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)

(Stock Code: 1138)

2013 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

Financial Highlights

- Turnover decreased by 6.9% to approximately RMB5,228 million
- Operating cost decreased by 7.0% to approximately RMB5,443 million
- Loss for the period attributable to owners of the Company is approximately RMB923 million
- Basic loss per share was RMB0.271

The board of directors (the "**Board**") of China Shipping Development Company Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2012. The Group's interim results have not been audited but have been reviewed by the Company's international auditor, Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong).

I. MAJOR FINANCIAL DATA

The interim results of the Group for the Reporting Period have been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
Revenue			
Turnover	3	5,227,790	5,614,970
Operating costs		(5,443,374)	(5,851,041)
Gross loss		(215,584)	(236,071)
Other income and gains	4	18,514	119,437
Marketing expenses		(20,244)	(26,731)
Administrative expenses		(182,877)	(163,672)
Other expenses		(18,116)	(22,905)
Share of (losses)/profits of jointly-controlled entities		(37,735)	152,125
Finance costs	5	(467,507)	(280,185)
LOSS BEFORE TAX	6	(923,549)	(458,002)
Tax	7	(5,355)	(169)
LOSS FOR THE PERIOD		(928,904)	(458,171)
OTHER COMPREHENSIVE (EXPENSES)/INCOME			
Item that may be reclassified subsequently to profit or loss:			
Exchange realignment		(102,809)	65,311
Net profit on cash flow hedges		3,647	880
Other comprehensive (expenses)/income for the period		(99,162)	66,191
Total comprehensive expenses for the period		(1,028,066)	(391,980)

	Note	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
Loss for the period attributable to:			
Owners of the Company		(922,687)	(492,393)
Non-controlling interests		(6,217)	34,222
		(928,904)	(458,171)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		(1,019,366)	(426,555)
Non-controlling interests		(8,700)	34,575
		(1,028,066)	(391,980)
Loss per share	8		
- Basic		27.10 cents	14.46 cents
- Diluted		27.10 cents	14.46 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2013

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	10	1,193,458	1,193,458
Property, plant and equipment	10	46,333,549	45,734,065
Investments in associates		—	—
Investments in jointly-controlled entities		3,966,504	4,020,369
Loan receivables		165,879	110,198
Available-for-sale investments		5,845	5,873
Deferred tax assets		241,801	241,801
		51,907,036	51,305,764
CURRENT ASSETS			
Inventories		911,492	934,159
Trade and bills receivables		1,416,116	1,484,866
Prepayments, deposits and other receivables		542,098	756,161
Held-to-maturity investments		87,000	—
Cash and cash equivalents		2,281,744	3,285,745
		5,238,450	6,460,931
Assets classified as held for sale	10	—	93,828
		5,238,450	6,554,759
CURRENT LIABILITIES			
Trade and bills payables		1,414,530	1,207,913
Other payables and accruals		589,918	916,965
Tax payable		1,322	3,206
Current portion of other loan		30,278	—
Current portion of interest-bearing bank and other borrowings		4,374,385	4,194,889
Obligation under finance lease		68,977	—
		6,479,410	6,322,973
NET CURRENT (LIABILITIES)/ASSETS		(1,240,960)	231,786
TOTAL ASSETS LESS CURRENT LIABILITIES		50,666,076	51,537,550

	30 June 2013	31 December 2012
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	3,404,553	3,404,553
Reserves	19,092,647	20,112,584
	22,497,200	23,517,137
Non-controlling interests	860,306	868,426
Total equity	23,357,506	24,385,563
NON-CURRENT LIABILITIES		
Other loans	610,556	527,763
Derivative financial instruments	8,929	12,758
Notes, interest-bearing bank and other borrowings	17,746,162	18,207,079
Obligation under finance lease	440,804	—
Bonds payable	8,323,787	8,229,218
Deferred tax liabilities	178,332	175,169
	27,308,570	27,151,987
TOTAL EQUITY AND NON-CURRENT LIABILITIES	50,666,076	51,537,550

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	637,517	(221,855)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	113,042	125,689
Interest received	9,738	1,572
Dividends received from jointly-controlled entities	16,800	11,250
Dividends received from available-for-sale investments	1,630	2,239
Purchases of property, plant and equipment	(1,437,926)	(3,146,293)
Investments in held-to-maturity investments	(87,000)	—
Loans to associates	(58,050)	(14,426)
Investments in jointly-controlled entities	(670)	(441,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,442,436)	(3,460,969)
FINANCING ACTIVITIES		
Net cash inflow from notes, bank and other borrowings	166,871	3,599,926
Contribution from non-controlling shareholders of subsidiaries	8	—
Interest paid	(353,098)	(293,463)
Dividend paid	—	(194,712)
Other financing cash outflow, net	—	(689)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(186,219)	3,111,062
NET DECREASE IN CASH AND CASH EQUIVALENTS	(991,138)	(571,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,285,745	3,376,692
Effect of foreign exchange rate changes, net	(12,863)	(30,451)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,281,744	2,774,479
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,281,744	2,774,479

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The interim financial information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2012 set out in the Company's 2012 annual report.

1.2 Significant accounting policies

The interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

A number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") are effective for the financial year beginning on 1 January 2013. Except as described below (Note 1.3), the same accounting policies, presentation and methods of computation have been followed in this interim financial information for the six months ended 30 June 2013 as were applied in the preparation of the Company's consolidated financial statements for the year ended 31 December 2012.

1.3 Impact of new and revised HKFRSs and changes in accounting policies

Impact of new and revised HKFRSs

In the current period, the Group has adopted the following new and revised standards and amendments (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2013. The adoption of the new and revised HKFRSs has had no material effect on the interim financial information of the Group for the current and previous accounting periods.

