(43,554)**	(402,331)
Group's share of other comprehensive expense of associates for the year	—	(8)

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Equity method	**4,020,369**	3,562,519	2,574,217

	Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Unlisted shares, at cost	**2,636,663**	2,623,639	1,945,679

As at 31 December 2012 and 2011, particulars of the jointly-controlled entities are as follows:

Name	Nominal value of issued /registered capital	Place of incorporation and operations/ legal status	Percentage of ownership interest, voting power and profit sharing attributable to the Group			Principal activity
			Group's effective interest	Directly	Indirectly	
Shanghai Friendship Marine Co., Limited ("Shanghai Friendship")	Registered Capital of RMB1 each (RMB300,000,000) (2011: RMB200,000,000)	PRC Limited liability company	50%	0% (2011: 50%)	50% (2011: 0%)	Provision of shipping services
Shanghai Times Shipping Co., Limited	Registered Capital of RMB1 each (RMB1,200,000,000)	PRC Limited liability company	50%	50%	0%	Provision of shipping services
China Shipping Finance Co., Limited ("CS Finance")	Registered Capital of RMB1 each (RMB600,000,000)	PRC Limited liability company	25%	25%	0%	Financial services
Huahai Petrol Transportation & Trading Co., Limited ("Huahai")	Registered Capital of RMB1 each (RMB56,879,168)	PRC Limited liability company	50%	50%	0%	Provision of shipping services
Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping")	Registered Capital of RMB1 each (RMB626,497,080) (2011: RMB597,000,000)	PRC Limited liability company	50%	0% (2011: 50%)	50% (2011: 0%)	Provision of shipping services
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	Registered Capital of RMB1 each (RMB3,100,000,000) (2011: RMB2,200,000,000)	PRC Limited liability company	49%#	49%#	0%	Provision of shipping services

20. 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.

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
2012	**7,735,117**	**2,576,505**	**2,153,248**	**4,138,005**	**3,583,977**	**293,701**
2011	6,223,601	1,743,840	1,862,670	2,542,252	4,062,759	368,775

In September 2012, the Company transferred its 50% equity interests in Shanghai Friendship and Guangzhou Shipping to Bulk Carrier at a consideration of RMB489,548,000.

21. LOANS RECEIVABLES

Loans receivables of the Group represent 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.

Loans receivables of the Company represent loans to subsidiaries denominated in RMB, are unsecured, bear interests at 3.9% to 6.51% per annum, and repayable in year 2013 to year 2022.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Unlisted equity investments, at cost	**5,873**	4,300	4,300

	Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 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 2012, unlisted equity investments with a carrying amount of RMB5,873,000 (2011: 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 2012, the Group does not provide impairments on available-for-sale financial assets (2011: RMBNil).

In September 2012, the Company transferred available-for-sale investments to Bulk Carrier at a consideration of RMB9,966,000.

22. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

The carrying amounts of the available-for-sale investments of the Group and Company are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**4,300**	4,300	—	4,300
USD	**1,573**	—	—	—
	5,873	4,300	—	4,300

23. INVENTORIES

The Group's inventories represent the bunker oil inventories and ship stores and spare parts of RMB705,993,000 and RMB228,166,000, respectively (2011: RMB607,726,000 and RMB216,235,000 respectively). The Company's inventories represent the bunker oil inventories and ship stores and spare parts of RMB256,866,000 and RMB90,537,000 respectively (2011: RMB392,442,000 and RMB174,260,000 respectively).

24. TRADE AND BILLS RECEIVABLES

	Group			Company		
	31 December 2012	31 December 2011	1 January 2011	**31 December 2012**	31 December 2011	1 January 2011
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and bills receivables	**1,445,631**	1,066,631	856,607	**480,322**	789,871	637,538
Due from jointly-controlled entities and fellow subsidiaries	**39,235**	61,314	34,456	**1,077**	58,786	35,002
Trade and bills receivables	**1,484,866**	1,127,945	891,063	**481,399**	848,657	672,540

The carrying amounts 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.

24. 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			
	2012		2011	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,345,645**	**91**	1,110,985	98
4 - 6 months	**131,054**	**9**	12,604	1
7 - 9 months	**6,751**	—	4,047	1
10 - 12 months	**1,075**	—	309	—
1 - 2 years	**341**	—	—	—
	1,484,866	**100**	1,127,945	100

	Company			
	2012		2011	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**466,109**	**97**	832,763	98
4 - 6 months	**13,093**	**3**	12,059	1
7 - 9 months	**1,232**	—	3,835	1
10 - 12 months	**835**	—	—	—
1 - 2 years	**130**	—	—	—
	481,399	**100**	848,657	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 RMB58,132,000 (2011: RMB16,960,000) 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 (2011: RMBNil).

24. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**56,716**	16,651	**4,325**	15,894
7 - 12 months	**1,416**	309	**965**	—
	58,132	16,960	**5,290**	15,894

The Group normally allows a credit period of 30 to 120 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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**860,363**	678,595	**454,314**	611,675
USD	**624,503**	449,350	**27,085**	236,982
	1,484,866	1,127,945	**481,399**	848,657

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000	1 January 2011 RMB'000
Prepayments	**114,007**	118,796	29,818	**22,732**	24,265	8,070
Deposits and other receivables	**437,952**	153,395	186,005	**342,944**	98,617	148,403
Due from fellow subsidiaries	**204,202**	211,139	127,795	**71,151**	104,529	63,318
Due from subsidiaries	**—**	—	—	**5,789,575**	3,994,827	3,865,510
	756,161	483,330	343,618	**6,226,402**	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 amounts of the prepayments, deposits and other receivables of the Group and Company are denominated in the following currencies:

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
RMB	**465,669**	172,103	**2,671,269**	868,020
USD	**240,603**	275,046	**3,550,228**	3,329,934
AUD	**31,714**	19,874	**1,963**	8,484
JPY	**216**	10,898	**378**	10,898
Others	**17,959**	5,409	**2,564**	4,902
	756,161	483,330	**6,226,402**	4,222,238

26. LOAN TO A SHAREHOLDER OF A SUBSIDIARY

The loan to a shareholder of a subsidiary, denominated in RMB, was unsecured, bore interests at 6.31% per annum, and was fully repaid in 2012.

27. 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 RMB1,437,942,000 (2011: RMB209,470,000) 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	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
RMB	**2,377,782**	2,644,443	**1,174,135**	1,602,403
USD	**899,247**	729,157	**103,979**	192,555
SGD	**4,731**	534	—	—
HKD	**3,154**	1,736	**37**	37
Others	**831**	822	**831**	822
	3,285,745	3,376,692	**1,278,982**	1,795,817

28. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale represented 3 dry bulk vessels, in respect of which sales and purchase agreements were signed between the buyers and the Company in December 2012. The sales of these 3 dry bulk vessels were completed in 2013 and, accordingly, they were classified as held for sale as at 31 December 2012 and impairment loss of RMB27,963,000 were recognised in profit or loss for the year ended 31 December 2012.

