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)

2013 ANNUAL REPORT

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

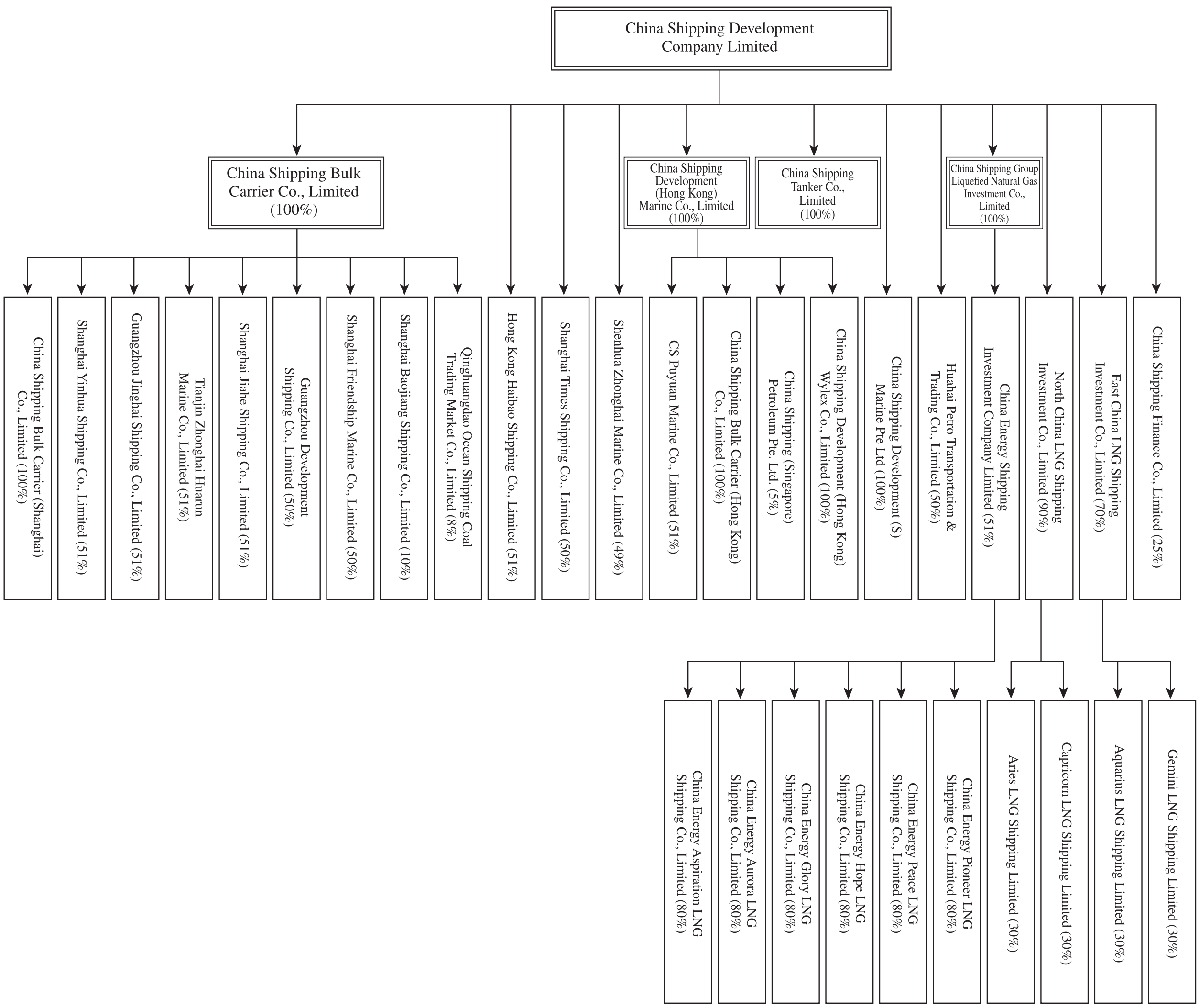
CONTENT

COMPANY PROFILE

China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") is a major shipping company having its business across the coastal region of the PRC and internationally. The Company was established on 3 May 1994, and the registered capital of the Company now is RMB3.405 billion. The registered address of the Company is in China (Shanghai) Pilot Free Trade Zone and the headquarter office of the Company is in Shanghai Port International Cruise Terminal in the North Bund Area of Shanghai. The Company was listed in the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, and stock code is 01138 and 600026.

The main business scope of the Company includes coastal and ocean shipping of crude oil and refined oil, coastal and ocean shipping of coal and iron ore, and the Company is now actively exploring shipping business of China's importing LNG.

As at 31 December 2013, the Group has the total assets of approximately RMB58.84 billion, of which the shareholders' equity is approximately RMB21.22 billion, and the Group has a fleet of 207 vessels with approximately 17.08 million deadweight 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				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**11,344,152**	11,053,628	12,157,458	11,283,594	8,729,969
(Loss)/profit before tax	**(2,229,350)**	(331,375)	1,244,073	2,171,408	1,342,337
(Loss)/profit for the year attributable to equity holders of the parent	**(2,234,106)**	73,741	1,062,214	1,716,522	1,064,794
Total assets	**58,842,479**	57,860,523	51,747,288	40,710,175	33,929,549
Non-controlling interest and Total liabilities	**37,615,108**	34,343,386	27,988,983	18,131,630	12,534,976
Equity attributable to equity holders of the parent	**21,227,371**	23,517,137	23,758,305	22,578,545	21,394,573
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.235**	6.908	6.978	6.632	6.284
(Loss)/earning per share	**(0.6562)**	0.0217	0.312	0.5042	0.3128
Dividend per share	**0.000**	0.000	0.100	0.170	0.100

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

In 2013, amidst weak demand from global major economies, together with continuous expansion in shipping capacities, the imbalance between demand and supply in the shipping market was aggravated, the international shipping market was still sluggish, and the operating environment for shipping enterprises remained challenging.

In 2013, the international oil tanker transportation market showed an overall fluctuating and declining trend. Affected by an increase in oil production in the United States, shipping demand was weak and freight rate remained at low levels. In 2013, the Baltic Dirty Tanker Index (BDTI) averaged daily at 642 points, representing a decrease of 10.7% year-on-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 40.22 points, representing a decrease of 15.5% year-on-year.

For domestic oil shipment, under the impact of large-scale crude oil terminals and oil transportation through pipelines, the transshipment volume of imported crude oil declined notably. Affected by the trend of structural changes featuring pipeline transport, short-distance transport and small freight volumes in the refined oil markets, the room for development continued to shrink in the domestic refined oil market. Offshore oil shipping volume increased year-on-year due to production resumed at the Penglai 19-3 oilfield in Bohai Bay. In general, the overall coastal oil shipping market was relatively stable.

The overall performance of the international dry bulk cargo shipping market in 2013 was better as compared to 2012. The annual freight rates showed a trend of "going from low to high" level, and the annual average value of the Baltic Dry Index (BDI) was 1,217 points, representing an increase of 32.3% as compared to 2012.

The coastal dry bulk shipping market showed a trend of experiencing two extremes in 2013. Before July 2013, the coastal coal transportation market was hit by serious oversupply in shipping capacities and the competitive advantage of imported coal prices, the coastal dry bulk shipping market experienced a historical low level. However, the demand for thermal coal in summer increased rapidly after August, the rising BDI and delay in shipments due to typhoons caused freight rates to increase continuously. In 2013, the annual average value of the Coastal Bulk Freight Index (CBFI) in China was 1,126 points, basically in line with the level of 2012.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In 2013, faced with a challenging market environment, the Group firmly adhered to innovative thinking and mode of operation. By actively implementing transformation and development and further deepening its strategy of "major clients, great co-operation and comprehensive services", new breakthroughs and results were obtained in the areas of safety management, marketing, cost reduction, efficiency enhancement and management improvement, maintaining an overall trend of stable development.

During the Reporting Period, the volume of freight shipping turnover completed by the Group was 411.29 billion tonne-nautical miles, representing an increase of 5.6% year-on-year. Revenue from operations (after business tax and surcharge) was RMB11.344 billion, representing an increase of 2.6% year-on-year. Operating costs amounted to RMB11.525 billion, representing an increase of 2.4% year-on-year. The loss attributable to owners of the Company was RMB 2,234 million, and basic loss per share were RMB0.6562.

(1) Revenue from Principal Operations

In 2013, 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 2012 (%)	Increase/ (decrease) in operating costs as compared with 2012 (%)	Increase/ (decrease) in gross profit margin as compared with 2012 (%)
Oil shipments	5,388,805	5,770,434	-7.1%	-3.6%	-0.7%	-3.2%
Coal shipments	2,698,142	2,708,046	-0.4%	-0.1%	-5.0%	5.1%
Iron ore shipments	2,455,750	2,125,930	13.4%	14.0%	16.7%	-2.1%
Other dry bulk shipments	801,455	920,429	-14.8%	32.2%	19.7%	12.0%
Total	11,344,152	11,524,839	-1.6%	2.6%	2.4%	0.2%

Principal Operations by Geographical Regions

Regions	**Revenue** (RMB' 000)	**Increase/ (decrease) in revenue as compared to 2012** (%)
Domestic shipment	4,899,067	-0.3%
International shipment	6,445,085	5.0%

(1) Shipping business — Oil shipments

In 2013, facing the persistently sluggish market and a growing competitive trend, the Company adopted the all-staff marketing concept and established a quick response team to marketing to fully implement the strategy of "major clients, great co-operation and comprehensive services" and achieved good results. In 2013, the market share of the Company in the domestic crude oil shipping market was approximately 54% and continued to maintain its leading position in the coastal oil shipment market.

In the international oil shipment market, the Company continued to leverage on the complementary advantages between domestic and international trade and achieved a notable result. By capturing the opportunity of the short-term increase of the international white oil freight rates and the demand for shipping capacity arising from the resumption of production at the Penglai 19-3 oilfield, the Company adjusted the allocation of domestic and international shipping capacities on a timely basis and realized a substantial reduction in losses of approximately RMB160 million in the international white oil and the small dirty tanker markets. The annual operating earnings derived from the VLCC fleet of the Company outperformed market level in 2013.

In 2013, the Group achieved a shipping volume of approximately 194.1 billion tonne-nautical miles of oil, representing a decrease of approximately 2.1% year-on-year; revenue derived from oil transportation was approximately RMB5,389 million, representing a decrease of 3.6% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2013 (billion tonne-nautical miles)	In 2012 (billion tonne-nautical miles)	**Increase/ Decrease** (%)
Domestic	**16.38**	17.84	-8.2%
Crude oil	**13.24**	12.60	5.1%
Refined oil	**3.14**	5.24	-40.1%
International	**177.73**	180.44	-1.5%
Crude oil	**134.67**	148.82	-9.5%
Refined oil	**43.06**	31.62	36.2%
Total	**194.11**	198.28	-2.1%

Revenue by shipments types

	In 2013 (RMB million)	In 2012 (RMB million)	**Increase/ Decrease** (%)
Domestic	**2,058**	2,195	-6.2%
Crude oil	**1,758**	1,796	-2.1%
Refined oil	**300**	399	-24.8%
International	**3,331**	3,398	-2.0%
Crude oil	**1,663**	2,023	-17.8%
Refined oil	**1,668**	1,375	21.3%
Total	**5,389**	5,593	-3.6%

(2) Shipping business — Dry bulk shipments

In 2013, the Group continued to strengthen its marketing activities to develop new customers actively and increased efforts to push ahead joint projects. New progress has been made. In 2013, the Company signed domestic bulk freight COA contracts of 53,430,000 tonnes by adopting annual fixed rates, quarterly pricing and monthly pricing rates. The amount of executed annual freight rate represented approximately 16% of the contracted shipment volume. In a sluggish market, a more market-oriented and more flexible pricing mechanism is in the better interest of the Company as a whole.

Offshore dry bulk cargo shipment became another bright spot in the Group's operation. In 2013, the offshore dry bulk cargo shipment turnover volume accounted for over 60% in the total dry bulk cargo shipment turnover, and realized an outstanding performance by achieving shipment profit of approximately RMB320 million. The fleet of very large ore carriers (VLOC), comprising 8 VLOC vessels of 230,000 tonnes for each and 6 VLOC vessels of 300,000 tonnes for each, completed a shipping volume of 20,530,000 tonnes, representing an increase of 22.7% year-on-year, and realized an operating revenue of RMB1,720 million and shipment profits of RMB540 million from completed voyages, creating an important stabilizing effect on the Group's economic returns.