Improvements to HKFRSs	Annual improvements to HKFRSs 2009 — 2011 cycle, except for the amendments HKAS 1
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities

HKFRS 13	Fair value measurement
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income

Impact of HKFRSs issued but not yet effective

HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[1]
HKFRS 9	Financial instruments[2]
HKAS 32 (Amendments)	Presentation offsetting financial assets and financial liabilities[1]
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets[1]
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 January 2015.

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 position.

2. CHANGE IN ACCOUNTING POLICY

In 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 resolutions passed at 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. Depreciation recognised for these investment properties of RMB2,984,000 was reversed during the period ended 30 June 2012 after change in accounting policy in investment properties from cost to fair value model.

The effect of the change in accounting policy in the consolidated statement of financial position at 31 December 2011 were disclosed in the Company's 2012 annual report.

The effects of the change in accounting policy in the condensed consolidated statement of comprehensive income for the period ended 30 June 2012 is set out below.

Condensed consolidated statement of comprehensive income for the period ended 30 June 2012

	2012	**Effect of change in accounting policy**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Revenue			
Turnover	5,614,970	—	5,614,970
Operating costs	(5,851,041)	—	(5,851,041)
Gross loss	(236,071)	—	(236,071)
Other income and gains	119,437	—	119,437
Marketing expenses	(26,731)	—	(26,731)
Administrative expenses	(166,656)	2,984	(163,672)
Other expenses	(22,905)	—	(22,905)
Share of profits of jointly-controlled entities	152,125	—	152,125
Finance costs	(280,185)	—	(280,185)
LOSS BEFORE TAX	(460,986)	2,984	(458,002)
Tax	(169)	—	(169)
LOSS FOR THE PERIOD	(461,155)	2,984	(458,171)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange realignment	65,311	—	65,311
Net profit on cash flow hedges	880	—	880
Other comprehensive income for the period	66,191	—	66,191
Total comprehensive expenses for the period	(394,964)	2,984	(391,980)

	2012	Effect of change in accounting policy	2012
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Loss for the period attributable to:			
Owners of the Company	(495,377)	2,984	(492,393)
Non-controlling interests	34,222	—	34,222
	(461,155)	2,984	(458,171)
Total comprehensive expenses for the period Attributable to:			
Owners of the Company	(429,539)	2,984	(426,555)
Non-controlling interests	34,575	—	34,575
	(394,964)	2,984	(391,980)
Loss per share - basic	14.55 cents	(0.09) cents	14.46 cents
Loss per share - diluted	14.55 cents	(0.09) cents	14.46 cents

3. 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:

(a) oil shipment; and

(b) dry bulk shipment

- — coal shipment
- — iron ore shipment
- — other dry bulk shipment

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 the gain/(loss) from operating activities by principal activity and geographical area of operations for the period is set out as follows:

	For the six months ended 30 June			
	2013		**2012**	
	(Unaudited)		*(Unaudited)*	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(restated)*
By principal activity:				
Oil shipment	2,641,678	(117,212)	2,832,421	(131,927)
Dry bulk shipment				
- Coal shipment	1,265,770	(135,482)	1,381,043	(129,103)
- Iron ore shipment	1,078,222	137,341	1,056,551	106,420
- Other dry bulk shipment	242,120	(100,231)	344,955	(81,461)
	2,586,112	(98,372)	2,782,549	(104,144)
	5,227,790	(215,584)	5,614,970	(236,071)
Other income and gains		18,514		119,437
Marketing expenses		(20,244)		(26,731)
Administrative expenses		(182,877)		(163,672)
Other expenses		(18,116)		(22,905)
Share of (losses)/profits of jointly-controlled entities		(37,735)		152,125
Finance costs		(467,507)		(280,185)
Loss before tax		(923,549)		(458,002)
Total segment assets				
Oil shipment		22,702,435		25,554,619
Dry bulk shipment		15,972,687		24,651,085
Unallocated corporate assets		18,470,364		4,969,969
		57,145,486		55,175,673
Total segment liabilities				
Oil shipment		15,969,338		16,569,375
Dry bulk shipment		12,599,097		14,615,657
Unallocated corporate liabilities		5,219,545		396,557
		33,787,980		31,581,589

Segment contribution represent gross loss from each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of (losses)/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 value of tanker and dry bulk vessel at 30 June 2013 amounted to RMB19,733,565,000 and RMB21,532,358,000 respectively (31 December 2012: RMB19,258,740,000 and RMB20,392,431,000 respectively).

Geographical segments

	For the six months ended 30 June			
	2013		**2012**	
	(Unaudited)		*(Unaudited)*	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(restated)
By geographical area:				
Domestic	2,248,904	(25,374)	2,409,410	(77,760)
International	2,978,886	(190,210)	3,205,560	(158,311)
	5,227,790	(215,584)	5,614,970	(236,071)
Other income and gains		18,514		119,437
Marketing expenses		(20,244)		(26,731)
Administrative expenses		(182,877)		(163,672)
Other expenses		(18,116)		(22,905)
Share of (losses) / profits of jointly-controlled entities		(37,735)		152,125
Finance costs		(467,507)		(280,185)
Loss before tax		(923,549)		(458,002)
Turnover				
Total segment turnover		5,227,790		5,614,970
Less: inter-company transactions		—		—
Total consolidated turnover		5,227,790		5,614,970

Other information

	For the six months ended 30 June 2013			
	Oil shipment	**Dry bulk shipment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	230,915	1,139,688	389,362	1,759,965
Depreciation	403,898	404,523	1,201	809,622
Loss on disposal of property, plant and equipment	(157)	(8,989)	(1)	(9,147)
Interest income	14,385	13,482	4,325	32,192

	For the six months ended 30 June 2012			
	Oil shipment	**Dry bulk shipment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	948,648	3,132,126	3,030	4,083,804
Depreciation	356,635	353,424	1,613	711,672
Gain on disposal of property, plant and equipment	1,528	6,444	7,221	15,193
Interest income	4,518	6,035	17,339	27,892

The principal assets employed by the Group are located in the People's Republic of China ("PRC") and accordingly, no segment analysis of assets and expenditure has been prepared.