29. TRADE AND BILLS PAYABLES

	Group			Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000	1 January 2011 RMB'000
Trade and bills payables	**404,687**	458,534	485,120	**154,476**	287,524	277,649
Due to subsidiaries	**—**	—	—	**6,705**	7,556	2,512
Due to fellow subsidiaries	**803,226**	614,627	428,601	**297,056**	515,131	427,496
	1,207,913	1,073,161	913,721	**458,237**	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.

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
RMB	**666,759**	644,998	**292,378**	600,638
USD	**498,892**	410,284	**157,179**	198,936
HKD	**31,516**	5,736	**2,070**	3,779
JPY	**5,395**	6,525	**2,365**	4,814
EUR	**3,904**	1,030	**3,852**	847
Others	**1,447**	4,588	**393**	1,197
	1,207,913	1,073,161	**458,237**	810,211

29. 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			
	2012		2011	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,083,462**	**90**	611,989	57
4 - 6 months	**79,132**	**6**	363,898	34
7 - 9 months	**27,010**	**2**	61,871	6
10 - 12 months	**3,620**	**—**	25,986	2
1 - 2 years	**8,288**	**1**	8,049	1
Over 2 years	**6,401**	**1**	1,368	—
	1,207,913	**100**	1,073,161	100

	Company			
	2012		2011	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**405,971**	**89**	399,880	49
4 - 6 months	**28,807**	**6**	347,127	43
7 - 9 months	**19,383**	**4**	48,631	6
10 - 12 months	**2,155**	**1**	14,118	2
1 - 2 years	**1,662**	**—**	155	—
Over 2 years	**259**	**—**	300	—
	458,237	**100**	810,211	100

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

30. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000	1 January 2011 RMB'000
Accruals	**51,049**	46,443	123,120	**27,570**	41,158	117,496
Other payables	**755,221**	731,271	731,938	**429,155**	216,207	145,430
Due to ultimate holding company	**63,474**	—	—	**63,474**	—	—
Due to fellow subsidiaries	**46,184**	50,671	291,150	**91,031**	39,473	274,700
Due to jointly control entities	**1,037**	—	—	**—**	—	—
Due to subsidiaries	**—**	—	—	**135,533**	138,676	80,012
	916,965	828,385	1,146,208	**746,763**	435,514	617,638

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

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

The amounts due to ultimate holding company, subsidiaries, jointly control entities and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
USD	**586,631**	536,749	**11,543**	57,431
RMB	**326,960**	272,945	**735,220**	378,083
HKD	**3,374**	—	**—**	—
Others	**—**	18,691	**—**	—
	916,965	828,385	**746,763**	435,514

31. 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 31 December 2012 RMB'000	Group 31 December 2011 RMB'000	Group 1 January 2011 RMB'000	Company 31 December 2012 RMB'000	Company 31 December 2011 RMB'000	Company 1 January 2011 RMB'000
Current liabilities									
(i)	**Bank loans**								
	Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2013	**1,069,328**	922,423	561,041	**—**	35,614	35,539
	Unsecured	Libor + 0.40% to 4.00%, 3.5%	2013	**1,678,164**	686,993	662,809	**628,550**	—	231,794
				2,747,492	1,609,416	1,223,850	**628,550**	35,614	267,333
(ii)	**Notes**								
	Unsecured	4.18%	2012	**—**	1,998,038	—	**—**	1,998,038	—
(iii)	**Other borrowings**								
	Secured	5.89%, 6.46%	2013	**18,657**	—	—	**—**	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2013	**1,428,740**	966,000	1,200,000	**1,300,000**	941,000	1,200,000
				1,447,397	966,000	1,200,000	**1,300,000**	941,000	1,200,000
Notes, interest-bearing bank and other borrowings – current portion				**4,194,889**	4,573,454	2,423,850	**1,928,550**	2,974,652	1,467,333

31. 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 31 December 2012 RMB'000	Group 31 December 2011 RMB'000	Group 1 January 2011 RMB'000	Company 31 December 2012 RMB'000	Company 31 December 2011 RMB'000	Company 1 January 2011 RMB'000
Non-current liabilities									
(i)	**Bank loans**								
	Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2014 - 2024	**8,327,379**	7,185,601	4,590,795	—	284,160	319,849
	Unsecured	Libor + 0.40% to 1.70%, 6.55%	2019 - 2024	**1,257,236**	1,231,826	—	—	—	—
				9,584,615	8,417,427	4,590,795	—	284,160	319,849
(ii)	**Notes**								
	Unsecured	3.90%	2014	**2,997,211**	2,995,537	4,989,873	**2,997,211**	2,995,537	4,989,873
(iii)	**Other borrowings**								
	Secured	5.89%, 6.46%	2023	**188,663**	—	—	—	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014 - 2022	**5,436,590**	5,341,551	2,541,551	**5,000,000**	5,341,551	2,541,551
				5,625,253	5,341,551	2,541,551	**5,000,000**	5,341,551	2,541,551
Notes, interest-bearing bank and other borrowings – Non-current portion				**18,207,079**	16,754,515	12,122,219	**7,997,211**	8,621,248	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 31 vessels (2011: 22 vessels) and another 6 vessels under construction (2011: 9 vessels under construction) with total net carrying value of RMB16,073,385,000 (2011: RMB13,044,293,000) as at 31 December 2012.

The Company's bank loans were secured by pledges or mortgages of the Company's 2 vessels with total net carrying value of RMB428,817,000 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 RMB8,924,947,000 (2011: RMB7,788,252,000), unsecured bank loans of RMB1,964,098,000 (2011: RMB1,861,916,000) and unsecured other borrowings of RMB628,550,000 (2011 : RMBNil) which are denominated in USD, all borrowings are denominated in RMB.