In 2013, the Group achieved a shipping volume of approximately 217.2 billion tonne-nautical miles of dry bulk cargo, representing an increase of approximately 13.6% year-on-year; operating revenue derived from dry bulk cargo transportation was approximately RMB5.955 billion, representing an increase of 9.0% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2013 (billion tonne-nautical miles)	In 2012 (billion tonne-nautical miles)	**Increase/ Decrease** (%)
Domestic	**66.62**	63.46	5.0%
Coal	**54.03**	51.68	4.5%
Iron ore	**6.70**	6.35	5.5%
Others	**5.89**	5.43	8.5%
International	**150.56**	127.67	17.9%
Coal	**17.80**	19.08	-6.7%
Iron ore	**113.07**	86.48	30.7%
Others	**19.69**	22.11	-11.0%
Total	**217.18**	191.13	13.6%

Revenue by shipments types

	In 2013 (RMB million)	In 2012 (RMB million)	**Increase/ Decrease** (%)
Domestic	**2,841**	2,719	4.5%
Coal	**2,093**	2,138	-2.1%
Iron ore	**336**	265	26.8%
Others	**412**	316	30.4%
International	**3,114**	2,742	13.6%
Coal	**605**	561	7.8%
Iron ore	**2,120**	1,890	12.2%
Others	**389**	291	33.7%
Total	**5,955**	5,461	9.0%

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

(3) Progress made in LNG shipments

In 2013, the Group continued to promote the LNG shipments. While making steady progress in the establishment of the Mobil DES project, its joint project with Mitsui OSK Lines (MOL), it had also entered into a basket agreement in relation to 6 LNG vessels for phase 1 of the Sinopec APLNG Shipment Project successfully in April 2013.

3. COSTS AND EXPENSES ANALYSIS

While achieving well in transportation operations, the Company has seriously and consistently implemented the various requirements of the Board on further enhancing management, cost reduction and efficiency improvement. Starting on operational management and overall budget management, cost management and control was further strengthened and all types of various costs and expenses were effectively under control. In 2013, transportation cost of RMB11,524 million was incurred, representing an increase of 2.4% year-on-year, while ensuring notable increase in the operating profit. The composition of the main operating costs is as follows:

Item	In 2013 (RMB'000)	In 2012 (RMB'000)	Increase/ Decrease (%)	Composition ratio in 2013
Fuel cost	**4,818,839**	5,303,973	-9.1%	**41.8%**
Port cost	**1,302,820**	1,106,553	17.7%	**11.3%**
Labor cost	**1,657,039**	1,545,480	7.2%	**14.4%**
Lubricants expenses	**223,615**	244,858	-8.7%	**2.0%**
Depreciation	**1,641,748**	1,448,173	13.4%	**14.2%**
Insurance expenses	**251,978**	260,733	-3.4%	**2.2%**
Repair expenses	**289,137**	386,791	-25.2%	**2.5%**
Charter cost	**612,076**	623,567	-1.8%	**5.3%**
Provision for onerous contracts	**349,694**	—	—	**3.0%**
Others	**377,893**	332,123	13.78%	**3.3%**
Total	**11,524,839**	11,252,251	2.4%	**100.0%**

Fuel cost was the most important item among all under cost control. International oil prices presented a fluctuating trend in 2013, the WTI prices averaged daily at USD98 per barrel. The Company achieved significant cost reduction by adopting measures including locking oil purchases, operating at shipping speed with the best economic effect, participating in the establishment of an offshore centralized fuel purchasing platform through shareholding acquisition and implementing a cross-department comprehensive energy saving new mechanism. In 2013, while the turnover volume increased by 5.6% year-on-year, the fuel consumption volume was 1,184,500 tonnes, representing a minor increase of 0.6% year-on-year; and fuel costs was approximately RMB4,819 million, accounting for 41.8% of the transportation costs; average fuel consumption was 2.88 kg/1,000 nautical miles, decreased by 4.6% year-on-year; and the average prices of fuel consumed by the Group is RMB4,068 per tonne, decreasing by 9.8% year-on-year. In 2013, the Company has achieved a gain of nearly RMB313 million under its dedicated efforts through locking oil purchases and operating at economic shipping speed.

4. OPERATING RESULTS OF THE JOINT VENTURES

In 2013, the Group has recognised its profits in its joint ventures of approximately RMB111 million, representing a decrease of 62.2% as compared with that of the same period in 2012. In 2013, the 5 joint ventures achieved a shipping volume of 171.89 billion tonne-nautical miles, representing an increase of 34.6% as compared with the same period in 2012. The operating revenue achieved by the 5 joint ventures in 2013 was approximately RMB9,329 million, representing an increase of 32.6% as compared to that of the same period in 2012, and the net profit realized by the 5 joint ventures in 2013 was approximately RMB163 million, representing a decrease of 70.1% as compared to that of the same period in 2012.

As at 31 December 2013, the 5 joint ventures owned 80 bulk vessels with a total capacity of 4,160,000 deadweight tonnes and 22 vessels under construction with the capacity of 1,185,000 deadweight tonnes.

The operating results achieved by the 5 joint ventures in 2013 are as follows:

Company name	**Interest held by the Group**	**2013 Shipping volume (billion tonne nautical miles)**	**2013 Operating revenue (RMB'000)**	**2013 Net profit /(loss) (RMB'000)**
Shenhua Zhonghai Marine Co., Limited	49%	1,148.8	5,086,740	273,380
Shanghai Times Shipping Co., Limited	50%	454.0	3,638,341	(118,453)
Shanghai Friendship Marine Co., Limited	50%	20.0	130,396	(15,470)
Huahai Petrol Transportation & Trading Co., Limited	50%	21.1	156,753	8,642
Guangzhou Development Shipping Co., Limited	50%	75.0	317,146	14,545

In 2013, the net profit achieved by China Shipping Finance Co., Limited ("CS Finance"), a non-shipping joint ventures, with 25% interest held by the Company, was approximately RMB165 million.

5. FINANCIAL ANALYSIS

(1) PROVISION FOR ONEROUS CONTRACTS

	Group 2013 RMB'000	Company 2013 RMB'000
As at 1 January	—	—
Provision for the year	**349,694**	**33,436**
As at 31 December	**349,694**	**33,436**
Less: current portion of provision for onerous contracts	**(175,287)**	**(17,158)**
Non-current portion of provision for onerous contracts	**174,407**	**16,278**

As at 31 December 2013, the Group has a provision of RMB349,694,000 for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 31 December 2013, the committed charterhire expenses of non-cancellable chartered-in oil tankers and dry bulk vessel contracts with lease term expiring over 24 months from the end of the reporting period and with period not being covered by chartered-out oil tankers and dry bulk vessels contracts of which management cannot reliably assess their onerous contracts, amounted to approximately RMB3,031,793,000.

(2) Net cash inflow

The net cash inflow from operating activities of the Group decreased from approximately RMB891,308,000 for the year ended 31 December 2012 to approximately RMB1,429,279,000 for the year ended 31 December 2013, representing an increase of approximately 60.4%.

(3) Capital commitments

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**9,586,595**	6,742,053	**—**	2,245,880
Equity Investments (Note 2)	**592,868**	1,029,703	**592,868**	1,029,703
	10,179,463	7,771,756	**592,868**	3,275,583

The Group and the Company had capital commitments as at 31 December 2013, of which RMB5,980,812,000 (2012: RMB6,742,053,000) from the Group and RMB592,868,000 (2012: RMB2,245,880,000) from the Company will be due within one year.

Notes:

(1) According to the construction or purchase agreements entered into by the Group from January 2007 to December 2013, these capital commitments will fall due in 2014 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in joint ventures, Shenhua Zhonghai Marine Co., Limited of RMB592,868,000 (2012: RMB1,029,668,000) and a subsidiary, China Energy Shipping Investment Co., Limited ("China Energy") of RMBNil (2012 : RMB35,000) respectively.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB895,929,000 (2012: RMB1,561,350,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB1,296,397,000 (2012: RMB2,353,458,000); which are authorised but not contracted for amounted to RMB4,900,000 (2012: RMB1,286,211,000).

(4) Capital structure

The Group's and Company's net debt-to-equity ratio at 31 December 2013 and 2012 was as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**33,603,578**	31,158,949	**17,878,629**	18,154,979
Less: Cash and cash equivalents	**(1,919,204)**	(3,285,745)	**(487,558)**	(1,278,982)
Net debt	**31,684,374**	27,873,204	**17,391,071**	16,875,997
Total equity	**22,211,877**	24,385,563	**20,975,375**	21,728,801
Debt to equity ratio	**143%**	114%	**83%**	78%

(5) Cash and cash equivalents

Cash at banks generates interest income at floating rates based on daily bank deposit rates. Short-term fixed deposits are deposited for various periods of between one day to three months depending on the immediate cash requirements of the Group, and interest income shall accrue at the respective short-term fixed deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair values.

Included in cash and cash equivalents is an amount of RMB792,008,000 (2012: RMB1,437,942,000) of bank balance deposited with CS Finance, a joint venture of the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**871,540**	2,377,782	**406,746**	1,174,135
USD	**1,043,235**	899,247	**79,898**	103,979
SGD	**1,866**	4,731	**—**	—
HKD	**1,722**	3,154	**73**	37
Others	**841**	831	**841**	831
	1,919,204	3,285,745	**487,558**	1,278,982

(6) 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 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Current liabilities						
(i) Bank loans						
Secured	Libor + 0.4% to 1.7%, 6.46%	2014	**1,627,229**	1,069,328	—	—
Unsecured	Libor + 0.6% to 4%, 3 months Libor, 3 months Libor +1.3%, 6.55%	2014	**1,575,940**	1,678,164	**487,752**	628,550
			3,203,169	2,747,492	**487,752**	628,550
(ii) Notes						
Unsecured	3.9%	2014	**2,998,949**	—	**2,998,949**	—
(iii) Other borrowings						
Secured	6.46%	2014	**6,630**	18,657	—	—
Unsecured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, 4.86% to 6.51%, Libor +1.6%	2014	**2,356,307**	1,428,740	**1,000,000**	1,300,000
			2,362,937	1,447,397	**1,000,000**	1,300,000
Notes, interest-bearing bank and other borrowings – current portion			**8,565,055**	4,194,889	**4,486,701**	1,928,550

		Annual effective interest (%)	Maturity	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Non-current liabilities							
(i)	**Bank loans**						
	Secured	3 months Libor +2.2%, Libor +0.4% to 1.7%, 6.46%	2016-2037	**8,109,880**	8,327,379	—	—
	Unsecured	Libor +1.55% to 1.85%, 6.55%	2019-2024	**2,092,182**	1,257,236	—	—
				10,202,062	9,584,615	—	—
(ii)	**Notes**						
	Unsecured	3.9%	2014	—	2,997,211	—	2,997,211
(iii)	**Other borrowings**						
	Secured	6.46%	2023	**137,700**	188,663	—	—
	Unsecured	10% discount to the PBC Benchmarkinterest rate, 4.12% to 6.51%	2015-2018	**5,072,790**	5,436,590	**5,000,000**	5,000,000
				5,210,490	5,625,253	**5,000,000**	5,000,000
Notes, interest-bearing bank and other borrowings – non-current portion				**15,412,552**	18,207,079	**5,000,000**	7,997,211

The Group s bank loans are secured by pledges or mortgages of the Group s 34 vessels (2012: 31 vessels) and another 4 vessels under construction (2012: 6 vessels under construction) with total net carrying value of RMB16,299,120,000 (2012: RMB16,073,385,000) as at 31 December 2013. Collateralised borrowings are secured by trade receivables of RMB504,705,000 (2012: RMBNil).

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 RMB9,598,438,000 (2012: RMB8,924,947,000), unsecured bank loans of RMB2,947,739,000 (2012: RMB1,964,098,000) and unsecured other borrowings of RMB426,767,000 (2012: RMB628,550,000) which are denominated in USD, all borrowings are denominated in RMB.

(b) At 31 December 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**3,203,169**	2,747,492	**487,752**	628,550
In the second year	**1,675,888**	1,254,148	—	—
In the third to fifth year, inclusive	**3,886,845**	3,595,355	—	—
Over five years	**4,639,329**	4,735,112	—	—
	13,405,231	12,332,107	**487,752**	628,550
(ii) Notes:				
Within one year or on demand	**2,998,949**	—	**2,998,949**	—
In the second year	—	2,997,211	—	2,997,211
	2,998,949	2,997,211	**2,998,949**	2,997,211
(iii) Other borrowings:				
Within one year or on demand	**2,362,937**	1,447,397	**1,000,000**	1,300,000
In the second year	**2,079,420**	86,554	**2,000,000**	—
In the third to fifth year, inclusive	**3,026,010**	2,407,994	**3,000,000**	2,000,000
Over five years	**105,060**	3,130,705	—	3,000,000
	7,573,427	7,072,650	**6,000,000**	6,300,000
	23,977,607	22,401,968	**9,486,701**	9,925,761

Included in other borrowings represent an amount of RMB1,658,930,000 (2012: RMB562,930,000) were borrowed from CS Finance, a joint venture of the Group. As at 31 December 2013, the current and non-current portion of this borrowing amounted to RMB1,532,140,000 (2012: RMB59,200,000) and RMB126,790,000 (2012: RMB503,730,000) respectively.

Included in other borrowings represent an amount of RMB5,400,000,000 (2012: RMB6,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2013, the current and non-current portion of this borrowing amounted to RMB400,000,000 (2012: RMB1,300,000,000) and RMB5,000,000,000 (2012: RMB5,000,000,000) respectively.

Included in other borrowings represent an amount of RMB426,767,000 (2012: RMBNil) were borrowed from China Shipping (Hong Kong) Holdings Co., Limited ("CSHK"), a fellow subsidiary of the Company. As at 31 December 2013, the current portion of this borrowing amounted to RMB426,767,000 (2012: RMBNil).