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Other income		
Bank interest income	27,960	25,514
Rental income from investment properties	10,385	6,164
Government subsidies (note)	9,605	67,933
Interest income from loan receivables	2,338	2,378
Interest income from held-to-maturity investments	1,894	—
Commission income	—	5,861
Others	4,409	2,096
	56,591	109,946
Other (losses)/gains		
Dividends from available-for-sale investments	1,630	2,239
Exchange losses, net	(33,599)	(8,687)
(Loss)/gain on disposal of property, plant and equipment, net	(9,147)	15,193
Others	3,039	746
	(38,077)	9,491
Other income and gains	18,514	119,437

Note: For the period ended 30 June 2013, the Group received a refund of value-added tax ("VAT") of RMB8,494,000 (six months ended 30 June 2012: RMB35,014,000) and no government subsidy for business development purpose is granted during the period (six months ended 30 June 2012: RMB26,910,000).There were no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses in:		
- Bank loans and other borrowings repayable within five years	195,277	154,121
- Bank loans and other borrowings repayable over five years	125,642	169,711
- Corporate bonds	124,122	—
- Convertible bonds	91,718	87,405
- Notes	59,356	101,370
- Finance lease	10,661	—
- Hedge loan	3,335	3,940
Other loan or borrowings costs and charges	132	—
	610,243	516,547
Less : Interest capitalised	(142,736)	(236,362)
Finance costs	467,507	280,185

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
		(restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,947,331	3,283,883
Others (including vessel depreciation and crew expenses)	2,496,043	2,567,158
Depreciation	809,622	711,672
Operating lease rentals:		
Land and buildings	24,288	23,319
Vessels	255,648	326,825
Total operating lease rentals	279,936	350,144
Staff costs (including directors' remuneration, salaries, pension and crew expenses)	849,963	843,819
Loss/(gain) on disposal of property, plant and equipment, net	9,147	(15,193)
Government subsidies	(9,605)	(67,933)
Dry-docking and repairs	164,819	259,679

7. TAX

(i) Hong Kong Profits Tax

Hong Kong profits tax was not provided for in the interim financial information as the Group did not have any assessable profits arising in Hong Kong during the six months period ended 30 June 2013 and 2012.

(ii) PRC Corporate Income Tax

Under the Law of the People's Republic of China on Corporate Income Tax Law (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the company is 25% from 1 January 2008 onward.

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.

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Group:		
Hong Kong	—	—
PRC		
- Charge for the period	2,191	1,721
- Under provision in prior years	1	969
Deferred tax charge/(credit)	3,163	(2,521)
Total tax charge for the period	5,355	169

8. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)* *(restated)*
Loss attributable to owners of the Company (RMB'000)	922,687	492,393
Weighted average number of ordinary shares in issue (thousands)	3,404,553	3,404,553
Basic loss per share (RMB cents per share)	27.10	14.46

(b) Diluted loss per share

As the Company does not have any potential dilutive ordinary shares during the period ended 30 June 2013 (six months ended 30 June 2012: RMB Nil), diluted loss per share is the same as basic loss per share.

9. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months period ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND ASSETS CLASSIFIED AS HELD FOR SALE

During the period, additions to construction in progress amounting to RMB1,693,188,000 (six months ended 30 June 2012: RMB3,902,779,000).

During the period, the construction of five tankers at cost of RMB1,207,193,000 and five dry bulk vessels at cost of RMB1,511,985,000 (six months ended 30 June 2012: three tankers at cost of RMB1,028,189,000 and ten dry bulk vessels at cost of RMB5,189,772,000) were completed and were transferred from construction in progress to vessels, in which the four dry bulk vessels at cost of RMB657,150,000 were held under finance lease upon completion (six months ended 30 June 2012: Nil). One tanker with net carrying amount of RMB64,118,000 was repairing and transferred to construction in progress (six months ended 30 June 2012: Two tankers with net carrying amount of RMB71,461,000 completed repairs, and have been put into operation). Meanwhile, there was one used dry bulk vessel at cost RMB47,840,000 (six months ended 30 June 2012: Nil) acquired during the period.

During the period, one dry bulk vessel and three tankers with net carrying amount of RMB35,786,000 and RMB93,828,000 respectively (six months ended 30 June 2012: four dry bulk vessels and one tanker with net carrying amount of RMB77,176,000 and RMB28,815,000 respectively)were disposed.

The net book value of vessels of RMB41,265,923,000 includes an amount of RMB648,954,000 (six months ended 30 June 2012: Nil) in respect of assets held under finance leases.

During the period, investment properties with fair value of RMB1,193,458,000 (six months ended 30 June 2012: RMB1,193,458,000) were leased.

There is no significant change in the fair value of investment properties during the period end 30 June 2013. The investment properties comprise of commercial buildings located at 670 Dong Da Ming Road, Shanghai, the PRC, held under medium term lease.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis of International and Domestic Shipping Markets during the Reporting Period

In the first half of 2013, amidst the weak recovery of global economy, the international shipping market continued to be slumping, and the environment in which shipping enterprises operated remained challenging.