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

(b) At 31 December 2012, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**2,747,492**	1,609,416	**628,550**	35,614
In the second year	**1,254,148**	1,389,529	**—**	35,614
In the third to fifth year, inclusive	**3,595,355**	3,028,983	**—**	106,842
Over five years	**4,735,112**	3,998,915	**—**	141,704
	12,332,107	10,026,843	**628,550**	319,774
(ii) Notes:				
Within one year or on demand	**—**	1,998,038	**—**	1,998,038
In the second year	**2,997,211**	—	**2,997,211**	—
In the third to fifth year, inclusive	**—**	2,995,537	**—**	2,995,537
	2,997,211	4,993,575	**2,997,211**	4,993,575
(iii) Other borrowings:				
Within one year or on demand	**1,447,397**	966,000	**1,300,000**	941,000
In the second year	**86,554**	1,500,000	**—**	1,500,000
In the third to fifth year, inclusive	**2,407,994**	841,551	**2,000,000**	841,551
Over five years	**3,130,705**	3,000,000	**3,000,000**	3,000,000
	7,072,650	6,307,551	**6,300,000**	6,282,551
	22,401,968	21,327,969	**9,925,761**	11,595,900

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

(b) At 31 December 2012, the Group's notes, interest-bearing bank and other borrowings were repayable as follows: (Continued)

Included in other borrowings represent an amount of RMB562,930,000 (2011: RMB1,607,551,000) were borrowed from CS Finance, a jointly-controlled entity of the Group. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB59,200,000 (2011: RMB566,000,000) and RMB503,730,000 (2011: RMB1,041,551,000) respectively.

Included in other borrowings represent an amount of RMB6,300,000,000 (2011: RMB4,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB1,300,000,000 (2011: RMBNil) and RMB5,000,000,000 (2011: RMB4,300,000,000) respectively.

Included in other borrowings represent an amount of RMBNil (2011: RMB400,000,000) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2012, the current portion of this borrowing amounted to RMBNil (2011: RMB400,000,000).

(c) Details of the notes at 31 December 2012 are as follows:

	Group and Company	
	2012	2011
	RMB'000	RMB'000
Principal amount	**3,000,000**	5,000,000
Notes issuance cost	**(8,245)**	(14,496)
Proceeds received	**2,991,755**	4,985,504
Accumulated amortisation	**5,456**	8,071
	2,997,211	4,993,575

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 become interest bearing since 4 August 2009 and 27 November 2009 respectively, payable annually in arrears on 4 August and 27 November of each year respectively. The note with principal amount of RMB3,000,000,000 will mature on 3 August 2014 and the other note with principal amount of RMB2,000,000,000 matured on 26 November 2012.

32. OTHER LOANS

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**437,318**	30,874	—
Shanghai Puyuan Shipping Co., Limited	**76,993**	77,186	—
Kantons International Investment Limited	**12,574**	—	—
Petrochina International Co., Limited	**878**	—	—
Baosteel Resources Co., Ltd ("Baosteel")	—	407,543	429,934
	527,763	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. In 2012, this loan was fully assigned to Baosteel Resources International, the subsidiary of Baosteel, with the terms remain unchanged.

Included in loan from Baosteel Resources International represents an amount of USD4,900,000 (2011: 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 and its non-controlling shareholder, Shanghai Puyuan Shipping Co., Limited, USD12,250,000 was provided to CS Puyuan to finance the construction of vessels. The loan is unsecured, non-interest bearing and repayable within 5 years after delivery of the vessels.

According to the contract signed between ELNG and its non-controlling shareholder, Kantons International Investment Limited, USD2,000,431 was provided to ELNG to finance the vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, bearing interest at approximately 3.3% over 3 months LIBOR and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between NLNG and its non-controlling shareholder, Petrochina International Co., Limited, USD139,753 was provided to NLNG to finance the vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, bearing interest at approximately 4.9% over 3 months LIBOR and have to repay within 20 years after such vessels construction projects completed.

33. PROVISIONS

	Group and Company		
	Legal claims	**Other provisions**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January 2011	66,000	19,500	85,500
Reductions	(66,000)	(19,500)	(85,500)
At 31 December 2011, 1 January 2012 and 31 December 2012	—	—	—

34. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	31 December 2012	31 December 2011	1 January 2011
	RMB'000	RMB'000	RMB'000
Carried at fair value			
Cash flow hedges:			
– Interest rate swap agreements	**12,758**	15,645	13,218

As at 31 December 2012, the Group held two interest rate swap agreements, the total notional principal amount of the two outstanding interest rate swaps agreements was USD114,093,333 (approximately RMB719,091,000). 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 2012, the floating rates of the bank loan were LIBOR + 0.42% or 0.45% (2011: LIBOR + 0.42% or 0.45%).

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

	2012	2011
	RMB'000	RMB'000
Total fair value gain/(losses) included in the hedging reserve	**2,846**	(3,143)
Hedge loan interest included in finance cost	**(7,545)**	(10,396)
Total losses on cash flow hedges interest rate swap agreements	**(4,699)**	(13,539)

35. BONDS PAYABLE

	Group and Company		
	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Convertible bonds	**3,267,823**	3,110,598	—
Corporate bonds	**4,961,395**	—	—
	8,229,218	3,110,598	—

(a) Convertible bonds

The Company's A-share 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 convertible bonds are convertible into A-shares of the Company at anytime between six months after the date of issue of the convertible bonds and the maturity date of the convertible bonds, being 2 February 2012 to 1 August 2017, at initial conversion price of RMB8.7 per share.

If the convertible bonds have not been converted, they will be redeemed at 105% of par value within five trading days after the maturity of the convertible bonds. The convertible 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 starting from 2012.

Within the last two years of the convertible 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 convertible bonds holders are entitled a one-off right to request the Company to redeem the convertible bonds wholly or partially at par, with interest accrued on that day.

The Company is entitled to redeem the convertible bonds wholly at par plus accrued interest if: (i) the closing price of the Company's shares is at or higher than 130% of the initial conversion price for any fifteen trading days in thirty consecutive trading days from issuance of the Bonds; or (ii) the aggregate par value of the outstanding convertible bonds is less than RMB30,000,000 at any time from issuance of the convertible bonds.

The convertible bond was split into liability (including the value of closely-related early redemption option and callable option) and equity components of RMB3,039,329,000 and RMB873,043,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and equity component is recognised in the convertible bonds equity reserve. The effective interest of the liability component is 5.6% per annum.

35. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

The movement of the liability component of the convertible bonds for the year is set out below:

	RMB'000
Issued during the year of 2011	3,039,329
Interest charge	71,269
Carrying amount at 31 December 2011	3,110,598
Interest charge	176,978
Interest paid	(19,750)
Conversion during the year	(3)
Carrying amount at 31 December 2012	3,267,823

The fair value and effective interest rate of the liability component of the convertible bonds at 31 December 2012 is RMB3,267,823,000 (2011: RMB3,110,598,000) and 5.6% (2011: 5.6%) per annum respectively.

Interest expense of RMB176,978,000 (2011: RMB71,269,000) has been recognised in the consolidated statement of comprehensive income in respect of the Company's A-share convertible bonds for the year ended 31 December 2012.