(c) Details of the notes at 31 December 2013 are as follows:

	Group and Company	
	2013	2012
	RMB'000	RMB'000
Principal amount	**3,000,000**	3,000,000
Notes issuance cost	**(8,245)**	(8,245)
Proceeds received	**2,991,755**	2,991,755
Accumulated amortisation	**7,194**	5,456
	2,998,949	2,997,211

Notes with principal amount of RMB3,000,000,000 was issued by the Group to investors on 3 August 2009. The notes carried a fixed interest yield of 3.90% per annum and were issued at a price of 100 per cent of its principal amount, resulting in no discount on the issue. The notes become interest bearing since 4 August 2009, payable annually in arrears on 4 August of each year. The notes will mature on 3 August 2014.

(7) Other loans

	Group	
	2013	2012
	RMB'000	RMB'000
Baosteel Resources International Company Limited (“Baosteel Resources International”)	**424,206**	437,318
Kantons International Investment Limited (“Kantons International”)	**142,453**	12,574
Shanghai Puyuan Shipping Co., Limited (“Shanghai Puyuan”)	**104,297**	76,993
Mitsui O.S.K. Lines, Limited (“MOL”)	**63,132**	—
Petrochina International Co., Limited	**10,020**	878
	744,108	527,763
Less: current portion of other loans	**(29,874)**	—
Non-current portion of other loans	**714,234**	527,763

Included in loan from Baosteel Resources International represents an amount of USD69,580,000 (2012: USD69,580,000) was provided to Hong Kong Hai Bao Shipping Co., Limited to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3.5% (2012: 3%) per annum and repayable in 2014 and 2018.

According to the contract signed between East China LNG Shipping Investment Co., Limited (“ELNG”) and its non-controlling shareholder, Kantons International, USD3,069,517 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 China Energy and its non-controlling shareholder, Kantons International, USD20,295,349 were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between CS Puyuan Marine Co., Limited (“CS Puyuan”) and its non-controlling shareholder, Shanghai Puyuan, USD17,107,200 was provided to CS Puyuan to finance the daily operation. The loans are unsecured, non-interest bearing and repayable in 2015 and 2016.

According to the contracts signed between China Energy and its non-controlling shareholder of subsidiaries, MOL, USD10,354,792 were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 15 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, USD1,643,393 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.

(8) Bonds payable

	Group and Company	
	2013	2012
	RMB'000	RMB'000
Convertible bonds	**3,424,692**	3,267,823
Corporate bonds	**4,967,236**	4,961,395
	8,391,928	8,229,218

(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 issuing 39,500,000 number of bonds at a 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.

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.1 per share (before tax). According to the terms of issuance of the convertible bonds and relevant regulations by China Securities Regulatory Commission, the Company changed the conversion price from RMB8.7 per share to RMB8.6 per share effective from 1 June 2012.

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
Carrying amount at 1 January 2012	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
Interest charge	184,541
Interest paid	(27,650)
Conversion during the year	(22)
Carrying amount at 31 December 2013	3,424,692

The fair value and effective interest rate of the liability component of the convertible bonds at 31 December 2013 is RMB3,424,692,000 (2012: RMB3,267,823,000) and 5.6% (2012: 5.6%) per annum respectively.

Interest expense of RMB184,541,000 (2012: RMB176,978,000) has been recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2013.

(a) Corporate bonds

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

	2013 RMB'000
Carrying amount at initial recognition	**4,959,500**
Interest charge	**1,895**
Balance as at 31 December 2012	**4,961,395**
Interest charge	**5,841**
Balance as at 31 December 2013	**4,967,236**

As at 31 December 2013, 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	At 31 December 2012 RMB'000	Interest charge RMB'000	At 31 December 2013 RMB'000
3 August 2012	3 years	1,000,000	991,400	992,527	2,792	**995,319**
3 August 2012	10 years	1,500,000	1,487,100	1,487,519	1,042	**1,488,561**
29 October 2012	7 years	1,500,000	1,488,600	1,488,844	1,405	**1,490,249**
29 October 2012	10 years	1,000,000	992,400	992,505	602	**993,107**
		5,000,000	4,959,500	4,961,395	5,841	**4,967,236**

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.

(9) Obligations under finance leases

It is the Group's policy to lease certain of its vessels under finance leases, with lease terms of 10 years. Interest rates underlying all such finance leases are fixed at 5.90% per annum.

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	**68,977**	—	**41,479**	—
– In more than one year but not more than two years	**68,977**	—	**43,979**	—
– In more than two years but not more than five years	**206,931**	—	**149,543**	—
– More than five years	**288,886**	—	**254,934**	—
	633,771	—	**489,935**	—
Less: future finance charges	**(143,836)**	—		
Present value of lease obligations	**489,935**	—		
Less: Amount due within one year shown under current liabilities			**(41,479)**	—
Amount due after one year			**448,456**	—

The Group's obligations under finance leases are secured by charges over the leased assets.

(10) Contingent Liabilities

(i) In August 2011, one of the Group's dry bulk cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" sunk afterwards. The Group is in a progress of setting up a Limitation of Liability for Maritime Claims amounting to a total sum of RMB23,120,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 31 December 2013, the Group was still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's oil tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 31 December 2013, claims on damage caused by the fuel leakage amounted to an aggregate of RMB11,000,000. 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 2013, 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 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 by the four companies 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 RMB50 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 the floating dock and other facilities. As at 10 July 2013, the claims on damage caused by the collision 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 compensation will be borne by the insurance companies. As at 31 December 2013, the Group was still in the process of setting all the issues concerned.

(11) Foreign exchange risk management

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 2013, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax loss for the year 2013 would have been RMB154,289,000 (2012: post-tax profit RMB140,559,000) lower/higher (2012: higher/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.

(12) Cash flow and fair value interest rate risk management

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 minimize its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31 December 2013, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax loss for the year would have been RMB100,108,000 (2012: post-tax profit RMB163,840,000) higher/lower (2012: lower/higher), the Company's post-tax loss for the year would have been RMB3,658,000 (2012: post-tax profit RMB40,250,000) higher/lower (2012: lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

7. OTHERS

(1) Fleet expansion projects

In 2013, the Group has achieved further improvement in its fleet expansion.

In 2013, the cash outflow from investment activities of the Group was approximately RMB4.1 billion which has been paid for construction of new vessels, transformation of old vessels and capital increases into joint ventures of the Company, including capital expenditure of approximately RMB3.740 billion paid for the purchase of new vessels by the Group.

In terms of fleet expansion, 6 new oil tankers with a total capacity of approximately 640,000 deadweight tonnes and 18 new bulk vessels with a total capacity of approximately 1,730,000 deadweight tonnes have been delivered for use in 2013.

As at 31 December 2013, the composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes** ('000)	**Average age** (years)
Oil Tankers	74	7,337	7.1
Dry bulk vessels	133	9,739	11.4
Total	207	17,076	9.8

(2) Material asset disposals

In 2013, the Group disposed of 12 vessels of an aggregate of 619,000 deadweight tonnes, including 9 oil tankers of 523,000 deadweight tonnes and 3 bulk vessels of 96,000 deadweight tonnes respectively.

8. OUTLOOK AND HIGHLIGHTS FOR 2014

(1) Competitive landscape and development trend in the industry

In 2014, the global economy has been recovering slowly. The international trade is likely to rebound from the sluggish situation, and it is anticipated that low growth rate may become a normal trend in the next few years. The overall economy of China is stable, and it is anticipated that the full year GDP growth rate will be around 7.5%, implying the economy continues to operate within a reasonable range.

For the shipping market, the oversupply condition of shipping capacities has not been resolved fundamentally. The international shipping market as a whole is expected to remain in a sluggish condition, a sustainable recovery may need some more time. The supply and demand conditions in the international dry bulk cargo market tend to improve in a favorable direction, and the BDI may surpass the average level of 2013. The overall freight rate level in the international oil shipment market may be slightly higher than the level in 2013.

(2) Development strategies of the Company

Facing changes in the market, the Company will adhere to the guiding principles of "planning for changes and new developments, developing under a transformed model and in an innovative manner" in 2014. On the basis of increased cooperation with large customers, the Group will adapt to the development trend of large vessels and low carbon operations to make scientific and reasonable adjustment to the fleet structure so as to improve core competitiveness. The Company currently has 40 old vessels of over 20 years of age with capacity of approximately 1,306,000 deadweight tonnes. The Company will further optimize its fleet structure step-by-step by timely disposing old vessels with high fuel consumption, small tonnage and low market competitiveness.

(3) Operational plans

In 2014, the Group expects to add 20 new vessels with a total tonnage of 1,920,000 deadweight tonnes of shipping capacity, including 2 oil tankers of 430,000 deadweight tonnes, 18 bulk vessels of 1,490,000 deadweight tonnes. It is anticipated that the total shipping capacity in effective use throughout the whole year will be 18.06 million deadweight tonnes, representing an increase of 5.7% year-on-year.

Based on the market conditions of the domestic and overseas shipping industry in 2014, and taking into account of the delivery of new vessels, the Group's major operating plans in 2014 are as follows: completion of shipment turnover volume of 519.2 billion tonne-nautical miles, representing an increase of 26.2% year-on-year; revenue of RMB14.336 billion is expected to realize, representing an increase of 26.4% year-on-year; operating costs of RMB12.695 billion, representing an increase of 10.2% year-on-year.

(4) Work initiatives of the Company

To cope with the current market situation, the Group will implement the following initiatives in 2014:

(1) Enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. Facing tough market conditions, the Company will continue to adhere to the strategy of "majorclients, great co-operation and comprehensive services", increase service awareness continuously and strive to satisfy customer needs and provide value-added services actively, in order to enhance the executive capability on management of major clients and increase development efforts to expand the market customer base.

In 2014, for oil shipment operations, cooperation with the top three domestic petroleum companies will be strengthened continuously, with the focus on protecting the market shares on coastal crude oil and domestic offshore oil and fully utilizing the joint advantages of domestic and offshore trading markets to increase revenue. For bulk cargo shipment operations, the Company will focus on improving the pricing mechanism and contract performance mechanism for COA contracts, improve customer management, consolidate benefits from associated companies, maintain good cooperation results with associated companies, while make good use of the unified platform for bulk cargo operations to allocate shipping capacities reasonably between long-term chartering and spot market contracts, increase the market share of offshore shipment operations and improve the structure of cargo sources. For LNG shipment operations, the Company will leverage on the opportunities arising from the APLNG and Mobil projects to enhance comprehensively the integrated capabilities on LNG project development, vessel construction management, business management, bank financing, crew and vessel management, in order to safeguard the LNG market for the two major groups, Sinopec and PetroChina, and actively develop cooperation with other LNG importers.

(2) Accelerate fleet structure adjustment and proceed with fleet structure optimization at a steady pace. The Company will capture the favorable opportunity provided by the planning of the State government to boost the shipping industry to dispose of old and obsolete vessels with high fuel consumption, small tonnage and weak market competitiveness in a timely manner. At the same time, research and judgment on the markets will be strengthened, closely monitor new technological innovations on vessel building, expand the fleet size as appropriate, continue to pursue energy saving and cost reduction through technologies, further develop the fleet towards the direction of large-size, technology-oriented and low-carbon operations, optimize the structure of shipping capacities continuously and enhance the overall competitiveness of the fleet.

(3) Further implementation of overall budget management and drive cost reduction and efficiency improvement at full force. In 2014, the Group will use overall budget management as an important means to enhance the management level of the enterprise. The comprehensive energy saving mechanism will be further strengthened and improved. While fuel saving measures such as locking oil purchases and implementing economic shipping speed will be implemented continuously, such concepts and models will gradually cover the management and control of various cost items such as crew expenses, vessel repair charges, port charges, to create an advantage of low costing.

(4) Expand financing channels to secure development funds. According to the new vessel delivery plans, the capital expenditure of the Company from 2014 to 2015 is approximately RMB6.887 billion and RMB2.537 billion respectively. Meanwhile, the associated and joint venture companies of the Group have strong demands for capital increases. In this connection, the Company will further strengthen cooperation with banks to secure the required capital funds by scientific and reasonable use of financial instruments, reduce finance costs, enhance operating benefits and efficiency of capital operations continuously, maintain a relatively sound financial structure, and prevent financial risk and capital risk practicably.

(5) Further advance the strategy of "developing an enterprise on the basis of talents" to ensure the availability oftalents for the sustainable development of the Company. The Company will strive to develop itself as a learning-based and innovative enterprise, accelerate the paradigm shift, knowledge update and structural optimization of the shipping crew and onshore teams, so as to provide a strong support for transformation and development of the Company.

(6) Continue to strengthen safety development and ensure safety development of the enterprise. The Group will further strengthen the appraisals on safe production responsibilities, with focus on collision avoidance, pirate prevention and pollution prevention, and further improve the safety management system to establish the safety standards.

CORPORATE GOVERNANCE

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

I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "Articles") and related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures for each of the special committees to operate under the Board. In order to make the system of the Company more in line with the existing laws, regulations and regulatory documents, improve the Company's system and enhance corporate governance, 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, 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. Such amendments to the Articles were approved by the Shareholders in the 2013 AGM, detail of which are set out in the circular of the Company dated 13 April 2013.