On the dry bulk cargo shipping market, freight rates in the market continued to decline under pressure as a result of a smaller increase in the global bulk cargo shipping volume, slower but somewhat growing dry bulk shipping capacity, as well as the condition of supply in excess of demand in the international dry bulk shipping market. The average value of the Baltic Dry Index ("BDI") in the first half of 2013 was 841 points, down 11% as compared to the same period last year.

On the domestic coastal bulk shipping market, under the impact of slower growth in power generation, the domestic coal demand weakened, and aggravated by the impact of imported coal, there was severe inadequacy in the domestic coastal shipping demand for coal, while the coastal shipping capacity kept on growing. Therefore, an unprecedented downturn appeared in the coastal bulk shipping market in the first half of 2013. The average value of the Coastal Bulk Freight Index ("CBFI") reached a new record low level in the first half of 2013 at 1,043 points, down 8% as compared to the same period last year.

According to the statistics of the International Energy Agency, the global oil demand was basically stable in the first half of 2013, with daily consumption of approximately 89.60 million barrels, up 0.6% as compared to the same period last year. Meanwhile, despite a slight continuing growth in the size of global tanker fleets, there was no substantive improvement in the oversupply condition of shipping capacity in the international tanker shipping market during the first half year, as a result freight rates were hovering at low levels. In the first half of 2013, the daily average of Baltic Dirty Tanker Index ("BDTI") was 640 points, representing a decrease of 10.9% as compared to the same period last year, of which the daily average freight index for very large crude oil carriers ("VLCC") on shipping routes from the Middle East to Japan was WS36 points, representing a decrease of 29.3% as compared to the same period last year.

For coastal oil shipment, under the impact of the construction work of crude oil terminals and pipelines, the transshipment volume of imported crude oil fell significantly. Nevertheless, due to the recovery of production at Penglai 19-3 oilfield in Bohai Bay, the offshore oil shipping volume had increased year-on-year. Overall speaking, 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 develop new sources of products. The Group still maintained a market share of approximately 55% in the domestic crude oil shipping market in the first half of 2013 and continued its leading position in the coastal oil shipping market.

2. **Discussion and Analysis of Operations of the Group during the Reporting Period**

In the first half of 2013, the Group strengthened the marketing, cost management and safety control by adhering to the focus of work on "efficiencies and steady growth" and further deepening its strategy of "major clients, great co-operation and comprehensive services". As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development.

Affected by factors such as imbalance between supply and demand and low freight rates in the shipping market, the Group incurred operating losses in the first half of 2013.

During the Reporting Period, the volume of freight shipping turnover completed by the Group was 201.81 billion tonne-nautical miles, representing an increase of 8.4% as compared to the same period last year; total revenue derived from the principal operations (after business tax and surplus, the same below) was RMB5.228 billion, representing a decrease of 6.9% as compared to the same period last year. Total operating costs incurred in the principal operations was RMB5.443 billion, representing a decrease of 7.0% as compared to the same period last year. Net loss attributable to owners of the Parent was RMB923 million, as compared to net loss of RMB492 million for the same period last year.

2.1 ***Analysis of principal operations of the Group***

An analysis of the principal operations in terms of products transported and geographical regions during the Reporting Period is as follows:

Sub-business or sub-product	Operating Turnover *(RMB'000)*	Gross profit margin *(%)*	Increase/ decrease in operating turnover as compared with the same period in 2012 *(%)*	Increase/ decrease in gross profit margin compared with the same period in 2012 *(%)*
Domestic	1,010,129	16.9	-2.0	2.7
Crude oil transportation	857,079	22.8	7.0	2.5
Refined oil transportation	153,050	-15.8	-33.4	-9.2
International	1,631,549	-17.7	-9.5	-2.2
Crude oil transportation	770,338	-29.4	-38.9	-18.8
Refined oil transportation	861,211	-7.2	59.3	19.8
Sub-total of oil transportation	**2,641,678**	**-4.4**	**-6.7**	**0.2**
Domestic	1,238,775	-15.9	-10.2	0.5
Coal transportation	885,526	-10.0	-19.1	-2.1
Iron ore transportation	181,490	-29.2	29.3	35.0
Other dry bulk cargoes transportation	171,759	-32.0	18.6	1.8
International	1,347,337	7.3	-4.0	-1.3
Coal transportation	380,244	-12.3	32.8	2.5
Iron ore transportation	896,732	21.2	-2.2	-0.2
Other dry bulk cargoes transportation	70,361	-64.3	-64.9	-48.0
Sub-total of bulk transportation	**2,586,112**	**-3.8**	**-7.1**	**-0.1**
Total	**5,227,790**	**-4.1**	**-6.9**	**0.1**

(1) ***Shipping business — oil shipments***

In 2013, the Group continued to strengthen the marketing efforts in oil shipment operations by driving the strategy of "major clients, great co-operation and comprehensive services" with full force, and achieved good effects. In the first half of 2013, the Group captured an increase of 15.6% in the operating turnover from domestic offshore oil shipping with profit earnings, which marked a major highlighted area of the Group's operations in the first half of the year.

In the first half of 2013, the Group had 5 newly delivered tankers of 322,000 deadweight tons. As at 30 June 2013, the Group owned 79 tankers of 7.29 million deadweight tons.

In the first half of 2013, the Group achieved a total shipping volume of 95.75 billion tonne-nautical miles of oil shipment, representing a decrease of 3.8% as compared to the same period last year; the revenue achieved was RMB2.642 billion, representing a decrease of 6.7% as compared to the same period in 2012.