(b) Corporate bonds

(i) The movement of the corporate bonds for the year is set out below:

	2012
	RMB'000
Carrying amount at initial recognition	**4,959,500**
Interest charge	**1,895**
Balance as at 31 December 2012	**4,961,395**

35. BONDS PAYABLE (Continued)

(b) Corporate bonds (Continued)

As at 31 December 2012, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond RMB'000	Interest charge RMB'000	At 31 December 2012 RMB'000
3 August 2012	3 years	1,000,000	991,400	1,127	992,527
3 August 2012	10 years	1,500,000	1,487,100	419	1,487,519
29 October 2012	7 years	1,500,000	1,488,600	244	1,488,844
29 October 2012	10 years	1,000,000	992,400	105	992,505
		5,000,000	4,959,500	1,895	4,961,395

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is three-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 4.20% and matures on 3 August 2015. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.00% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued 2 batches of corporate bonds on 29 October 2012. The first batch is seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The second batch is ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

36. DEFERRED TAXATION

The following are the major deferred tax recognised and movements thereon during the current and prior years.

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Deferred tax assets	**241,801**	—	**152,852**	—
Deferred tax liabilities	**(175,169)**	(410,368)	**(148,866)**	(38,986)
	66,632	(410,368)	**3,986**	(38,986)

The Group

	Tax losses RMB'000	Unremitted earnings RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2011	—	(405,460)	—	(405,460)
Credited/(charged) to profit or loss during the year (note 12)	—	34,078	(4,123)	29,955
Charged to other comprehensive income during the year	—	—	(34,863)	(34,863)
At 31 December 2011 and at 1 January 2012 (restated)	—	(371,382)	(38,986)	(410,368)
Credited/(charged) to profit or loss during the year (note 12)	241,801	345,079	(109,880)	477,000
At 31 December 2012	241,801	(26,303)	(148,866)	66,632

36. DEFERRED TAXATION (Continued)

The Company

	Tax losses RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2011	—	—	—
Charged to profit or loss during the year (note 12)	—	(4,123)	(4,123)
Charged to other comprehensive income during the year	—	(34,863)	(34,863)
At 31 December 2011 and at 1 January 2012 (restated)	—	(38,986)	(38,986)
Credit/(charged) to profit or loss during the year	152,852	(109,880)	42,972
At 31 December 2012	152,852	(148,866)	3,986

A deferred tax asset in respect of tax losses approximating RMB113,271,000 (2011: RMB82,378,000) has not been recognised in these financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB64,773,000 (2011: RMB49,871,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

37. ISSUED CAPITAL

	2012 Number of shares	**2012** RMB'000	2011 Number of shares	2011 RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1.00 each				
At 1 January and 31 December	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A-Shares of RMB1.00 each				
At 1 January	**2,108,552,270**	**2,108,552**	2,108,552,270	2,108,552
Conversion of convertible bonds	**343**	**1**	—	—
At 31 December	**2,108,552,613**	**2,108,553**	2,108,552,270	2,108,552
Total capital	**3,404,552,613**	**3,404,553**	3,404,552,270	3,404,552

Convertible bonds: convertible bonds converted during the year resulted in 343 shares being issued (2011: Nil). The related conversion price was RMB8.7 (2011: RMBNil) per share.

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

38. RESERVES

Group

	Share premium RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund 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	Total RMB'000
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, as restated (note 5)	–	–	–	–	–	–	–	–	–	1,062,214	1,062,214
Net loss on cash flow hedges	–	–	–	–	–	(3,143)	–	–	–	–	(3,143)
Share of other comprehensive expense of associates	–	–	–	–	–	(6)	–	–	–	–	(6)
Gain on revaluation of properties	–	104,589	–	–	–	–	–	–	–	–	104,589
Exchange realignment	–	–	–	–	–	–	–	(278,163)	–	–	(278,163)
Total comprehensive income for the year	–	104,589	–	–	–	(3,149)	–	(278,163)	–	1,062,214	885,491
Transfer (from)/to reserves	–	–	105,587	–	–	–	–	–	–	(105,587)	–
Recognition of the equity component of convertible bonds	–	–	–	–	–	–	–	–	873,043	–	873,043
2011 Proposed final dividend	–	–	–	–	–	–	–	–	–	(340,455)	(340,455)
At 31 December 2011 and at 1 January 2012, as restated	3,947,214	273,418	2,861,496	–	93,158	(17,379)	1,019	(922,389)	873,043	12,903,718	20,013,298
Profit for the year	–	–	–	–	–	–	–	–	–	73,741	73,741
Net gain on cash flow hedges	–	–	–	–	–	2,846	–	–	–	–	2,846
Exchange realignment	–	–	–	–	–	–	–	17,541	–	–	17,541
Total comprehensive income for the year	–	–	–	–	–	2,846	–	17,541	–	73,741	94,128
Conversion of convertible bonds	2	–	–	–	–	–	–	–	(1)	–	1
Transfer (from)/to reserves	–	–	15,939	5,157	–	–	–	–	–	(15,939)	5,157
At 31 December 2012	**3,947,216**	**273,418**	**2,877,435**	**5,157**	**93,158**	**(14,533)**	**1,019**	**(904,848)**	**873,042**	**12,961,520**	**20,112,584**

38. 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 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, as restated	—	—	—	—	—	—	—	745,530	745,530
Transfers to/ (from) reserves	—	—	—	105,587	—	—	—	(105,587)	—
Recognition of the equity component of convertible bonds	—	—	—	—	—	—	873,043	—	873,043
Gain on revaluation of properties	—	104,589	—	—	—	—	—	—	104,589
2011 proposed final dividend	—	—	—	—	—	—	—	(340,455)	(340,455)
At 31 December 2011 and 1 January 2012, restated	3,947,490	270,254	(1,796)	2,861,496	93,158	1,019	873,043	10,093,586	18,138,250
Profit for the year	—	—	—	—	—	—	—	185,997	185,997
Transfers to/ (from) reserves	—	—	—	15,939	—	—	—	(15,939)	—
Conversion of convertible bonds	2	—	—	—	—	—	(1)	—	1
At 31 December 2012	**3,947,492**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**1,019**	**873,042**	**10,263,644**	**18,324,248**

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 RMB15,939,000 (2011(restated): RMB105,587,000) to SSR, represents 10% (2011: 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 2012, before the proposed final dividend, the Company had reserve of RMB10,263,644,000 (2011(restated): RMB10,434,041,000).

38. RESERVES (Continued)

In addition, in accordance with the Company Laws of the PRC, an amount of approximately RMB3,947,492,000 (2011: RMB3,947,490,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

Share premium

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

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.

Safety fund surplus reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to the owners of the Company for the year. When the its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to the HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

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.

38. RESERVES (Continued)

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.