The Company adopted a board diversity policy on 23 December 2013, and revised the Implementing Rules of the Nomination Committee of the Board of the Company, to which such contents were added "to review the structure, size and composition of the Board (including but not limited to the skills, knowledge, experience, gender, age, cultural and educational background and diversity of perspectives) at least annually and make recommendations with respect to the changes to be made to the Board in order to coordinate with the Company's corporate strategy." The Company recognises and embraces the importance and benefit to achieve diversity on the Company's Board to corporate governance and the Board effectiveness. The purpose of adopting the board diversity policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

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 an internal control system 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 Company has implemented the establishment of the internal control system since March 2011 pursuant to the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and the Implementation Guidelines for Enterprise Internal Control (《企業內部控制配套指引》) 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 Company completed preparing the "Internal Control Manual of China Shipping Development 2011 edition" in December 2011. The scope of the Internal Control Manual of China Shipping Development (《中海發展內控手冊》) covers existing operations of the Company, and its contents mainly include human resources, capital management, asset management, financial reporting, comprehensive budgeting, contract management, procurement management, sales management and information system management.

In 2012, the Company has further implemented the establishment of a regulated internal control system, including: (1) conduct further testing on the effectiveness of the internal control manual; (2) further improve the relevant content of the internal control manual according to the testing results; (3) amend and improve various existing rules and regulations of the Company by comparing with those in the internal control manual.

In 2013, the Company has made corresponding adjustments to the internal control process design according to changes in the internal structure and business processes of the Company, in order to improve the internal control system continuously and further strengthen the supervision and inspection functions of the internal control system to contain major risks of the Company always within a scope under control and facilitate the Company to develop in a stable and sound manner in compliance with therequirements according to internal control standards.

The annual revision of the Internal Control Manual of China Shipping Development has been completed. Such revision has fully considered the business processes and changes in departments as well as the establishment of China Shipping Oil Transportation, a wholly-owned subsidiary of the Company. By incorporating the four domestic holding subsidiaries of China Shipping Development under the scope of establishing the internal system in 2012, the amendments to the Internal Control Manual (Sub-manual on Relevant Subsidiaries) 2013 edition are also completed.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, 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 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.

In 2013, in order to motivate the operational personnel of the Company to implement refined management, active efforts have been made to discover talents and increase revenue, striving to achieve the operational performance required by the appraisal indicators. According to the principles of strengthening performance appraisals of all staff as well as the reward and punishment efforts, the Remuneration and Appraisal Committee convened the first meeting on 22 March 2013 and proposed to the Board to make adjustments to the appraisal system and remuneration allocation method for operational staff of the Company, such proposal was approved by the 2013 annual general meeting of the Company held on 29 May 2013 by the Company.

Upon the proposal made by the Remuneration and Appraisal Committee under the Board of the Company, the Board proposed the remuneration standards of the senior management officers of the Company for the year 2013 as follows: the remuneration of the general manager of the Company comprises three parts: basic annual salary + performance-based annual salary + project incentives. (1) Basic salary: if the Company has achieved a mandatory profit benchmark and economic increment benchmark without any deduction for safety and segmental benchmarks, the general manager of the Company may receive a basic annual salary of RMB900,000; (2) Performance-based annual salary: on the basis of achieving the mandatory profit benchmark, for each RMB100 million of profit generated exceeding the benchmark, the general manager of the Company will be entitled to receive a performance-based annual salary of RMB100,000, without a maximum cap; (3) Project incentives: the project incentives are composed of the year-end safety incentive and industry restructure project incentive. The safety incentive is awarded according to the appraisal conducted in compliance with the Handbook on Safe Production Responsibilities; whereas the industry restructure project incentive is a special incentive awarded to persons who made contributions to the industry restructure of the Company or those who strive for and contribute to the development of the enterprise.

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 Corporate Governance Code ("Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Reporting Period.

Under 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 and Appraisal Committee, Nomination Committee and any other committees (as appropriate) to attend. However, in the annual general meeting held on 29 May 2013 ("2013 AGM"), Chairman Mr. Li Shaode was unable to attend the 2013 AGM as he had other business commitments. Mr. Zhang Guofa, Vice Chairman of the Company, chaired the 2013 AGM on the behalf of the chairman. Further, Mr. Lu Wenbin, Mr. Wang Wusheng and Mr. Zhu Yongguang, all being independent non-executive Directors and chairman of each of the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee were invited to attend the 2013 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in 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. Mr. Xu Lirong, Mr. Wang Daxiong and Mr. Qiu Guoxuan, the executive Directors, and Mr. Zhang Jun, an independent non-executive Director, were unable to attend the 2013 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 2013, the Company held one general meeting. The table on page 38 shows the attendance of the Directors at the general meeting. At the 2013 annual general meeting of the Company held on 29 May 2013, 16 resolutions were passed, among which the Report of Directors for 2012, the Report of Supervisory Committee for 2012, the profit distribution plan for 2012, the remuneration proposal of the Company's Directors and supervisors ("Supervisors") for 2013, amendments to chapter 15 "Accounting regulation and profit distribution" of the Articles and the election of directors and supervisors were adopted.

According to the Articles, 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:

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

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

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

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

(e) 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, 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)	(Resigned on 2 December 2013)
Mr. Xu Lirong (許立榮) (Chairman)	(Appointed on 2 December 2013 as Chairman)
Mr. Zhang Guofa (張國發) (Vice Chairman)	
Mr. Wang Daxiong (王大雄)	(Resigned on 18 March 2014)
Ms. Su Min (蘇敏)	(Appointed on 29 May 2013)
Mr. Huang Xiaowen (黃小文)	(Appointed on 29 May 2013)
Mr. Ding Nong (丁農)	
Mr. Yan Zhichong (嚴志沖) (Chief Executive Officer)	(Resigned on 19 March 2013)
Mr. Han Jun (韓駿) (Chief Executive Officer)	(Appointed on 29 May 2013)
Mr. Qiu Guoxuan (邱國宣)	

Independent non-executive Directors:

Mr. Zhu Yongguang (朱永光)	(Resigned on 17 January 2014)
Mr. Zhang Jun (張軍)	
Mr. Lu Wenbin (盧文彬)	(Resigned on 31 March 2014)
Mr. Wang Wusheng (王武生)	
Mr. Lin Junlai (林俊來)	(Appointed on 29 May 2013)

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. The Company convened the 2013 AGM on 29 May 2013, in which Ms. Su Min, Mr. Han Jun and Mr. Huang Xiaowen were elected as executive Directors of the Company and Mr. Lin Junlai was elected as an independent non-executive Director of the Company.

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 193 to 197 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. In 2013, the Company had five 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 2013, 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 2013, the Board convened a total of 15 meetings and considered and passed 50 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	(Resigned on 2 December 2013)	11/11	0/1
Mr. Xu Lirong*		12/13	0/1
Mr. Zhang Guofa		13/13	1/1
Mr. Wang Daxiong**	(Resigned on 18 March 2014)	11/13	0/1
Ms. Su Min	(Appointed on 29 May 2013)	6/6	1/1
Mr. Huang Xiaowen	(Appointed on 29 May 2013)	6/6	1/1
Mr. Ding Nong		13/13	1/1
Mr. Yan Zhichong	(Resigned on 19 March 2013)	3/3	0/0
Mr. Han Jun	(Appointed on 29 May 2013)	8/8	1/1
Mr. Qiu Guoxuan**		13/15	0/1
Independent Non-executive Directors			
Mr. Zhu Yongguang	(Resigned on 17 January 2014)	15/15	1/1
Mr. Zhang Jun**		13/15	0/1
Mr. Lu Wenbin **	(Resigned on 31 March 2014)	13/15	1/1
Mr. Wang Wusheng		15/15	1/1
Mr. Lin Junlai	(Appointed on 29 May 2013)	8/8	1/1

* In addition to the Director's attendance in person to the Board meeting as disclosed in the table, Mr. Xu Lirong appointed Mr. Zhang Guofa to attend 1 of the Board meetings.

** The Directors appointed an alternative to attend 2 of the Board meetings in 2013. Mr. Wang Daxiong appointed Mr. Ding Nong and Mr. Zhang Guofa to attend 2 Board meetings respectively; Mr. Qiu Guoxuan appointed Mr. Zhang Guofa and Mr. Han Jun to attend 2 Board meetings respectively; Mr. Zhang Jun appointed Mr. Zhu Yongguang and Mr. Wang Wusheng to attend 2 Board meetings respectively; Mr. Lu Wenbin appointed Mr. Wang Wusheng and Mr. Zhu Yongguang to attend 2 Board meetings respectively.

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, and Mr. Xu Lirong was elected as the Chairman after Mr Li Shaode's resignation on 2 December 2013. The Chairman 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. Han Jun, 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

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

In 2013, 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 during the Reporting Period:

Members of the Audit Committee		**Rate of attendance**
Mr. Lu Wenbin (Chairman)	(Resigned on 31 March 2014)	3/3
Mr. Zhu Yongguang	(Resigned on 17 January 2014)	2/3
Mr. Zhang Jun		2/3
Mr. Wang Wusheng		3/3
Mr. Lin Junlai	(Appointed on 29 May 2013)	1/1

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 2012, status report of the Company's continuing connected transactions for 2012, appraisal report of the Company's internal control for 2012, the appointment of the Company's PRC and overseas auditors for 2013 and the interim financial report of the Company for 2013, and formed the written opinions of the Audit Committee in respect of the Company's financial report for 2012, the draft profit distribution plan for 2012 and the interim financial report of the Company for 2013.

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

During the Reporting Period, the Remuneration and Appraisal Committee comprised all five independent non-executive Directors, and Mr. Zhu Yongguang was 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 2013, 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 2012. The Company's remuneration policy for 2013 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 during the Reporting Period:

Members of the Remuneration and Appraisal Committee		**Rate of attendance**
Mr. Zhu Yongguang (Chairman)	(Resigned on 17 January 2014)	2/2
Mr. Zhang Jun		2/2
Mr. Lu Wenbin	(Resigned on 31 March 2014)	2/2
Mr. Wang Wusheng		2/2
Mr. Lin Junlai	(Appointed on 29 May 2013)	0/0

(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 five executive Directors and two independent non-executive Directors namely Mr. Zhu Yongguang and Mr. Zhang Jun. Mr. Li Shaode was the Chairman of the Strategy Committee, and Mr. Xu Lirong was elected as the Chairman of the Strategy Committee after Mr Li Shaode's resignation on 2 December 2013.

During 2013, the Strategy Committee held three meetings, advising on the project of LNG transportation, restructuring of tanker assets and oil transportation busibess, fleet restructuring plan, construction of new vessels and sale of old vessels. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

Members of the Strategy Committee		**Rate of attendance**
Mr. Li Shaode (Chairman)	(Resigned on 2 December 2013)	3/3
Mr. Xu Lirong (Chairman)	(Appointed on 2 December 2013)	3/3
Mr. Zhang Guofa		3/3
Mr. Wang Daxiong	(Resigned on 18 March 2014)	3/3
Mr. Ding Nong		3/3
Mr. Qiu Guoxuan		3/3
Mr. Zhu Yongguang		3/3
Mr. Zhang Jun		3/3

(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 five independent non-executive Directors, in which Mr. Wang Wusheng is the Chairman of the Nomination Committee.

In 2013, the Nomination Committee held two meetings. The Nomination Committee considered the proposals in respect of the appointment of Mr. Han Jun as the general manager of the Company and the appointment of Mr. Han Jun 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 during the Reporting Period:

Members of the Nomination Committee		**Rate of attendance**
Mr. Wang Wusheng (Chairman)		2/2
Mr. Zhang Guofa		2/2
Mr. Wang Daxiong	(Resigned on 18 March 2014)	2/2
Mr. Zhu Yongguang	(Resigned on 17 January 2014)	2/2
Mr. Lu Wenbin	(Resigned on 31 March 2014)	2/2
Mr. Zhang Jun		2/2
Mr. Lin Junlai	(Appointed on 29 May 2013)	0/0

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 2013. 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 2013.

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 2013, the Group paid an audit fee of RMB1,350,000 to Baker Tilly China Certified Public Accountants LLP and RMB1,650,000 to Baker Tilly Hong Kong Limited, respectively.

Also, the Group paid Baker Tilly China Certified Public Accountants LLP RMB600,000 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 2013)" and establishment of an internal control system.

A summary of training received by the Directors since 1 January 2013 up to 31 December 2013 is as follows:

Directors	**Programme**
Executive Directors	
Mr. Li Shaode	A, B
Mr. Xu Lirong	A, B
Mr. Zhang Guofa	A, B
Mr. Wang Daxiong	A, B
Ms. Su Min	A, B
Mr. Huang Xiaowen	A, B
Mr. Ding Nong	A, B
Mr. Yan Zhichong	A, B
Mr. Han Jun	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
Mr. Lin Junlai	A, B, C

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.

C: qualification training as an independent non-executive director held by Shanghai Stock Exchange

In 2013, 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 2013 were:

Mr. Xu Wenrong (Chairman)	
Mr. Xu Hui	(Resigned on 19 March 2013)
Mr. Chen Jihong	(Appointed on 29 May 2013)
Mr. Zhang Rongbiao	(Resigned on 29 January 2014)
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 2013, the Supervisory Committee convened six meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2013, 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 2013 ("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.