An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2013 *(billion tonne nautical miles)*	**In the first half of 2012** *(billion tonne nautical miles)*	**Increase/ decrease** *(%)*
Domestic	**8.23**	**8.35**	**-1.5**
Crude oil transportation	6.57	6.54	0.4
Refined oil transportation	1.66	1.81	-8.2
International	**87.52**	**91.17**	**-4.0**
Crude oil transportation	66.25	78.77	-15.9
Refined oil transportation	21.27	12.40	71.6
Total	**95.75**	**99.52**	**-3.8**

Operating turnover by cargo specie

	In the first half of 2013 *(RMB million)*	In the first half of 2012 *(RMB million)*	Increase/ decrease *(%)*
Domestic	**1,010**	**1,030**	**-2.0**
Crude oil transportation	857	800	7.0
Refined oil transportation	153	230	-33.4
International	**1,632**	**1,802**	**-9.5**
Crude oil transportation	1,771	1,262	-38.9
Refined oil transportation	861	540	59.3
Total	**2,642**	**2,832**	**-6.7**

(2) ***Shipping business — dry bulk shipments***

In the first half of 2013, the Group continued to strengthen marketing activities as well as continued to increase revenue and reduce expenses. Among its three major dry bulk shipment segments, being coastal, offshore and joint ventures, offshore dry bulk shipments became another major highlight of the Group in the first half of 2013. The Group's volume of offshore dry bulk freight shipment turnover accounted for over 60% in the first half of 2013, achieving a good result of shipment profits of RMB90 million.

In the first half of 2013, the Group had 6 newly delivered dry bulk vessels of 587,000 deadweight tons. As at 30 June 2013, the Group owned 123 dry bulk vessels of 8.61 million deadweight tons.

In the first half of 2013, the volume of dry bulk shipment turnover achieved by the Group was 106.07 billion tonne-nautical miles, representing an increase of 22.3% as compared to the same period last year; revenue derived from dry bulk freight shipments was RMB2.586 billion, representing a decrease of 7.1% as compared to the same period last year.

An analysis of the transportation volume and turnover in terms of cargo specie is as follows:

Transportation volume by specie

	In the first half of 2013 *(billion tonne nautical miles)*	**In the first half of 2012** *(billion tonne nautical miles)*	**Increase/ decrease** *(%)*
Domestic	**33.20**	**29.42**	**12.9**
Coal transportation	25.94	23.89	8.6
Iron ore transportation	3.22	3.17	1.7
Other dry bulk cargoes transportation *(Note)*	4.04	2.36	71.0
International	**72.85**	**57.30**	**27.2**
Coal transportation	9.78	8.47	15.5
Iron ore transportation	51.73	31.26	65.5
Other dry bulk cargoes transportation *(Note)*	11.34	17.57	-35.5
Total	**106.05**	**86.72**	**22.3**

Operating turnover by cargo specie

	In the first half of 2013 *(RMB million)*	**In the first half of 2012** *(RMB million)*	**Increase/ decrease** *(%)*
Domestic	**1,239**	**1,379**	**-10.2**
Coal transportation	886	1,094	-19.1
Iron ore transportation	181	140	29.3
Other dry bulk cargoes transportation *(Note)*	172	145	18.6
International	**1,347**	**1,403**	**-4.0**
Coal transportation	380	286	32.8
Iron ore transportation	897	917	-2.2
Other dry bulk cargoes transportation *(Note)*	70	200	-64.9
Total	**2,586**	**2,782**	**-7.1**

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

(3) ***Progress made in LNG shipments***

In the first half of 2013, the Group continued to promote the LNG shipments by successful execution of a basket agreement in relation to 6 LNG vessels for phase I of Sinopec APLNG Shipment Project in April 2013, while steady progress was achieved in the joint venture with Mitsui OSK Lines (MOL) (further detail of which are announced by the Company on 15 July 2011). In addition, the Group successfully completed two voyages of LNG coastal shipments in January 2013, marking a breakthrough as our first domestic coastal LNG shipment.

2.2. ***Costs and expenses analysis***

In the first half of 2013, the Group conscientiously implemented all requirements of our Board on cost reduction and efficiency enhancement by way of operational management and comprehensive budget management to further enhance cost management and control. As a result, all costs and expenses were effectively controlled, in particular the fuel costs.

In the first half of 2013, the total operating costs incurred by the Group was RMB5,443 million, representing a decrease of 7.0% as compared with the same period in 2012. The composition of the main operating costs are analysed as follows:

Item	**In the first half of 2013** *(RMB million)*	**In the first half of 2012** *(RMB million)*	**Increase/ decrease** *(%)*	**Composition ratio in 2013** *(%)*
Fuel cost	2,422	2,811	-13.8	44.5
Port cost	525	574	-8.5	9.6
Labor cost	788	758	4.0	14.5
Lubricants expenses	123	132	-6.8	2.3
Depreciation	798	696	14.6	14.7
Insurance expenses	128	126	1.6	2.3
Repair expenses	191	261	-26.8	3.5
Charter cost	255	327	-22.0	4.7
Others	213	166	28.3	3.9
Total	**5,443**	**5,851**	**-7.0**	**100.0**

The fuel cost incurred by the Group in the first half of 2013 was approximately RMB2,422 million, representing a decrease of 13.8% as compared with the same period in 2012, accounting for 44.5% of the total operating cost. The Group achieved remarkable cost reduction through various energy saving approaches such as sailing at economical speed, centralised procurement and purchase of fuel oil at locking prices. In light of the total shipping turnover volume increased by 8.4% compared with the same period in 2012, the total fuel consumption of the Group amounted to 584,000 tons, representing a decrease of 1.0% as compared with the same period in 2012. The fuel consumption per thousand nautical miles was 2.89 kg, representing a decrease of 8.6% as compared with that of the same period in 2012.