Other reserve

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

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of (loss)/profit before tax to net cash inflow from operating activities

	2012 RMB'000	2011 RMB'000 (restated)
(Loss)/profit before tax	(331,375)	1,244,073
Adjustments for:		
Interest income	(64,094)	(37,034)
Depreciation	1,486,470	1,743,718
Gain on revaluation of investment properties	(439,126)	(16,492)
Share of profits of jointly-controlled entities	(293,701)	(368,775)
Gain on disposal of property, plant and equipment	(46,869)	(156,456)
Recovery of bad debts written off in prior years	—	(1,168)
Impairment losses on assets classified as held for sale	27,963	—
Operating profit before working capital changes	339,268	2,407,866
Increase in trade and bills receivables	(356,921)	(235,714)
Increase in inventories	(110,198)	(374,676)
Decrease in prepayments	4,789	279,953
(Increase)/decrease in deposits and other receivables	(273,064)	42,396
Decrease/(increase) in amounts due from fellow subsidiaries	6,937	(94,705)
Increase/(decrease) in trade and bills payables	134,752	(213,356)
Increase/(decrease) in accruals	8,026	(76,677)
Increase/(decrease) in other payables	493,648	(6,934)
Decrease in provisions	—	(85,500)
Increase in amount due to ultimate holding company	63,474	—
Increase in amounts due to joint-controlled entities	1,037	—
Decrease in amounts due to fellow subsidiaries	(4,487)	(380,754)
Cash generated from operation	307,261	1,261,899
Finance costs	593,160	414,574
Income tax paid	(9,113)	(254,506)
Net cash inflow from operating activities	891,308	1,421,967

40. 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% (2011: 18%-22%) of the basic salaries of the Group's employees. Contributions by the Group to the Scheme for the year ended 31 December 2012 amounted to RMB117,261,000 (2011: RMB134,482,000).

Enterprise annuity scheme

In the year 2008, 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 2008. According to the scheme, actual amount incurred as labour cost in 2012 amounted to RMB39,317,000 (2011: RMB46,050,000).

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 from 1 January 2012 to 31 May 2012 and HKD25,000 effective as on 1 June 2012 (2011: HKD20,000). Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2012 amounted to RMB14,245,000 (2011: RMB8,212,000).

41. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" 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 2012, the Group is still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 31 December 2012, claims on damage caused by the fuel leakage is RMB21,810,000. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensations will be borne by the insurance companies. As at 31 December 2012, the Group was still in the process of settling all the issues concerned.

(iii) ELNG, 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 NLNG, 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 each. 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 guaranteed leases ("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.

According to the term of lease guarantees and 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 guaranteed by the Company is limited to USD8.2 million (approximately RMB52 million).

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

42. 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 (2011: 1 to 3 years).

As at 31 December 2012, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**71,633**	114,273	**64,090**	111,080
In the second to fifth year, inclusive	**36,341**	60,984	**36,341**	60,984
	107,974	175,257	**100,431**	172,064

(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 (2011: 1 to 15 years).

As at 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**354,130**	957,084	**13,265**	628,228
In the second to fifth year, inclusive	**1,122,046**	1,290,907	**33,259**	288,173
Over five years	**2,473,483**	2,789,870	—	206,547
	3,949,659	5,037,861	**46,524**	1,122,948

43. CAPITAL COMMITMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**6,742,053**	11,299,626	**2,245,880**	4,351,747
Equity Investments (Note 2)	**1,029,703**	1,486,735	**1,029,703**	1,486,735
	7,771,756	12,786,361	**3,275,583**	5,838,482

In addition to the operating lease commitments detailed in note 42 above, the Group and the Company had capital commitments as at 31 December 2012, of which RMB6,742,053,000 (2011: RMB6,514,365,000) from the Group and RMB2,245,880,000 (2011: RMB2,520,067,000) from the Company will be due within one year.

Note:

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

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai of RMB1,029,668,000 (2011: RMB1,470,668,000) and a subsidiary, China Energy Shipping Investment Company Limited of RMB35,000 (2011 : RMBNil) respectively.

In addition to the above, the Group's share of the capital commitments of its associates in 2012 which are contracted for but not provided amounted to RMB1,561,350,000 (2011: RMB1,589,308,000). The Group's share of the capital commitments of its jointly-controlled entity in 2012, which are contracted for but not provided amounted to RMB2,353,458,000 (2011: RMB2,176,696,000); which are authorised but not contracted for amounted to RMB1,286,211,000 (2011: RMB2,100,538,000).

44. 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 2012 and 2011, 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 at an extraordinary general meeting hold 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.

A new services agreement signed in October 2012 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting hold on 18 December 2012. Pursuant to the new services agreement, the period of service was further extended for three years, from 1 January 2013 to 31 December 2015 with other major terms remain unchanged.

44. 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 2012 and 2011 are set out below:

	Pricing basis	2012 Total value RMB'000	2011 Total value RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**480,039**	212,869
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	**2,690,353**	2,039,943
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**56,603**	67,122
Crew expenses	Market prices	**30,566**	95,522
Accommodation, lodging medical services and transportation for employees	State-fixed prices or market prices	**8,395**	6,957
Miscellaneous management services	Market prices	**30,706**	24,740
Agency commissions	Market prices	**113,583**	113,941
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**1,496**	5,601

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.

44. RELATED PARTY TRANSACTIONS (Continued)

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

	Notes	2012 RMB'000	2011 RMB'000
Vessel chartering charges paid	(i)	**43,222**	65,126
Vessel chartering income received		**15,930**	24,594
Sale of vessels	(ii)	**55,894**	19,553
Purchases of vessels	(iii)	**254,809**	1,847,977
Rental income received		**22,163**	9,140
Vessel management fees		**2,200**	—
Shipment income		**773,700**	1,124,133
Interest income from associates		**3,197**	759
Loan interest payment	(iv)	**362,177**	268,494
Technical service fees paid		**652**	—

Note:

The Group has entered into the following agreements:

(i) On 22 December 2011, China Shipping (Hong Kong) Holdings Co., Limited ("CSHK") and Xi Chuan Shipping S.A. ("Xi Chuan"), an indirectly wholly-owned subsidiary of the Company, entered into a bare-boat charter contract where CSHK, will lease the tanker "Song Lin Wan" to Xi Chuan for a term of one year commencing from 1 January 2012 to 31 December 2012. The aggregate payment is up to USD4,392,000.

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.

44. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Note: (Continued)

(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 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.

The Company and Digang Dili entered into a sale and purchase agreement on 27 November 2012 whereby the Company agreed to sell and Digang Dili agreed to purchase a bulk vessel. The consideration for the sale of the bulk vessel is approximately RMB12,019,000.

Digang Dili paid to the Company in cash a sum of approximately RMB12,019,000 as consideration for the sale of the bulk vessel "Chang Jian". The net book value of the bulk vessel is RMBNil.