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				
	2013	2012	2011	2010	2009
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**11,344,152**	11,053,628	12,157,458	11,283,594	8,729,969
Operating costs	**(11,524,839)**	(11,252,251)	(10,636,688)	(8,930,842)	(7,260,412)
Gross (loss)/profit	**(180,687)**	(198,623)	1,520,770	2,352,752	1,469,557
Other income and gains	**(612,389)**	663,340	250,613	201,883	251,572
Marketing expenses	**(49,309)**	(50,256)	(51,735)	(42,887)	(38,955)
Administrative expenses	**(489,151)**	(418,976)	(368,237)	(315,759)	(286,756)
Other expenses	**(44,933)**	(27,401)	(61,539)	(36,007)	(44,397)
Share of profits of jointly-controlled entities	**111,581**	293,701	368,775	216,596	61,099
Finance costs	**(964,462)**	(593,160)	(414,574)	(205,170)	(69,783)
(Loss)/profit before tax	**(2,229,350)**	(331,375)	1,224,073	2,171,408	1,342,337
Tax credit/(charge)	**11,903**	469,144	(150,410)	(449,445)	(277,696)
(Loss)/profit for the year	**(2,217,447)**	137,769	1,093,663	1,721,963	1,064,641
(Loss)/profit for the year attributable to:					
Owners of the Company	**(2,234,106)**	73,741	1,062,214	1,716,522	1,064,794
Non-controlling interests	**16,659**	64,028	31,449	5,441	(153)
	(2,217,447)	137,769	1,093,663	1,721,963	1,064,641
Basic (loss)/earnings per share	**RMB(65.62) cents**	RMB2.17 cents	RMB31.20 cents	RMB50.42 cents	RMB31.28 cents
Diluted (loss)/earnings per share	**RMB(65.62) cents**	RMB2.17 cents	RMB29.73 cents	RMB50.42 cents	RMB31.28 cents
Assets, liabilities and non-controlling interests					
Total assets	**58,842,479**	57,860,523	51,747,288	40,710,175	33,929,549
Total liabilities and non-controlling interests	**(37,615,108)**	(34,343,386)	(27,988,983)	(18,131,630)	(12,534,976)
	21,227,371	23,517,137	23,758,305	22,578,545	21,394,573

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 2011 are extracted from the Company's 2012 annual report dated 15 March 2013, while those for the two years ended 31 December 2013 were prepared based on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position as set out on pages 76 and 77, respectively, of the financial statements.

2. The calculation of basic loss per share for the year ended 31 December 2013 is based on the loss attributable to owners of the Company for the year ended 31 December 2013 of RMB2,234,106,000 and 3,404,555,984 ordinary shares. Basic loss per share for the year ended 31 December 2013 is RMB0.6562.

   In 2013, the calculation of diluted loss 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 loss per share is the same as basic loss per share.

   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. 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.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 76 to 78 and 81 to 82.

No net profit has been transferred to the statutory surplus reserve as the Company incurred loss after tax for 2013. 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 accounting principles generally accepted in the PRC ("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 2013.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB14,000 (2012: RMB77,943).

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 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP, amounted to RMB9,510,196,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB3,947,517,000 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 32 to the financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for 31.8% (2012: 26%) of the Group's total revenue. The largest customer is UNIPEC Asia Co., Limited (聯合石化亞洲有限公司) and the sales to it accounted for 8.9% of the Group's total sales in that year. None of the Directors, supervisors, their associates, or any Shareholders, which, to the best knowledge of the Directors and supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 38% (2012: 57%) of the Group's total purchases. The largest supplier is China Shipping & Sinopec Suppliers Co., Ltd (中石化中海船舶燃料供應有限公司), a jointly-controlled entity of China Shipping (Group) Company ("China Shipping", the Company's holding company), and the purchases from it accounted for 18.9% of the Group's total purchases in that year. The second and fourth largest suppliers of the Group are also subsidiaries of China Shipping.

Except as mentioned above, none of the Directors, supervisors, their associates, or 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. Xu Lirong	
Mr. Li Shaode	(resigned on 2 December 2013)
Mr. Zhang Guofa	
Mr. Wang Daxiong	(resigned on 18 March 2014)
Ms. Su Min	(appointed on 29 May 2013)
Mr. Huang Xiaowen	(appointed on 29 May 2013)
Mr. Ding Nong	
Mr. Han Jun	(appointed on 29 May 2013)
Mr. Qiu Guoxuan	
Mr. Yan Zhichong	(resigned on 19 March 2013)

Independent non-executive Directors:

Mr. Zhang Jun	
Mr Wang Wusheng	
Mr. Lin Junlai	(appointed on 29 May 2013)
Mr. Zhu Yongguang	(resigned on 17 January 2014)
Mr. Lu Wenbin	(resigned on 31 March 2014)

Supervisors:

Mr. Xu Wenrong	
Mr. Chen Jihong	(appointed on 29 May 2013)
Mr. Luo Yuming	
Ms. Chen Xiuling	
Mr. Xu Hui	(resigned on 19 March 2013)
Mr. Zhang Rongbiao	(resigned on 29 January 2014)

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

The Company has received annual confirmations of independence from Mr. Zhang Jun, Mr. Lu Wenbin, Mr. Wang Wusheng and Mr. Lin Junlai 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 193 to 200 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 (or the date of the Company's annual general meeting in 2015, whichever is earlier) 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

During the Reporting Period, the Remuneration and Appraisal Committee was headed by Mr. Zhu Yongguang, an independent non-executive Director. The other four members of the Remuneration and Appraisal Committee were Mr. Zhang Jun, Mr. Lu Wenbin, Mr. Wang Wusheng and Mr. Lin Junlai (appointed on 29 May 2013), all being independent non-executive Directors. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 43(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB36,594,000 (2012: RMB30,706,000). Each of Mr. Li Shaode, Mr. Xu Lirong, Mr. Wang Daxiong and Mr. Zhang Guofa was interested in such services agreement to the extent they were common directors of both China Shipping and the Company at the time and they have abstained from voting in respect of the relevant Board resolutions.

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

As at 31 December 2013, 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[3]	A	1,578,500,000 (L)	74.86%	46.36%
JPMorgan Chase & Co.[4]	H	220,197,127 (L)	16.99%	6.47%
	H	34,303,722 (S)	2.65%	1.01%
	H	62,465,700 (P)	4.82%	1.83%
GIC Private Limited[5]	H	132,280,900 (L)	10.21%	3.89%
Citigroup Inc.[6]	H	91,657,074 (L)	7.07%	2.69%
	H	956,000 (S)	0.07%	0.03%
	H	87,101,683 (P)	6.72%	2.56%
Templeton Asset Management Limited[7]	H	81,769,100 (L)	6.31%	2.40%
Schroders Plc[8]	H	76,944,000 (L)	5.94%	2.26%
Value Partners Group Limited[9]	H	66,384,000 (L)	5.12%	1.95%

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 2013, the total issued share capital of the Company was 3,404,555,984 Shares of which 1,296,000,000 were H Shares and 2,108,555,984 were A Shares.

Note 3: As at 31 December 2013, Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Wang Daxiong and Mr. Xu Wenrong were directors or emplyees of China Shipping (Group) Company which was the controlling shareholder of the Company.

Note 4: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, JPMorgan Chase & Co. is beneficially interested in 136,889,149 Shares. In addition, JPMorgan Chase & Co. was interested in 55,146,000 Shares as an investment manager and 62,465,700 Shares (lending pool) through JPMorgan Chase Bank, N.A., its indirectly wholly-owned subsidiary, as a custodian corporation or approved lending agent. In respect of the above shareholding interests, the long position of 33,966,574 Shares and the short position of 574 Shares were cash settled derivative interests.

Note 5: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited holds the above Shares as an investment manager.

Note 6: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Citigroup Inc. holds 1,912,747 Shares through its controlled corporation(s). In addition, Citigroup Inc. holds 87,101,683 Shares as a custodian corporation or approved lending agent and is an entity having a security interest in 3,598,644 Shares.

Note 7: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Templeton Asset Management Limited holds the above Shares as an investment manager.

Note 8: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Schroders Plc, as an investment manager, indirectly holds the above Shares through its indirect wholly-owned subsidiary, Schroder Investment Management (Hong Kong) Limited.

Note 9: As at 31 December 2013, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO:

Value Partners Limited is the beneficial shareholder of 66,384,000 Shares.

Value Partners Group Limited has 100% control over Value Partners Hong Kong Limited, which in turn has 100% control over Value Partners Limited.

Cheah Company Limited has 100% control over Cheah Capital Management Limited. Cheah Capital Management Limited has 28.47% control over Value Partners Group Limited, and is accustomed to act under its director Mr. Cheah Cheng Hye, its immediate holding company, Cheah Capital Management Limited and its intermediate company, Cheah Capital Company Limited, and Hang Seng Bank Trustee International Limited as trustee of The C H Cheah Family Trust.

Hang Seng Bank Trustee International Limited, acting as a trustee for The C H Cheah Family Trust (a private trust), and is therefore deemed to be interested in 66,384,000 Shares under the SFO.

Mr. Cheah Cheng Hye, as the founder of the discretionary trust (The C H Cheah Family Trust), and a director of each of Cheah Capital Management Limited and Value Partners Group Limited, is deemed to be interested in 66,384,000 Shares under the SFO.

Ms. To Han Yin, the spouse of Mr. Cheah Cheng Hye, is deemed to be interested in the 66,384,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2013, 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 2013 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 2013, 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 2013, 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 2013 are set out in note 40 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 as follows:

(a) Framework agreement dated 23 December 2013

On 23 December 2013, China Shipping Bulk Carrier Co., Limited ("Bulk Carrier"), a wholly-owned subsidiary of the Company, entered into the framework agreement with China Shipping (Hong Kong) Holdings Co., Limited ("CSHK"), whereby Bulk Carrier will lease the dry bulk vessels from CSHK for a term of six months commencing from 1 January 2014. The aggregate charter payment under the framework agreement shall be no more than USD70,000,000. Upon expiry of the framework agreement, the framework agreement and the lease thereunder may or may not be extended.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company and was the controlling shareholder of the Company as defined under the Listing Rules. CSHK was a wholly-owned subsidiary of China Shipping and was therefore a connected person (as defined in the Listing Rules) of the Company. Accordingly, the transaction constitutes a continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transaction.

(b) **Bareboat charter contract dated 21 November 2013**

On 21 November 2013, Bulk Carrier, a wholly-owned subsidiary of the Company entered into the bareboat charters with Dalian Shipping Group Co., Limited ("Dalian Shipping"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease the Bulk Vessels, namely, "Qing Feng Ling" and "Shi Long Ling", from Dalian Shipping for a term of three years commencing from 1 December 2013. The annual aggregate charter payment for each of the bareboat charters is RMB12,154,500 per year.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company and was the controlling shareholder of the Company as defined under the Listing Rules. Dalian Shipping was a wholly-owned subsidiary of China Shipping and was therefore a connected person (as defined in the Listing Rules) of the Company. Accordingly, the transaction constitutes a continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transaction.

(c) **Sale and purchase agreement dated 27 September 2013**

The Company and China Shipping Industry Company Limited Digang Shipyard ("Digang Shipyard"), a fellow subsidiary of the Group, entered into the sale and purchase agreement on 27 September 2013 whereby the Company agreed to sell and Digang Shipyard agreed to purchase the tanker "Ming Chi". The consideration for the sale of the "Ming Chi" is RMB20,470,000.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company, being the controlling shareholder of the Company as defined under the Listing Rules. Digang Shipyard was a wholly-owned subsidiary of China Shipping Industry Company Limited, which in turn was a wholly-owned subsidiary of China Shipping. Therefore, Digang Shipyard was a connected person (as defined under the Listing Rules) of the Company. Accordingly, the transaction constitutes a connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transaction.

(d) **Bareboat charter contract dated 27 November 2012**

On 27 November 2012, CSHK and Xi Chuan Shipping S.A., an indirectly wholly-owned subsidiary of the Company, entered into a bareboat charter contract where CSHK will lease the oil tanker "Song Lin Wan" to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2013 to 31 December 2013. The aggregate payment is up to USD2,928,000.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company and was the controlling shareholder of the Company as defined under the Listing Rules. CSHK was a wholly-owned subsidiary of China Shipping and was therefore a connected person (as defined in the Listing Rules) of the Company. Accordingly, the transaction constitutes a continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transaction.

(e) **Services agreement dated 15 October 2012**

The services agreement signed on 15 October 2012 between the Company and China Shipping became effective subsequent to the approval by independent shareholders at the Company's extraordinary general meeting held on 18 December 2012. Pursuant to the services agreement, China Shipping, its subsidiaries or joint ventures have provided 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 services agreement is effective for three years, from 1 January 2013 to 31 December 2015. 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.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company and was therefore its controlling shareholder as defined under the Listing Rules. As such, China Shipping was a connected person (as defined in the Listing Rules) of the Company. Therefore the transactions pursuant to the services agreement constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions.