2.3. ***Interests in the jointly-controlled entities' results***

In the first half of 2013, the Group has recognised its loss from its jointly-controlled entities of approximately RMB38 million, as compared to a profit of RMB152 million during the same period in 2012. In the first half of 2013, the 5 jointly-controlled shipping companies achieved a shipping volume of 70.29 billion tonne-nautical miles, representing an increase of 15.2% as compared with the same period in 2012. The operating turnover achieved by the 5 jointly-controlled shipping companies in the first half of 2013 was approximately RMB3.49 billion, representing an increase of 9.9% as compared with the same period in 2012, with a net loss of approximately RMB112 million, as compared to a profit of RMB281 million during the same period in 2012. The 5 jointly-controlled entities of the Group are mainly engaged in domestic coastal bulk transportation, and their operating revenue and profits were adversely affected to a certain degree due to the sustained downturn of the domestic coastal bulk shipping market in the first half of 2013.

As at 30 June 2013, the 5 jointly-controlled shipping companies owned 57 bulk vessels with a total capacity of 3.02 million deadweight tonnes and 48 vessels under construction with the capacity of 2.692 million deadweight tonnes.

The operating results achieved by the 5 jointly-controlled shipping companies in the first half of 2013 are as follows:

Company Name	Interest held by the Company	Shipping volume *(billion tonne nautical miles)*	Operating revenue *(RMB'000)*	Net profit/(loss) *(RMB'000)*
Shenhua Zhonghai Marine Co., Limited	49%	43.30	1,770,391	53,611
Shanghai Times Shipping Co., Limited	50%	21.48	1,440,702	-151,933
Shanghai Friendship Marine Co., Limited	50%	0.95	61,066	-13,315
Huahai Petrol Transportation & Trading Co., Limited	50%	0.76	62,410	-3,644
Guangzhou Development Shipping Co., Limited	50%	3.80	158,938	3,759

In the first half of 2013, the net profit achieved by China Shipping Finance Co., Limited, a non-shipping jointly-controlled entity, with 25% interest held by the Company, was RMB74,251,000.

3. **Financial analysis**

(1) ***Net cash outflow/inflow***

The net cash inflow and outflow from operating activities of the Group is RMB637,517,000 and RMB 221,855,000 for the six months ended 30 June 2013 and 2012 respectively.

(2) ***Capital commitments***

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Authorised and contracted for:		
Construction and purchases of vessels *(Note 1)*	12,508,415	6,742,053
Equity investments *(Note 2)*	1,029,673	1,029,703
	13,538,088	7,771,756

The Group had the following capital commitments at 30 June 2013 of which RMB5,916,284,000 (31 December 2012: RMB6,742,053,000)will be due within one year.

Note:

(1) According to the construction and purchase agreements entered into by the Group from January 2007 to June 2013, these capital commitments will fall due in 2013 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai, of RMB1,029,668,000 (31 December 2012: RMB1,029,668,000) and a subsidiary, China Energy Shipping Investment Company Limited of RMB5,000 (31 December 2012: RMB35,000) respectively.

(3) ***Capital structure***

As at 30 June 2013, the equity attributable to the owners of the Company and net debts (as total debt (which includes interest-bearing bank borrowings, notes, other loan, finance lease and bonds payable) less cash and cash equivalents) amounted to approximately RMB22,497,200,000 and approximately RMB29,313,205,000 respectively and the debt-to-equity ratio was 130% (31 December 2012: 114%).

(4) ***Trade and bills receivables***

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

An aged analysis of the trade and bills receivables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance	**Percentage**	**Balance**	**Percentage**
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	1,143,150	81	1,345,645	91
4 - 6 months	263,944	19	131,054	9
7 - 9 months	8,293	—	6,751	—
10 - 12 months	106	—	1,075	—
1 - 2 years	623	—	341	—
	1,416,116	100	1,484,866	100

The Group normally allows an average 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 receivables are non-interest-bearing.

(5) ***Trade and bills payables***

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

Ageing analysis of trade and bills payables is as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance	**Percentage**	**Balance**	**Percentage**
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	1,122,683	79	1,083,462	90
4 - 6 months	155,625	11	79,132	6
7 - 9 months	52,795	4	27,010	2
10 - 12 months	36,524	3	3,620	—
1 - 2 years	39,294	3	8,288	1
Over 2 years	7,609	—	6,401	1
	1,414,530	100	1,207,913	100

The trade payables are non-interest-bearing and are normally settled in 30 to 180 days.

(6) ***Derivative financial instruments***

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Carried at fair value		
Cash flow hedges:		
- Interest rate swap agreements	8,929	12,758

As at 30 June 2013, the Group held two interest rate swap agreements, the total notional principal amount of the two interest rate swap agreements was USD114,093,333 (approximately RMB704,993,000). The interest rate swap agreements, with maturity in January and September 2016 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank loans were LIBOR + 0.42% or 0.45% (31 December 2012: LIBOR + 0.42% or 0.45%). The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2013 (Unaudited) *RMB'000*	2012 (Unaudited) *RMB'000*
Total fair value gain included in the hedging reserve	3,647	880
Hedge loan interest included in finance costs	(3,335)	(3,940)
Total gain/(losses) on cash flow hedges of interest rate swap agreements for the current period	312	(3,060)

(7) ***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	30 June 2013 (Unaudited)	31 December 2012 (Audited)
		(%)		*RMB'000*	*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%	2013-2014	1,531,463	1,069,328
	Unsecured	5% discount to the PBC Benchmark interest rate, Libor + 0.40% to 4.00%, 3.50%	2013-2014	2,055,592	1,678,164
				3,587,055	2,747,492
(ii) Other borrowings					
	Secured	5.89%, 6.46%	2013	4,590	18,657
	Unsecured	10% discount to the PBC Benchmark interest rate,3.90% to 6.00%	2013	782,740	1,428,740
				787,330	1,447,397
Interest-bearing bank and other borrowings — current portion				4,374,385	4,194,889