The Company and Digang Dili entered into a sale and purchase agreement on 21 August 2012 whereby the Company agreed to sell and Digang Dili agreed to purchase the bulk vessel. The consideration for the sale of the bulk vessel is approximately RMB11,332,000.

Digang Dili paid to the Company in cash a sum of approximately RMB11,332,000 as consideration for the sale of the bulk vessel "Hong Qi 204". The net book value of the bulk vessel is approximately RMB8,740,000.

The Company and Digang Dili entered into two sale and purchase agreements on 30 May 2012 whereby the Company agreed to sell and Digang Dili agreed to purchase two bulk vessels. The total consideration for the sale of the two vessels is approximately RMB32,543,000.

Digang Dili paid to the Company in cash a sum of approximately RMB16,263,000 and approximately RMB16,280,000 as consideration for the sale of the first bulk vessel "Hong Qi 202" and the second bulk vessel "Hong Qi 203" respectively. The net book value of the two bulk vessels are approximately RMB8,848,000 and approximately RMB8,848,000 respectively.

(iii) On 13 January 2012, CSHK Development, a wholly owned subsidiary of the Company, entered into an agreement with China Shipping Industrial Co. Ltd. ("CS Industrial") and CS Industrial (Jiangsu) Co. Ltd. ("CS Industrial (Jiangsu)") for the construction of a vessel for the transportation of crude oil and refined oil. The total consideration for the construction of the vessel is approximately USD53,280,000.

On 15 June 2012, Shanghai Yinhua, a subsidiary of the Company, entered into an agreement with CS Industrial (Jiangsu) for the construction of a bulk vessel for the transportation of coal and other dry bulk cargo. The total consideration for the construction of the bulk vessel is RMB182,800,000.

On 28 September 2010, the Company entered into 12 agreements with CS Industrial and 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 vessels for the year ended 31 December 2011 is approximately RMB2,553,600,000.

During the year, the total consideration paid for the construction in progress of the vessels is approximately RMB254,809,000.

44. 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 31 May 2012, the Company entered two loan assignment agreements to assign the outstanding loan balances on that date of RMB436,560,000 and RMB109,140,000 to Bulk Carrier and Bulk Carrier Shanghai, the wholly-owned subsidiaries, respectively. The remaining balance of RMB695,851,000 was repaid in August and November 2012.

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. The loan was fully repaid in 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 second entrusted loan was fully repaid in August 2012.

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.

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. The loan was fully repaid in December 2012.

44. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Note: (Continued)

(iv) (Continued)

On 26 March 2012, the Company entered into the entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB2,000,000,000 to the Company. The loan has a term of three years commencing from 26 March 2012 and ending on 26 March 2015 at 5.02% per annum. CS Finance will also charge a one-off administrative fee of RMB600,000. A supplementary agreement was signed in December 2012, pursuant to this new agreement; interest rate was decreased from 5.02% per annum to 4.12% per annum for one year, with effective from 26 March 2012.

On 25 June 2012, Shanghai Jiahe, a subsidiary of the Company, entered into a loan agreement with CS Finance whereby CS Finance provided a ten-year loan of RMB53,600,000 to Shanghai Jiahe. The loan is used to finance the construction of vessel. The interest rate is fixed at 6.46% per annum.

The related interest expenses RMB362,177,000 for the year ended 31 December 2012 have been included in the finance cost.

(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 is effective for 3 years from 1 January 2010 to 31 December 2012.

A new Financial Services Framework Agreement was signed in October 2012 between the Company and CS Finance and this became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting on 18 December 2012. Pursuant to the new Financial Services Framework Agreement, the period of service was further extended for three years, from 1 January 2013 to 31 December 2015 with other major terms remain unchanged.

(4) Outstanding balances with related parties

Details of the Group’s current account balances with its related parties as at the end of reporting period are disclosed in notes 24, 25, 26, 27, 29, 30 and 31 to the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS (Continued)

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

	2012	2011
	RMB'000	RMB'000
Fees	**400**	375
Other emoluments:		
Salaries, allowances and benefits in kind	**6,057**	5,943
Discretionary bonuses	**443**	782
Pension scheme contributions	**266**	241
	7,166	7,341

Details of directors' and supervisor's emoluments are included in note 10 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.

45. 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 minimise 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2012, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2012 would have been RMB140,559,000 (2011: RMB73,562,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

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

(ii) Cash flow and fair value interest rate risk

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

Borrowings at floating rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Notes 31, 32 and 35. To minimise its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31 December 2012, 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 RMB163,840,000 (2011: RMB86,097,000) lower/higher, the Company's post-tax profit for the year would have been RMB40,250,000 (2011: RMB21,827,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

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

As at 31 December 2012 and 2011, 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**	**2012 RMB'000**
Bank of Communications	A3/P-2/Stable	**736,547**
Bank of China	A1/P-1/Stable	**341,548**
Citibank	A3/P-2/Stable	**330,427**
Agricultural Bank of China	A1/P-1/Stable	**201,157**
Industrial and Commercial Bank of China Limited	A2/P-1/Stable	**86,499**

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

The Group does not have significant exposure to credit risk.

45. 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	**2012**
	RMB'000
Wisco Shipping Co., Ltd.	**218,528**
Ningbo China Offshore Oil Shipping Co, Limited	**136,084**
Beijing Shou-rong Forwarding Service Co., Ltd.	**106,572**
Baoshan Iron &Steel Co., Ltd.	**89,041**
China Petroleum & Chemical Corporation	**45,050**

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

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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Group

At 31 December 2012

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Contractual undiscounted cash flows RMB'000	Total RMB'000
Bank and other borrowings	4,870,737	1,947,930	16,430,964	23,249,631	19,404,757
Notes	117,000	3,117,000	—	3,234,000	2,997,211
Derivative financial instruments	—	—	12,758	12,758	12,758
Trade and bills payables	1,193,223	8,288	6,402	1,207,913	1,207,913
Other payables and accruals	706,960	—	—	706,960	706,960
Interest payments on notes and bank borrowings	210,005	—	—	210,005	210,005
Bonds payable	272,200	280,100	10,578,700	11,131,000	8,229,218
Other loan	—	437,318	90,445	527,763	527,763
	7,370,125	5,790,636	27,119,269	40,280,030	33,296,585

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 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
Bonds payable	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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2012

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Contractual undiscounted cash flows RMB'000	Total RMB'000
Bank and other borrowings	2,268,469	289,926	5,732,153	8,290,548	6,928,550
Notes	117,000	3,117,000	—	3,234,000	2,997,211
Trade and bills payables	458,237	—	—	458,237	458,237
Other payables and accruals	559,041	—	—	559,041	559,041
Interest payments on notes and bank borrowings	187,722	—	—	187,722	187,722
Bonds payable	272,200	280,100	10,578,700	11,131,000	8,229,218
	3,862,669	3,687,026	16,310,853	23,860,548	19,359,979

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 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
Bonds payable	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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value

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

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

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

(e) Determination of fair value and fair value hierarchy

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

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

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

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

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

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities:				
Derivative financial instruments	**—**	**12,758**	**—**	**12,758**

	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

45. 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 2012 and 2011.