(f) Financial services framework agreement dated 15 October 2012

On 15 October 2012, the Company entered into the Financial Services Framework Agreement with China Shipping Finance Co., Limited ("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 Financial Services Framework Agreement, 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 2013 to 31 December 2015.

As at such date, China Shipping held approximately 46.36% of the issued share capital of the Company and was therefore its controlling shareholder as defined under the Listing Rules. As such, China Shipping was a connected person of the Company as defined in the Listing Rules. CS Finance, 45% of which was owned by China Shipping, was an associate of China Shipping. Accordingly, the transactions pursuant to the Financial Services Framework Agreement constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions.

Further details of the connected transactions and continuing connected transactions are set out in notes 43(1), 43(2)(i)(ii)(iii)(iv) and 43(3) to the financial statements, respectively.

The EGM held on 18 December 2012 has approved the continuing connected transactions for a term of three years which commenced from 1 January 2013.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 43 to the financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

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

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

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

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

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

1. 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;

2. 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;

3. 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

4. with respect to the aggregate amount of the continuing connected transactions set out in notes 43(1), 43(2)(i)(ii)(iii)(iv) and 43(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 16 October 2012 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2013, the Company had approximately 7,536 employees. Adjustment of employee remuneration are calculated in accordance with the Company’s turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results of the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry knowhow and policies and laws. These training maybe in different forms, such as seminars, site visits and study tours.

In 2013, the total staff costs was RMB1,901,438,000 (2012: RMB1,816,541,000).

EMPLOYEE HOUSING

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

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

MEDICAL INSURANCE SCHEME

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

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Company are set out in note 39 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

The following are the significant events after Reporting Period.

1. The PRC's Ministry of Transport, Ministry of Finance, National Development and Reform Commission and Ministry of Industry and Information Technology issued the Renewed Implementation Plan on Early Disposal of Aged Shipping Vessels and Single-hull Oil Tankers (《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) in order to execute the State Council's Notice on the Implementation Plan on Accelerating Structural Adjustment and Promoting Transformation and Upgrading of the Ship-building Industry (2013-2015) (《船舶工業加快結構調整促進轉型升級實施方案(2013-2015年)》), and issued the "Administrative Measures on Disposal of Aged Shipping Vessels and Single-hull Oil Tankers and Renewal of Centralised Government Special Subsidy" (《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) on 28 February 2014 (the "New Scheme"). Such implementation is to encourage early retirement of aged shipping vessels and single-hull oil tankers with ocean and coastal operations. According to the New Scheme, the central government has offered a special subsidy based on a standard rate of RMB1,500 per ton on disposed vessels with new replacement, which will also take into account of the vessel type and their early retirement ages and 50% of the subsidy will be given upon the destruction of vessel and the remaining 50% will be given after the vessel's construction. Under the principle of voluntariness, shipping enterprises may choose to calculate the total tonnage by weighting separately or in aggregate tons of the dissembled and newly constructed vessels. The New Scheme might have an impact on the Group's income relating to subsidies.

2. Pursuant to the resolution passed at the second meeting of the Board on 29 January 2014, the Board agreed that the Company will issue guarantee letters for the benefit of China Shipping Development (Hong Kong) Marine Co., Limited, a wholly-owned subsidiary of the Company, to guarantee its loans made from domestic commercial loans to repayment obligations for offshore bank loans for no more than USD500,000,000, subject to the approval by the shareholders of the Company in an extraordinary general meeting and shall be valid for one year. For further details, please refer to the Company's announcement titled "Provision of Guarantee to a Subsidiary" dated 29 January 2014.

3. Pursuant to the resolution passed at the third meeting of the Board on 18 March 2014, the Board passed the "Resolution on Changes in Accounting Estimates" to change the estimation of the residual value of the vessels. The net residual value of vessels is changed from USD470/LDT to USD420/LDT, which were adopted with effect from 1 January 2014.

DUTY PERFORMANCE REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS IN 2013

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 2013 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 seventh Board of the Company with tenures of 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 an independent non-executive Director in case of any disqualification to act as an independent non-executive Director during our tenure.

In 2013, the Board comprises 14 directors, including 7 shareholding directors, 5 independent non-executive Directors and 2 management directors. The consititution is 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. The independent non-executive Directors are professionals with work experience in the fields of shipping, economics, accounting and law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions. The five independent non-executive Directors, Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin, Mr. Wang Wusheng and Mr. Lin Junlai, 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 five 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 2013, 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 2013, the Company convened 15 Board meetings (12 meetings of which were held by way of correspondence) and 1 general meeting. We have reported our duty performance report in the Annual General Meeting and the Report is published in the Company's website and the website of Shanghai Stock Exchange.

The following table shows the attendance of independent non-executive Directors at the above meetings in 2013:

Name of independent non-executive Director	Number of Board meetings/ general meetings required to attend this year	Attend Board meeting and general meetings in person (times)	Attend Board meetings and general meetings by proxies (times)	Absence (times)
Mr. Zhu Yongguang	15/1	15/1	0/0	0/0
Mr. Zhang Jun	15/1	13/0	2/0	0/1
Mr. Lu Wenbin	15/1	13/1	2/0	0/0
Mr. Wang Wusheng	15/1	15/1	0/0	0/0
Mr. Lin Junlai	8/1	8/1	0/0	0/0

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

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) the Strategy Committee of the Board of the Company consisted of seven Directors, including five executive Directors and two independent non-executive Directors. Mr. Xu Lirong became the Chairman when Mr. Li Shaode resigned in 2 December 2013. 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 comprised five members, all being independent non-executive Directors, in which Mr. Lu Wenbin was the Chairman of the committee. In 2013, three meetings were held which mainly reviewed the 2012 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 comprised five members, all being independent non-executive Directors. The committee held two meetings in 2013. 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 8 March 2013, an on-site meeting of this professional committee was held, 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 consisted of five independent non-executive Directors and two executive Directors, and independent non-executive Director Mr. Wang Wusheng was the Chairman of the committee. In 2013, 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 2013, the Nomination Committee held two meetings. At the meetings, the proposal in respect of advising on the appointment of Mr. Han Jun as the General Manager of the Company 《(關於建議聘任韓駿先生為公司總經理的議案》), the proposal on advising the appointment of Mr. Han Jun as an executive Director of the Company 《(關於建議聘任韓駿先生為公司執行董事的議案》) and the proposal on advising the re-appointment of deputy general managers and the re-appoinment of the Secretray of the Board 《(關於建議續聘公司副總經理及董事會秘書的議案》) 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. In the beginning of 2013, the Company has released the relevant announcements on the alert of results decline forecast and explanation for the reasons thereof according strictly to the requirements of 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 and remind the investors to exercise caution when dealing in the securities of the Company.

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, the domestic and international shipping markets continued to be sluggish. The Company achieved net profit attributable to the parent of RMB73.74 million for the full year through increasing revenue and reducing expenses, cutting costs and improving efficiency. Basic earnings per share were RMB0.0217. Given the overall excess supply over demand in the shipping market in 2013, the operating situation cannot be optimistic and enterprises still face capital stringency. The Board of the Company does not recommend the distribution of profit for 2012. To this end, the Company convened the "Cash Dividend Meeting for 2012" on 22 April 2013. The senior management of the Company carried out online communication with investors through online platforms to enable investors to gain a more comprehensive and in-depth understanding of the details of the Company's cash dividend 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 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 order to ensure the informed right of the investors from domestic and abroad.

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 in 2012, 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 Company in an all-round manner. In 2013, the Company made a corresponding adjustment to the process design of internal control in response to changes in the internal structure and business processes. While continuously improving the internal control system, the Company further enhanced the supervision and inspection of internal control so as to always bring the major risks of the Company under control and promote the healthy development of the Company in accordance with the requirements of the internal control standards. The updating of "Internal Control Handbook of China Shipping Development (2013 Edition)" has been basically completed.

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 directorship system was effectively implemented. 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 2013, 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 2013, 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 2014, we will 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:
Zhang Jun, Lu Wenbin,
Wang Wusheng, Lin Junlai

18 March 2014

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2013, the Supervisory Committee held six meetings, details of which are set out below:

	Date	Resolutions
1	January 21, 2013	1. Motion on the use of funds raised from convertible bonds to complement the company's liquidity
2	March 5, 2013	1. 2012 Supervisor Committee's report of the Company 2. 2012 financial report of the Company 3. 2012 annual report and annual report summary of the Company 4. Profit distribution plan of the Company for 2012 5. 2012 internal control self evaluation report of the Company 6. 2012 society responsibility report of the Company 7. Proposal of the storage and use of the raised funds of the Company in 2012 8. Proposal on change of one supervisor
3	April 26, 2013	1. 2013 first quarterly report of the Company 2. Proposal on the AP-LNG Transportation Project 3. Proposal of guarantee for CS Petroleum provided by China Shipping Development (Hong Kong) Marine Co., Limited
4	August 9, 2013	1. Proposal on the establishment China Shipping Oil Tanker Co., Limited 2. Motion on the use of funds raised from convertible bonds to complement the company's liquidity
5	August 19, 2013	1. General manager's report on 2013 interim results 2. 2013 interim financial report of the Company 3. 2013 interim report and 2013 interim results announcement of the Company 4. Proposal of the storage and use of the raised funds of the Company in the first half of 2013
6	October 29, 2013	1. 2013 third quarterly report of the Company

(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 2013. The following were presented to the supervisors: the 2012 audited financial report of the Company, the proposed profit distribution plan of the Company for 2012, the 2012 annual report and annual report summary of the Company, motion on the use of funds raised from convertible bonds to complement the company's liquidity and proposal on the establishment China Shipping Oil Tanker Co., Limited. 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 2013 AGM, at which the Supervisory Committee gave an account of the 2012 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2013:

(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 2013 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2013. 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. 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.

(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 is strictly complied with "Management system for raised funds of the Company" since the issue of the bond. China International Capital Corporation Limited, the sponsor of the bond, inspected the Company's storage and use of the funds in 2013 and expressed its opinion: The Company's storage and use of the raised funds in 2013 was in line with Administrative Measures for the Issuance of Securities by Listed Companies, Guideline No. 2 for the Supervision of Listed Companies – Regulatory Requirements for the Storage and Use of Raised Funds Raised by Listed Companies, Rules Governing the Listing of Shares on the Shanghai Stock Exchange, Measures for the Administration Issued by Shanghai Stock Exchange of Listed Companies' Raised Funds, and the Management System of Capital Raised. 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.

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

Shanghai, People's Republic of China
18 March 2014

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 76 to 190, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss 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, 18 March 2014
Lo Wing See
Practising Certificate Number: P04607

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue			
Turnover	5	**11,344,152**	11,053,628
Operating costs		**(11,524,839)**	(11,252,251)
Gross loss		**(180,687)**	(198,623)
Other income and gains	6	**(612,389)**	663,340
Marketing expenses		**(49,309)**	(50,256)
Administrative expenses		**(489,151)**	(418,976)
Other expenses		**(44,933)**	(27,401)
Share of profits of joint ventures		**111,581**	293,701
Finance costs	7	**(964,462)**	(593,160)
LOSS BEFORE TAX	8	**(2,229,350)**	(331,375)
Tax credit	11	**11,903**	469,144
(LOSS)/PROFIT FOR THE YEAR		**(2,217,447)**	137,769
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		**(128,401)**	17,444
Net gain on cash flow hedges		**157,491**	2,846
Other comprehensive income for the year		**29,090**	20,290
Total comprehensive (expense)/income for the year		**(2,188,357)**	158,059
(Loss)/profit for the year attributable to:			
Owners of the Company		**(2,234,106)**	73,741
Non-controlling interests		**16,659**	64,028
		(2,217,447)	137,769
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(2,289,269)**	94,128
Non-controlling interests		**100,912**	63,931
		(2,188,357)	158,059
(Loss)/earnings per share – basic	14	**(65.62) cents**	2.17 cents
(Loss)/earnings per share – diluted	14	**(65.62) cents**	2.17 cents

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investment properties	15	**1,076,280**	1,193,458
Property, plant and equipment	16	**47,467,664**	45,734,065
Investments in associates	18	—	—
Investments in joint ventures	19	**4,552,714**	4,020,369
Loan receivables	20	**219,289**	110,198
Available-for-sale investments	21	**5,825**	5,873
Derivative financial instruments	22	**151,027**	—
Deferred tax assets	23	**297,590**	241,801
		53,770,389	51,305,764
CURRENT ASSETS			
Inventories	24	**888,287**	934,159
Trade and bills receivables	25	**1,750,285**	1,484,866
Prepayments, deposits and other receivables	26	**486,174**	756,161
Cash and cash equivalents	27	**1,919,204**	3,285,745
		5,043,950	6,460,931
Assets classified as held for sale	28	**28,140**	93,828
		5,072,090	6,554,759
CURRENT LIABILITIES			
Trade and bills payables	29	**1,542,733**	1,207,913
Other payables and accruals	30	**917,101**	916,965
Current portion of provision for onerous contracts	31	**175,287**	—
Current portion of derivative financial instruments	22	**1,940**	—
Current portion of notes, interest-bearing bank and other borrowings	32	**8,565,055**	4,194,889
Current portion of other loans	33	**29,874**	—
Current portion of obligations under finance leases	34	**41,479**	—
Tax payable	11	**12,072**	3,206
		11,285,541	6,322,973
NET CURRENT (LIABILITIES)/ASSETS		**(6,213,451)**	231,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,556,938**	51,537,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	**3,404,556**	3,404,553
Reserves	36	**17,822,815**	20,112,584
		21,227,371	23,517,137
Non-controlling interests		**984,506**	868,426
Total equity		**22,211,877**	24,385,563
NON-CURRENT LIABILITIES			
Provision for onerous contracts	31	**174,407**	—
Derivative financial instruments	22	**4,689**	12,758
Notes, interest-bearing bank and other borrowings	32	**15,412,552**	18,207,079
Other loans	33	**714,234**	527,763
Obligations under finance leases	34	**448,456**	—
Bonds payable	37	**8,391,928**	8,229,218
Deferred tax liabilities	23	**198,795**	175,169
		25,345,061	27,151,987
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**47,556,938**	51,537,550