	Annual effective Interest (%)	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Non-current liabilities				
(i) Bank loans				
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 2.20%, 6.46% to 6.80%	2016-2024	7,772,051	8,327,379
Unsecured	Libor + 1.35% to 1.70%, 6.55%	2019-2024	1,434,809	1,257,236
			9,206,860	9,584,615
(ii) Notes				
Unsecured	3.90%	2014	2,998,067	2,997,211
(iii) **Other borrowings**				
Secured	5.89%, 6.46%	2023	141,015	188,663
Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014-2023	5,400,220	5,436,590
			5,541,235	5,625,253
Notes, interest-bearing bank and other borrowings — non-current portion			17,746,162	18,207,079

(b) As at 30 June 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2013	31 December 2012
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Analysed into:		
(i) Bank loans:		
Within one year or on demand	3,587,055	2,747,492
In the second year	1,214,490	1,254,148
In the third to fifth year, inclusive	3,523,607	3,595,355
Over five years	4,468,763	4,735,112
	12,793,915	12,332,107
(ii) Notes:		
In the second year	2,998,067	2,997,211
(iii) Other borrowings:		
Within one year or on demand	787,330	1,447,397
In the second year	2,407,615	86,554
In the third to fifth year, inclusive	26,520	2,407,994
Over five years	3,107,100	3,130,705
	6,328,565	7,072,650
	22,120,547	22,401,968

The Group's bank loans are secured by pledges or mortgages of the Group's 30 vessels (31 December 2012: 31 vessels) and another 6 vessels under construction (31 December 2012: 6 vessels under construction) with total net carrying amount of RMB15,679,997,000 (31 December 2012: RMB16,073,385,000) at 30 June 2013. Collateralised borrowings are secured by trade receivables of RMB485,526,000 (31 December 2012: RMB Nil).

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

Except for secured bank loans of RMB9,163,619,000 (31 December 2012: RMB8,924,947,000), unsecured bank loans of RMB2,851,649,000 (31 December 2012: RMB1,964,098,000) and unsecured other borrowings of RMB Nil (31 December 2012: RMB628,550,000) which are denominated in USD, all other borrowings are denominated in RMB.

(8) ***Risk on foreign currency***

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

As at 30 June 2013, the Group's foreign exchange liabilities mainly comprised secured bank loans equivalent to approximately RMB9,163,619,000 (31 December 2012: RMB8,924,947,000), and unsecured bank loans and other borrowings equivalent to approximately RMB2,851,649,000 (31 December 2012: RMB2,592,648,000). In addition, the Company would pay dividend for H shares in HKD.

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

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

(9) ***Contingent liabilities***

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group is in a progress to set up a Limitation of Liability for Maritime Claims fund amounting to RMB22,250,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 30 June 2013, 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 30 June 2013, claims on damage caused by the fuel leakage amounted to an aggregate of RMB40,537,000. 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 30 June 2013, the Group was still in the process of settling all the issues concerned.

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies above 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 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 RMB51 million).

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

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of floating dock and other facilities. As at 10 July 2013, the claims on damage caused by the collusion amounted to an aggregate of RMB95,000,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensations will be borne by the insurance companies. As at 8 August 2013, the Group is still in the process of settling all the issues concerned.

4. **Others**

(1) ***Fleet expansion projects***

During the first half of 2013, a fleet of 11 new vessels with a total capacity of 909,000 deadweight tonnes have been delivered for use in the first half of 2013, which comprised 5 new tankers with a total capacity of 322,000 deadweight tonnes and 6 new bulk vessels with a total capacity of 587,000 deadweight tonnes. In addition, the Group disposed of 3 single hull tankers of 244,000 deadweight tonnes and one old bulk vessel of 64,000 deadweight tonnes respectively. Following the adjustment to the fleet composition, the current fleet composition of the Group was further optimized. The average single vessel capacity kept on rising and the average age of our vessels decreased year by year.

As at 30 June 2013, the Group owned 202 vessels with a total capacity of 15.9 million deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes** *(million)*	**Average age** *(years)*
Tankers	79	7.29	7.6
Bulk vessels	123	8.61	12.1
Total	**202**	**15.90**	**10.4**

5. Outlook and highlights for the second half of 2013

5.1. *Competitive landscape and development trend in the industry*

In the second half of 2013, the global economy is expected to recover modestly with greater uncertainties, and the international economic conditions remain complicated. In terms of shipping market, although shipowners have reduced new orders and accelerated the pace of ship scrapping, excessive supply of shipping capacity in the world still exists. Therefore, it is expected that the shipping market will remain in difficult times in the second half of 2013, and the business environment will be more complex and volatile, with the co-existence of challenges and opportunities.

5.2. *Development strategies of the Company*

Under the current market conditions, the Group will continue to persist in progress while maintaining stability in the second half of 2013. On the basis of increased cooperation with large customers, the Group will focus on adjustment and optimization of market structure, fleet structure and talent team structure, and adhere to low cost competitive strategies so as to improve its corporate core competitiveness.

Facing the request for accelerated disposal of single shell tankers in the domestic market, 11 existing single hull tankers of the Company with capacity of approximately 485,000 deadweight tons, as well as 28 bulk vessels of over 20 years of age with capacity of approximately 950,000 deadweight tons, will be disposed of within two years' time from the current year to next year. The Company will pay close attention to national policies and further optimize its fleet structure step-by-step by timely disposal of old and obsolete vessels with high fuel consumption, small tonnage and weak market competitiveness, in order to enhance the competitiveness of the fleet.