46. 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 2012 and 2011 was as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**31,158,949**	24,954,170	**18,154,979**	14,706,498
Less: Cash and cash equivalents	**(3,285,745)**	(3,376,692)	**(1,278,982)**	(1,795,817)
Net debt	**27,873,204**	21,577,478	**16,875,997**	12,910,681
Total equity	**24,385,563**	24,461,096	**21,728,801**	21,883,257
Debt to equity ratio	**114%**	88%	**78%**	59%

47. EVENTS AFTER REPORTING PERIOD

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

(i) The first Board meeting of the Company held on 21 January 2013 resolved to utilise a portion of proceeds from the issuance of the Company's A-share convertible bonds on 1 August 2011 in the amount of RMB380,000,000 as general working capital for a period of not more than six months. Details of this resolution are also set out in the Company's announcement of 22 January 2013.

(ii) According to the third Board meeting of the Company held on 28 February 2013, the Board approved to appoint Mr. Han Jun as the Company's General Manager with effective on 28 February 2013 for a period of three years and Mr. Yan Zhichong retired on the same day. Mr. Qiu Guoxuan, Mr.Tan Weixin and Mr. Zhuang Deping continued to be the Company's deputy general managers; Mr. Wang Kang Tian continued to be the deputy general manager and the chief financial controller of the Company, with effect from 28 February 2013 for a period of three years.

(iii) According to the fourth Board meeting of the Company held on 19 March 2013, the Board approved to appoint Mr. Han Jun as an executive Director subject to the Company's Shareholders approval at the upcoming annual general meeting which is expected to be held no later than 30 June 2013. On the same day, Mr. Yan Zhichong's resignation as an executive Director and member of the Strategic Committee of the Company took effect.

(iv) At the second Supervisory Committee meeting held on 19 March 2013, the Supervisory Committee approved to appoint Mr. Chen Jihong as an supervisor of the Company subject to the Company's Shareholders approval at the upcoming annual general meeting which is expected to be held no later than 30 June 2013. On the same day, Mr. Xu Hui's resignation as a supervisor of the Company took effect.

48. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are set out in note 31 to the consolidated financial statements.

CORPORATE INFORMATION

Legal name:	China Shipping Development Company Limited
English name:	China Shipping Development Company Limited
Registered office:	Room A-1015, No. 188 Ye Sheng Road, Yangshan Free Trade Port Area, Shanghai, The People s Republic of China
Postal Code:	201306
Tel:	(8621) 65966666
Fax:	(8621) 65966160
Business address in Hong Kong:	20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Li Shaode
Company secretary:	Ms. Yao Qiaohong
Business registration number:	310000400151546
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
International auditors:	Baker Tilly Hong Kong Limited Certified Public Accountants 2th Floor, 625 King's Road North Point, Hong Kong
Domestic auditors:	Baker Tilly China Certified Public Accountants No. 19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, PRC
Legal advisers:	Jun He Law Offices Shanghai Office Floor 32, Kerry Centre 1515 West Nanjing Road, Shanghai, The People's Republic of China Reed Smith Richards Butler 20th Floor, Alexandra 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 62, is a senior economics engineer. He is currently the chairman and an executive director of the Company, chairman of the strategy committee of the Company ("Strategy Committee"), the chairman and Secretary of the Party Committee of China Shipping (Group) Company and an executive director 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 Hong Kong 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 1997. Now he is the guest professor of Dalian Maritime University and Shanghai Maritime University, the vice-chairman of China Ship-owners' Society. He has been awarded "State Council's Special Contribution Allowance" in 1999.

Mr. Xu Lirong, born in July 1957 and aged 55, 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. (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 Hong Kong Stock Exchange (stock code 2866)). 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 Hong Kong 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 Hong Kong Stock Exchange (stock code 1199) from October 2010 to February 2012 and the executive vice president, a member of the Party Committee and the chairman of the Labour 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. Zhang Guofa, born in October 1956 and aged 56, is a Doctor of economics at Wuhan University. He is currently an executive Director and vice chairman of the Company, a member of each of the Strategy Committee and Nomination Committee respectively of the Company, the deputy general manager of China Shipping (Group) Company and the vice chairman and an executive director 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 Hong Kong Stock Exchange (stock code 2866)). 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 as the vice president in November 2004 and joined the Company in May 2006 as an executive Director.

Mr. Wang Daxiong, born in December 1960 and aged 52, is a senior accountant. He is currently an executive Director, a member of each of the Strategy Committee and Nomination Committee respectively of the Company, the deputy general manager of China Shipping (Group) Company and a non-executive director 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 Hong Kong Stock Exchange (stock code 2866)), the non-executive 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. Ding Nong, born in May 1961 and aged 51, has a master degree and is now an executive director and a member of the Strategy Committee of the Company, the deputy general manager of China Shipping (Group) Company and a non-executive director of China Shipping Container Lines Company Limited. Mr. Ding obtained his bachelor degree from Shanghai Maritime University with a professional qualification in marine engineering in 1982 and obtained his master degree from Shanghai Maritime University with a professional qualification in transportation planning and administration in 2003. Mr. Ding started his career in 1982 and was a ship chief engineer of Guangzhou Bureau of Maritime Transportation Administration ("BOMTA"), the deputy general manager of the technical department of Taihua Oil Shipping Company of Guangzhou BOMTA, the assistant to the general manager and the deputy general manager of Guangzhou Shipping (Group) Company, the deputy general manager of the Bulk Carrier Branch of the Company, the general manager of China Shipping and Sinopec Suppliers Co., Ltd., the assistant to the president of China Shipping (Group) Company and the general manager of China Shipping International Ship Management Co., Ltd.

Mr. Qiu Guoxuan, born in August 1957 and aged 55, 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 of the Dispatching Centre, 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 the general manager of China Shipping Development Co., Ltd. Tramp Co., and has been an executive Director since May 2009.

Mr. Lin Jianqing, born in February 1954 and aged 58, 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. (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 Hong Kong Stock Exchange (stock code 2866)). 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. Yan Zhichong, born in May 1957 and aged 55, is a senior engineer. He is currently the secretary of the Party committee of the Tanker Company of the Company. 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. 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 also wasan executive Director of the Company from April 2011 to March 2013 and was the general manager of the Company from January 2011 to February 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongguang, born in June 1945 and aged 67, is a senior economics engineer. He is currently an independent non-executive Director, the chairman of the Company's remuneration and appraisal committee ("Remuneration and Appraisal Committee") and, a member of each of the Nomination Committee, 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 1998 to April 2007, Mr. Zhu served as the director general of the Department of Restructuring, Laws and Regulations. Mr. Zhu was 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) from August 2010 to August 2012, Mr. Zhu joined the Company as an independent non-executive Director in January 2008.