Xu Lirong
Director

Han Jun
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 reserve RMB'000	Safety fund 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 2012	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 and at 1 January 2013	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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(2,234,106)	–	(2,234,106)	16,659	(2,217,447)
Net gain on cash flow hedges	–	–	–	–	–	–	67,713	–	–	–	–	–	67,713	89,778	157,491
Exchange realignment	–	–	–	–	–	–	–	–	(122,876)	–	–	–	(122,876)	(5,525)	(128,401)
Total comprehensive expense for the year	–	–	–	–	–	–	67,713	–	(122,876)	–	(2,234,106)	–	(2,289,269)	100,912	(2,188,357)
Conversion of convertible bonds	3	25	–	–	–	–	–	–	–	(6)	–	–	22	–	22
Accrual of safety fund reserve	–	–	–	–	90,672	–	–	–	–	–	(91,269)	–	(597)	597	–
Utilisation of safety fund reserve	–	–	–	–	(26,896)	–	–	–	–	–	26,974	–	78	(78)	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(59)	(59)
Contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	14,708	14,708
At 31 December 2013	3,404,556	3,947,241	273,418	2,877,435	68,933	93,158	53,180	1,019	(1,027,724)	873,036	10,663,119	–	21,227,371	984,506	22,211,877

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Net cash inflow from operating activities	38	**1,429,279**	891,308
INVESTING ACTIVITIES			
Interest received		**44,337**	60,897
Payments for construction in progress		**(3,740,322)**	(6,101,907)
Purchases of property, plant and equipment		**(122,277)**	(69,953)
Proceeds from disposal of property, plant and equipment		**243,621**	253,147
Proceeds from held-to-maturity investments		**212,000**	—
Repayment from a shareholder of a subsidiary		**—**	49,000
Loan to associates		**(106,774)**	(57,450)
Dividends received from joint ventures		**16,800**	226,850
Dividends received from available-for-sale investments		**1,772**	2,240
Investments in held-to-maturity investments		**(212,000)**	—
Investments in available-for-sale investments		**—**	(1,573)
Investments in joint ventures		**(437,564)**	(455,960)
Net cash outflow used in investing activities		**(4,100,407)**	(6,094,709)
FINANCING ACTIVITIES			
Interest paid		**(993,795)**	(744,280)
Dividend paid		**—**	(340,455)
Increase in other loans		**232,903**	13,452
Net proceeds from issue of corporate bonds		**—**	4,959,500
Increase in bank loans		**9,230,106**	8,071,023
Repayment of bank loans		**(7,160,918)**	(6,949,889)
Contribution from non-controlling shareholders of subsidiaries		**14,708**	113,408
Distribution to non-controlling shareholders of subsidiaries		**(59)**	(12,107)
Net cash inflow from financing activities		**1,322,945**	5,110,652
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,348,183)**	(92,749)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,285,745**	3,376,692
Effect of foreign exchange rate changes, net		**(18,358)**	1,802
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,919,204**	3,285,745
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,919,204**	3,285,745

The accompanying notes form part of these consolidated financial statements.

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investment properties	15	**1,206,609**	1,193,458
Property, plant and equipment	16	**82,321**	14,335,294
Interests in subsidiaries	17	**13,485,303**	8,186,365
Investments in joint ventures	19	**3,073,463**	2,636,663
Loan receivables	20	**10,000,000**	5,005,000
Deferred tax assets	23	**—**	152,852
		27,847,696	31,509,632
CURRENT ASSETS			
Inventories	24	**4,512**	347,403
Trade and bills receivables	25	**1,312**	481,399
Prepayments, deposits and other receivables	26	**5,240,479**	6,226,402
Loan receivables	20	**5,687,752**	1,300,000
Cash and cash equivalents	27	**487,558**	1,278,982
		11,421,613	9,634,186
Assets classified as held for sale	28	**—**	93,828
		11,421,613	9,728,014
CURRENT LIABILITIES			
Trade and bills payables	29	**20,155**	458,237
Other payables and accruals	30	**203,637**	746,763
Current portion of provision for onerous contract	31	**17,158**	—
Current portion of notes, interest-bearing bank and other borrowings	32	**4,486,701**	1,928,550
Tax payable	11	**—**	—
		4,727,651	3,133,550
NET CURRENT ASSETS		**6,693,962**	6,594,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,541,658**	38,104,096

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Issued capital	35	**3,404,556**	3,404,553
Reserves	36	**17,570,819**	18,324,248
Total equity		**20,975,375**	21,728,801
NON-CURRENT LIABILITIES			
Provision for onerous contract	31	**16,278**	—
Notes, interest-bearing bank and other borrowings	32	**5,000,000**	7,997,211
Bonds payable	37	**8,391,928**	8,229,218
Deferred tax liabilities	23	**158,077**	148,866
		13,566,283	16,375,295
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**34,541,658**	38,104,096

Xu Lirong
Director

Han Jun
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"). On 23 January 2014, the official name of the registered office of the Company was changed from Room A-1015, No 188 Ye Sheng Road, Yangshan Free Trade Port, Shanghai, the PRC to Room A-1015, No.188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC and the principal place of business is located at 670 Dong Da Ming Road, Shanghai, the PRC. During the year, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

(1) investment holding; and/or

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

(3) vessel chartering.

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 18 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, 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 consolidated financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are measured at fair values, as explained in the accounting policies set out below.

– Investment properties (see note 2.7)

– Derivative financial instruments (see note 2.16)

Asset classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.5)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 4 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 consolidated 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 3.

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 (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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 instruments: Recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 profit or loss as incurred.

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

- deferred tax assets or liabilities and assets or liabilities 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree 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, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss 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. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Investments in associate and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". The financial statements of associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessable, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Investments in associate and joint ventures (Continued)

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

2.4 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 profit or loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment and depreciation (Continued)

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 profit or loss 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.

2.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.6 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.

2.7 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 or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

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.

2.8 Impairment of non-financial assets other than goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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 profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the 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 profit or loss 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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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 profit or loss.

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 the 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)

2.10 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 profit or loss.

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 profit or loss, 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)

2.10 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 profit or loss, is transferred from equity to the consolidated statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through profit or loss.

2.11 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)

2.11 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.

2.12 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.

2.13 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.

2.14 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 profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 profit or loss.

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 profit or loss.

The fair value of interest rate swap agreements is determined by reference to the present value of estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

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

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

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

Cash flow hedges

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

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, 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 profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Convertible bonds

Convertible bonds issued by the Group 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.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

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

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

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

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

(iv) 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;

(v) 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;

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

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

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 profit or loss 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 profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss 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.

2.21 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax (Continued)

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 joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward 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 carry forward 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 joint ventures, 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

(i) 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.

(ii) 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 profit or loss.

(iii) Translation for foreign operations

For the foreign operations, the Company translated all items into reporting currency - RMB. All the assets and liabilities 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 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 profit or loss.

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.

2.24 Government subsidies

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

Subsidies relating to income are deferred and recognised in profit or loss 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Contingent liabilities and contingent assets

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

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

2.26 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 profit or loss.

Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the 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.

Retirement benefit costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

Enterprise annuity

The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of 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 profit or loss.

2.28 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related parties (Continued)

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

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

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

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

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

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

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

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

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

3. 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 2013 and 2012. 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.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 2013 was RMB43,698,601,000 (2012: RMB39,651,171,000).

Estimated impairment of oil tankers and dry bulk vessels

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

The recoverable amounts of oil tankers 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 tankers and dry bulk vessels (including the amount to be received for the disposal of oil tankers 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 impairment loss for oil tankers and dry bulk vessels recognised amounted to RMB341,657,000 during the year (2012: RMBNil).

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 realizable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on carrying value of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimated provision for impairment of trade and bills receivables

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

Provision for losses incurred in accidents

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

Voyages in progress

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

Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at the end of 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.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Income taxes

As at 31 December 2013, a deferred tax asset of RMB297,590,000 (31 December 2012: RMB241,801,000) 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.

Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in oil tankers and dry bulk vessel contracts. The expected economic benefits are estimated based on estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obliged to make under the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in oil tankers and dry bulk vessel contracts and had a provision of RMB349,694,000 for onerous contracts at 31 December 2013 (note 31). Those contracts under assessment relate to leases (i) with lease term expiring within 24 months from the end of the reporting period; and (ii) with lease term expiring over 24 months from the end of the reporting period in respect of the period being covered by the chartered-out oil tankers and dry bulk vessel contracts.

The market is currently highly volatile and freight rates longer than 24 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in contracts with lease terms expiring over 24 months after the date of reporting period, and with period not being covered by chartered-out contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (note 31).

Had the estimated freight rates for the onerous contracts as at 31 December 2013, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB52,622,000.

4. APPLICATION OF NEW AND REVISED HKFRSS

Impact of new/revised HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2013.

Improvements to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income
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

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the consolidated financial statements of the Group for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 1 (Amendments) require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in these consolidated financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and separate financial statements" relating to the preparation of consolidated financial statements and HK-SIC 12"Consolidation – Special purpose entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

4. APPLICATION OF NEW AND REVISED HKFRSS (Continued)

Impact of new/revised HKFRSs (Continued)

HKFRS 11, which replaces HKAS 31 "Interests in joint ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangement are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangement and re-evaluated its involvement in its joint arrangement. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the Group's results of operations and financial position.

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 17, 18 and 19.

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 22 and 44(d).

4. APPLICATION OF NEW AND REVISED HKFRSS (Continued)

New and revised HKFRSs issued but not yet effective

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

Improvement to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Improvement to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKAS 19 (Amendments)	Defined benefit plans: Employee contributions[2]
HKAS 32 (Amendments)	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 July 2014.

3 Available for application-the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalized.

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.

5. 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

5. 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 from operating activities by principal activity and geographical area of operations for the year is set out as follows:

	2013		2012	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment	5,388,805	(381,629)	5,592,795	(220,315)
Dry bulk shipment				
– Coal shipment	2,698,142	(9,904)	2,699,649	(149,717)
– Iron ore shipment	2,455,750	329,820	2,154,841	333,896
– Other dry bulk shipment	801,455	(118,974)	606,343	(162,487)
	5,955,347	200,942	5,460,833	21,692
	11,344,152	180,687	11,053,628	(198,623)
Other income and gains		(190,444)		691,303
Impairment losses on assets classified as held for sale		(80,288)		(27,963)
Impairment losses on property, plant and equipment		(341,657)		—
Marketing expenses		(49,309)		(50,256)
Administrative expenses		(489,151)		(418,976)
Other expenses		(44,933)		(27,401)
Share of profits of joint ventures		111,581		293,701
Finance costs		(964,462)		(593,160)
Loss before tax		(2,229,350)		(331,375)

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2013		2012	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
Total segment assets				
Oil shipment		**21,855,835**		20,571,880
Dry bulk shipment		**27,751,581**		16,571,656
Unallocated corporate assets		**9,235,063**		20,716,987
		58,842,479		57,860,523
Total segment liabilities				
Oil shipment		**15,612,587**		14,230,822
Dry bulk shipment		**19,613,258**		13,923,313
Unallocated corporate liabilities		**1,404,757**		5,320,825
		36,630,602		33,474,960

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 incurred 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 joint ventures, 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 tankers and dry bulk vessels at 31 December 2013 amounted to RMB23,802,813,000 and RMB19,895,788,000 respectively (2012: RMB19,258,740,000 and RMB20,392,431,000 respectively).