As the current oversupply condition of the shipping market is yet to improve, the Group will also be under relatively greater pressure on delivery of new vessels. In the second half of 2013, the addition of 21 new vessels with a total tonnage of 1,912,000 deadweight tonnes is expected by the Group, including one tanker of 320,000 deadweight tons and 20 bulk vessels of 1,592,000 deadweight tons. As a result, it is anticipated the total shipping capacity to be delivered for actual use for the full year will be 16.53 million deadweight tons, representing an increase of 15.6% as compared to the same period last year. To this end, the Company will actively negotiate with shipyards to delay the construction and delivery schedule of some new vessels to reduce depreciation charges and finance costs. Meanwhile, the Company will further enhance the level of digitised and streamlined management, strengthen risk management capacity and various cost control measures to continuously improve its overall corporate strengths.

5.3. ***Work initiatives of the Company***

To cope with the current tough market environment, in the second half of 2013, the Group will act as follows:

(1) Enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. Facing the tough market conditions, the Company will continue to adhere to the strategy of "major clients, great co-operation and comprehensive services", continuously enhance service awareness to meet customer's demand and offer value-added services actively, and enhance the executive ability on the management of major clients. Meanwhile, the Company will also increase its efforts on the development of customer base, so as to integrate small and medium-sized customers into major clients to facilitate management, nurture its potential customers into regular customers and short-term customers into long-term cooperation partners of the Company.

As for oil shipment, in the second half of 2013, 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. As for bulk shipment, the Group 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 imported coal, grain and fertilizer. As for LNG shipment, the Group will further deepen all-round business and capital cooperation with Sinopec, Petrochina and its subordinated companies and actively promote the coastal LNG shipment cooperation projects.

(2) Strengthen cost reduction and efficiency improvement and endeavour to build low cost competitive edges. The Group will continue to foster the awareness of resources 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, shipping crew and onshore staff costs, as well as further strengthen and improve the financial management system, in order to provide an institutional assurance for cost controls.

(3) Broaden its financing sources to secure funds for corporate developments. According to the Group's delivery plans of new vessels, the capital expenditure of the Group for the years 2013 to 2014 will be RMB6.33 billion and RMB4.22 billion, respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increases. In this connection, the Group will further strengthen cooperation with banks to secure funding requirements by utilizing financial instruments in a scientific and reasonable way, lower financing costs, continuously improve capital operation effectiveness and efficiencies, maintain relatively sound financial structure and prevent financial risks and capital risks in a practicable manner.

(4) Attach high importance to personnel cultivation, strengthen the construction of talent teams and further advance the strategy of "developing on the basis of talents" to ensure the availability of talents for the sustainable development of the Company. Firstly, it will strengthen the cultivation of operational personnel to create an excellent marketing team. Secondly, it will enhance the training on its management staff in respect of specialised skills to maximise their full potential. Thirdly, it will set up a shipping crew of high standards to ensure the safety and security of vessels and improve the service quality for its freight customers.

III. OTHER MATTERS

1. **The warning and explanation for the forecast of possible accumulated net losses for the period from the beginning of the year to the end of the next reporting period or for significant changes in accumulated net profit as compared to the corresponding period of last year**

Since the beginning of 2013, there has been a sustained downturn in the domestic and overseas shipping markets. It is expected that the Group will record accumulated net losses during the nine months ended 30 September 2013.

2. **Compliance with the Corporate Governance Code**

The Board is committed to the principles of corporate governance and focuses on enhancing shareholders' value. In order to reinforce independence, accountability and responsibility, the posts of Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment and views.

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has established four professional committees under the Board, including an audit committee (**"Audit Committee**"), a remuneration and appraisal committee, a strategy committee and a nomination committee with defined terms of reference.

3. **Purchase, sale or redemption of the Company's listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

4. **Audit Committee**

The Board has established an Audit Committee to review the financial reporting procedures and internal control of the Group and to provide guidance thereto. The Audit Committee comprises all four independent non-executive Directors of the Company.

The Audit Committee has reviewed the interim results of the Company for the Reporting Period.

5. **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Director's securities transactions.

Following specific enquiries made with the Directors, supervisors and chief executives of the Company, the Directors have confirmed to the Company that each of them has complied with the Model Code during the six months ended 30 June 2013.

6. **Employees**

The adjustments of employee remuneration is 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 Company. Under this mechanism, management of employees' remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results for the Company. Save for the remuneration policy disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not receive any bonus. The Company regularly provides its administrative personnel with training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Such training may be in different forms, such as seminars, site visits and study tours.

As at 30 June 2013, the Company had 7,991 employees. During the Reporting Period, the total staff cost was approximately RMB850 million (The same period in 2012: approximately RMB843.8 million).

7. **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 matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organizing results presentation, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquires, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company.

The Company has maintained investor relations section at its website at www.cnshippingdev.com to disseminate information to its investors and its shareholders on a timely basis.

8. **Supplementary information to be published on the websites of the Stock Exchange and the Company**

All details on the financial and related information of the Company containing all information as required by the Listing Rules to be set out in this announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnshippingdev.com).

The financial information set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2012 and 2013, but is derived from the condensed consolidated financial statements prepared in accordance with the applicable disclosure requirements to the Listing Rules and HKAS 34 "Interim Financial Reporting". The condensed consolidated financial statements for the six months ended 30 June 2013 will be included in the interim report of the Company for the six months ended 30 June 2013 and delivered to the Company's shareholders as well as made available on the Company's and the Stock Exchange's website.

By order of the Board
China Shipping Development Company Limited
Li Shaode
Chairman

Shanghai, the PRC
19 August 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Li Shaode, Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Wang Daxiong, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Han Jun and Mr. Qiu Guoxuan as executive Directors, Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin, Mr. Wang Wusheng and Mr. Lin Junlai as independent non-executive Directors.