Mr. Zhang Jun, born in January 1963 and aged 50, 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 non-executive 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 45, 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 non-executive 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 62, is currently a lawyer and a senior partner of Jin Mao P.R.C. Lawyers, an independent non-executive Director, the chairman of Nomination Committee and a member of each of the Remuneration and Appraisal 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 non-executive 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.

DIRECTOR PROPOSED TO BE ELECTED AT THE AGM

Mr. Han Jun, born in March 1965 and aged 47, has an university education background and has a MBA degree and is also a engineer. He is currently the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship's mate of Dalian Shipping (Group) Company, the general manager of Hainan Hailian Shipping Company. He was the general manager of the Development Department of China Shipping (Group) Company when China Shipping (Group) Company established in July 1997, and was the vice president of China Shipping (H.K.) Holdings Co., Ltd., the general manger and vice chairman of Universal Shipping Co. Ltd. He was the president of China Shipping (H.K.) Holdings Co., Ltd. from March 2007 to February 2013 and joined the Company in March 2013 as the general.

SUPERVISORS

Mr. Xu Wenrong was born in June 1961 and aged 51. He is a professor-level senior engineer. Mr. Xu graduated from East China Petroleum Institute with a Bachelor degree. He is now the chairman of the Conpany's supervisors' committee and a director, a member of the Party Committee and Chief of Discipline & Inspection of China Shipping (Group) Company. Mr. Xu was appointed as deputy general Director of Petroleum Geophysical Exploration Bureau of China National Petroleum Corporation ("CNPC") in November 1997, and then general Director of Petroleum Geophysical Exploration Bureau of CNPC in December 1999. He was appointed the vice chairman, the general manager and Deputy Party Secretary of Bureau of Geophysical Prospecting of CNPC in December 2002. Mr. Xu was appointed Assistant General Manager of CNPC in January 2004, and at the same time, he was the director of R&D department of CNPC and the chairman of CNPC Services & Engineering Co., Ltd. Mr. Xu was appointed the Chief of Discipline & Inspection of China Shipping (Group) Company in June 2011. Mr. Xu joined the Company as a supervisor in June 2012.

Mr. Zhang Rongbiao, was born in October 1961 and aged 51. He is an accountant, auditor and engineer. He is now the general manager and Party secretary of Guangzhou Shipping (Group) Company,a non-executive director 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 Hong Kong Stock Exchange (stock code 2866)) and a director China Shipping Haisheng Co., Ltd (a company listed on the Shanghai Stock Exchange (stock code:600896)). He was the assistant director and deputy director of Supervision and Auditing Division of Guangzhou Shipping (Group) Company from January 1996 to July 1997, the executive vice director and director of Supervision and Auditing Division of China Shipping (Group) Company from July 1997 to March 2005, and the Party secretary and deputy general manager of China Shipping Development Company Limited Tramp Co. from March 2005 to March 2011. Since April 2011, he has been the general manager and Party secretary of Guangzhou Shipping (Group) Company. Mr. Zhang Rongbiao graduated from Wuhan River Transport College, majoring in Engine Management. He pursued his postgraduate study at Graduate School of Shanghai Academy of Social Sciences from January 1999 to December 2001. Mr. Zhang Rongbiao was a supervisor of the Company from May 2003 to May 2006. Mr. Zhang joined the Company as a supervisor for the second time in June 2012.

Mr. Luo Yuming, born in December, 1967 and aged 45, is a senior engineer. He is currently a supervisor of the Company as a representative of staff, deputy general manager 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.

Ms. Chen Xiuling, born in May 1965 and aged 47, 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. Kou Laiqi, was born in October 1950 and aged 61. He is currently an consultant of the Company and a supervisor of China Shipping Container Lines Co., Ltd.. Mr. Kou was formerly the deputy director of the organisation department, director of the personnel department of Shanghai BOMTA, general manager of the organisation 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 was a supervisor of the Company from May 2003 to June 2012.

Mr. Xu Hui, was born in April 1962 and aged 50. Mr. Xu Hui 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 Hui had been the deputy chief of the shipping technology division of Shanghai Hai Xing Shipping Company Limited and since 1997 he had been the chief of the technology division, Deputy General Manager and General Manager of Shanghai Shipping (Group) Company. Mr. Xu Hui graduated in 1983 from the ship management department of Jimei University and was a supervisor of the Company from May 2006 to March 2013.

SUPERVISOR PROPOSED TO BE ELECTED AT THE AGM

Mr. Chen Jihong, born in May 1957 and aged 55, has a university education background and has a MBA degree. He is currently the general manager of the Shanghai Shipping (Group) Company. Mr. Chen began his career in March 1975. He was formerly the Secretary of the Communist Party of China ("CPC") and Secretary of the Discipline Inspection Commission of Shanghai Ocean Ship Repair Factory, the vice director and director of Department of Organisation of China Shipping (Group) Company (the controlling shareholder of the Company), the vice Mayor of Fang Cheng Gang City of Guangxi Autonomous Region (temporary post). From January 2006 to February 2013, he was the Secretary of the CPC and vice general manager of Tanker Branch of the Company.

SENIOR MANAGEMENT

Mr. Han Jun, born in March 1965 and aged 47, has an university education background and has a MBA degree and is also a engineer. He is currently the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship's mate of Dalian Shipping (Group) Company, the general manager of Hainan Hailian Shipping Company. He was the general manager of the Development Department of China Shipping (Group) Company when China Shipping (Group) Company established in July 1997, and was the vice president of China Shipping (H.K.) Holdings Co., Ltd., the general manger and vice chairman of Universal Shipping Co. Ltd. He was the president of China Shipping (H.K.) Holdings Co., Ltd. from March 2007 to February 2013 and joined the Company in March 2013 as the general.

Mr. Qiu Guoxuan, born in August 1957 and aged 55, 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 of the Dispatching Centre, 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 the general manager of China Shipping Development Co., Ltd. Tramp Co., and has been an executive Director since May 2009.

Mr. Yan Zhichong, born in May 1957 and aged 55, is a senior engineer. He is currently the secretary of the Party committee of the Tanker Company of the Company. 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. 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 also wasan executive Director of the Company from April 2011 to March 2013 and was the general manager of the Company from January 2011 to February 2013.

Mr. Wang Kangtian, born in March 1966 and aged 47, 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 aged 54, 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 aged 53, 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 aged 43, 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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