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	2013		2012	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	**4,899,067**	**305,696**	4,913,910	163,760
International	**6,445,085**	**(486,383)**	6,139,718	(362,383)
	11,344,152	**(180,687)**	11,053,628	(198,623)
Other income and gains		**(190,444)**		691,303
Impairment losses on assets classified as held for sale		**(80,288)**		(27,963)
Impairment losses on property, plant and equipment		**(341,657)**		—
Marketing expenses		**(49,309)**		(50,256)
Administrative expenses		**(489,151)**		(418,976)
Other expenses		**(44,933)**		(27,401)
Share of profits of joint ventures		**111,581**		293,701
Finance costs		**(964,462)**		(593,160)
Loss before tax		**(2,229,350)**		(331,375)
Turnover				
Total segment turnover		**11,344,152**		11,053,628
Less: inter-segment transactions		—		—
Total consolidated turnover		**11,344,152**		11,053,628

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	2013			
	Oil shipment RMB'000	Dry bulk shipment RMB'000	Others RMB'000	Total RMB'000
Additions to segment non-current assets	**251,725**	**3,436,289**	**969,054**	**4,657,068**
Depreciation	**820,266**	**841,606**	**6,831**	**1,668,703**
Provision for onerous contracts	**316,257**	**33,437**	**—**	**349,694**
Loss on disposal of property, plant and equipment	**(48,302)**	**(177,723)**	**(9,450)**	**(235,475)**
Interest income	**14,872**	**18,520**	**10,945**	**44,337**

	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

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.

6. OTHER INCOME AND GAINS

	Group	
	2013	2012
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	**23,138**	99,085
Bank interest income	**33,255**	58,064
Rental income from investment properties	**20,446**	23,373
Interest income from held to maturity investment	**3,706**	—
Interest income from loan receivables	**7,376**	6,030
Others	**17,682**	5,286
	105,603	191,838
Other (losses)/gains		
Gain on revaluation of investment properties	**11,637**	439,126
(Loss)/gain on disposal of property, plant and equipment, net	**(235,475)**	46,869
Exchange (losses)/gains, net	**(95,216)**	5,535
Dividends received from available-for-sale investments	**1,772**	2,240
Impairment losses on assets classified as held for sale	**(80,288)**	(27,963)
Impairment losses on property, plant and equipment	**(341,657)**	—
Others	**21,235**	5,695
	(717,992)	471,502
Other income and gains	**(612,389)**	663,340

Note: The Group received government subsidies for business development purpose and refund of value-added tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	Group	
	2013	2012
	RMB'000	RMB'000
Total finance costs		
Interest expenses in :		
– Bank loans and other borrowings repayable over five years	**385,102**	356,891
– Bank loans and other borrowings repayable within five years	**253,265**	248,118
– Corporate bonds	**250,397**	70,682
– Convertible bonds	**184,541**	176,978
– Notes	**118,738**	173,870
– Finance leases	**25,304**	—
– Hedge loan	**6,216**	7,545
Other loan or borrowings costs and charges	**10,348**	63
	1,233,911	1,034,147
Less: Interest capitalised	**(269,449)**	(440,987)
Finance costs	**964,462**	593,160

8. LOSS BEFORE TAX

The loss before tax is arrived at after charging:

	Group	
	2013	2012
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**6,121,659**	6,410,526
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**5,403,180**	4,841,725
	11,524,839	11,252,251
Operating lease rentals:		
Land and buildings	**53,088**	52,233
Vessels	**612,076**	616,386
Total operating lease rentals	**665,164**	668,619
Staff costs (including directors' remuneration (note 9)):		
Wages, salaries, crew expenses and related expenses	**1,732,761**	1,685,035
Pension scheme contributions	**168,677**	131,506
Total staff costs	**1,901,438**	1,816,541
Depreciation	**1,668,703**	1,486,470
Auditor's remuneration	**3,879**	4,026
Provision for onerous contracts	**349,694**	—
Dry-docking and repairs	**289,137**	386,791

9. 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**458**	400	**—**	—
Salaries, allowances and benefits in kind	**1,311**	1,671	**791**	903
Discretionary bonuses	**40**	30	**274**	365
Pension scheme contributions	**61**	66	**72**	66
Total	**1,870**	2,167	**1,137**	1,334

(a) Independent non-executive directors

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

		2013	2012
		RMB'000	RMB'000
Mr. Zhang Jun		**100**	100
Mr. Lu Wenbin	(resigned on 31 March 2014)	**100**	100
Mr. Wang Wusheng		**100**	100
Mr. Lin Junlai	(appointed on 29 May 2013)	**58**	—
Mr. Zhu Yongguang	(resigned on 17 January 2014)	**100**	100
		458	400

There were no other emoluments payable to the independent non-executive directors during the year (2012: RMBNil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2013	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. Xu Lirong	—	—	—	—	—
Mr. Zhang Guofa	—	—	—	—	—
Mr. Wang Daxiong (resigned on 18 March 2014)	—	—	—	—	—
Ms. Su Min (appointed on 29 May 2013)	—	—	—	—	—
Mr. Huang Xiaowen (appointed on 29 May 2013)	—	—	—	—	—
Mr. Ding Nong	—	—	—	—	—
Mr. Han Jun (appointed on 29 May 2013)	—	468	—	19	487
Mr. Qiu Guoxuan	—	676	40	36	752
Mr. Li Shaode (resigned on 2 December 2013)	—	—	—	—	—
Mr. Yan Zhichong (resigned on 19 March 2013)	—	167	—	6	173
	—	1,311	40	61	1,412
Supervisors:					
Mr. Xu Wenrong	—	—	—	—	—
Mr. Zhang Rongbiao (resigned on 29 January 2014)	—	—	—	—	—
Mr. Xu Hui (resigned on 19 March 2013)	—	—	—	—	—
Mr. Chen Jihong (appointed on 29 May 2013)	—	—	—	—	—
Mr. Luo Yuming	—	623	—	36	659
Ms. Chen Xiuling	—	168	274	36	478
	—	791	274	72	1,137

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

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

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 (2012: RMBNil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two (2012: one) directors or supervisors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2012: four) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,127**	4,432
Discretionary bonuses	**—**	48
Pension scheme contributions	**108**	167
	2,235	4,647

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

	Number of employees	
	2013	2012
Below HKD1,000,000	**3**	—
HKD1,000,001 to HKD2,000,000	**—**	4

11. TAX

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2013. 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 year ended 31 December 2012.

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 Group is 25%.

11. TAX (Continued)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Current:		
Hong Kong		
– Charge for the year	**(535)**	—
– Under provision in prior years	**(348)**	—
PRC		
– Charge for the year	**(17,697)**	(4,700)
– Under provision in prior years	**(1,680)**	(3,156)
Deferred tax (note 23)	**32,163**	477,000
Total tax credit for the year	**11,903**	469,144

Income tax for the year of joint ventures attributable to the Group amounted to RMB43,596,000 (2012: RMB107,578,000).

There was no income tax for the year attributable to the Group from the associates (2012: RMBNil).

11. TAX (Continued)

PRC Corporate Income Tax

A reconciliation of the tax credit applicable to loss before tax using the statutory rate for the country in which the Company, its subsidiaries, associates and joint ventures are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Loss before tax	**(2,229,350)**	(331,375)
Tax at the statutory tax rate	**557,338**	82,844
Tax effect of share of profits of joint ventures	**43,596**	107,578
Expenses not deductible for tax	**(281,829)**	(67,996)
Income not subject to tax	**26,569**	28,543
Adjustments in respect of current tax of previous periods	**(2,028)**	(3,156)
Unused tax losses not recognised	**(15,688)**	(6,363)
Temporary differences not recognised	**24**	(44)
Different tax rate of subsidiaries operating in other jurisdiction	**(147,876)**	(17,341)
Reversal of deferred tax assets on tax losses	**(152,852)**	—
(Charged)/reversal of deferred tax liabilities on unremitted earnings	**(15,351)**	345,079
Tax credit	**11,903**	469,144

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Income tax payable at the beginning of the year	**3,206**	4,463	—	70
Provision for Corporate Income Tax	**18,232**	4,700	—	—
Under provision in prior years	**2,028**	3,156	—	2,486
Income tax paid	**(11,381)**	(9,113)	—	(2,556)
Exchange realignment	**(13)**	—	—	—
Income tax payable at the end of the year	**12,072**	3,206	—	—

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of RMB753,448,000 (2012: profit of RMB185,997,000) which has been dealt with in the financial statements of the Company (note 36).

13. DIVIDEND

The dividend paid in 2012 was RMB340,455,000, representing 2011 final dividend of RMB0.10 per share.

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB2,234,106,000 (2012: profit of RMB73,741,000) and the weighted average of 3,404,554,000 shares (2012: 3,404,553,000 shares) in issue during the year, calculated as follows:

	2013	2012
(Loss)/profit attributable to owners of the Company (RMB'000)	**(2,234,106)**	73,741
Weighted average number of shares in issue (thousands)	**3,404,554**	3,404,553
Basic (loss)/earnings per share (RMB cents per share)	**(65.62)**	2.17

(b) Diluted (loss)/earnings per share

In 2013 and 2012, the calculation of diluted (loss)/earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease/increase in (loss)/profit per share from continuing operations. Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

15. INVESTMENT PROPERTIES

	Group	
	2013	2012
	RMB'000	RMB'000
Fair value		
Completed investment properties	**1,076,280**	1,193,458
At 1 January	**1,193,458**	394,672
Transfer from construction in progress for completed investment properties	**—**	359,660
Transfer to property, plant and equipment	**(128,815)**	—
Net increase in fair value recognised in profit or loss	**11,637**	439,126
At 31 December	**1,076,280**	1,193,458

	Company	
	2013	2012
	RMB'000	RMB'000
Fair value		
Completed investment properties	**1,206,609**	1,193,458
At 1 January	**1,193,458**	394,672
Transfer from construction in progress for completed investment properties	**—**	359,660
Net increase in fair value recognised in profit or loss	**13,151**	439,126
At 31 December	**1,206,609**	1,193,458

The fair value of the Group's and the Company's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by China Tong Cheng, independent qualified professional valuers not related to the Group. China Tong Cheng is a Certified Public Valuer in the PRC. The fair value was determined based on the market comparable approach that reflects recent of transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change from the valuation technique used in the prior.

15. INVESTMENT PROPERTIES (Continued)

As at 31 December 2013, the fair values of the Group's and the Company's investment properties of RMB1,076,280,000 (2012: RMB1,193,458,000) and RMB1,206,609,000 (2012: RMB1,193,458,000) respectively, are based on Level 2 measurement.

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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.

16. 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 2013	132,885	49,493,069	81,672	17,914	76,116	5,902,873	55,704,529
Transfers	—	6,795,673	12,745	—	—	(6,808,418)	—
Transfer from investment properties (note 15)	—	—	—	—	128,815	—	128,815
Additions	—	118,721	2,140	1,416	—	4,534,791	4,657,068
Disposals	(19,938)	(1,024,066)	(5,561)	(572)	—	(83,077)	(1,133,214)
Reclassified as held for sale	—	(231,570)	—	—	—	—	(231,570)
Exchange realignment	—	(557,290)	(79)	—	—	(57,124)	(614,493)
At 31 December 2013	**112,947**	**54,594,537**	**90,917**	**18,758**	**204,931**	**3,489,045**	**58,511,135**
Accumulated depreciation							
At 1 January 2013	56,489	9,805,960	56,358	11,427	4,292	—	9,934,526
Charge for the year	9,656	1,641,216	12,545	1,147	4,139	—	1,668,703
Disposals	(2,583)	(745,293)	(5,339)	(547)	—	—	(753,762)
Reclassified as held for sale	—	(124,379)	—	—	—	—	(124,379)
Exchange realignment	—	(59,163)	(49)	—	—	—	(59,212)
At 31 December 2013	**63,562**	**10,518,341**	**63,515**	**12,027**	**8,431**	—	**10,665,876**
Impairment losses							
At 1 January 2013	—	35,938	—	—	—	—	35,938
Impairment loss for the year	—	341,657	—	—	—	—	341,657
At 31 December 2013	—	**377,595**	—	—	—	—	**377,595**
Accumulated depreciation and impairment losses							
At 31 December 2013	**63,562**	**10,895,936**	**63,515**	**12,027**	**8,431**	—	**11,043,471**
At 31 December 2012	56,489	9,841,898	56,358	11,427	4,292	—	9,970,464
Net carrying value							
At 31 December 2013	**49,385**	**43,698,601**	**27,402**	**6,731**	**196,500**	**3,489,045**	**47,467,664**
At 31 December 2012	76,396	39,651,171	25,314	6,487	71,824	5,902,873	45,734,065

16. 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 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 15)	—	—	—	—	—	(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

16. 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 2013	21,300	16,505,238	50,806	9,825	76,116	1,062,042	17,725,327
Transfers	—	1,220,237	12,745	—	—	(1,232,982)	—
Additions	—	—	407	395	—	280,192	280,994
Disposals	—	(126,064)	(5,286)	(572)	—	—	(131,922)
Transfers to subsidiaries	(21,300)	(17,599,411)	(41,606)	(7,081)	—	(109,252)	(17,778,650)
At 31 December 2013	—	—	**17,066**	**2,567**	**76,116**	—	**95,749**
Accumulated depreciation							
At 1 January 2013	5,326	3,338,587	34,919	6,909	4,292	—	3,390,033
Charge for the year	3,550	473,209	7,388	677	1,904	—	486,728
Disposals	—	(15,793)	(5,085)	(547)	—	—	(21,425)
Transfers to subsidiaries	(8,876)	(3,796,003)	(31,640)	(5,389)	—	—	(3,841,908)
At 31 December 2013	—	—	**5,582**	**1,650**	**6,196**	—	**13,428**
Net carrying value							
At 31 December 2013	—	—	**11,484**	**917**	**69,920**	—	**82,321**
At 31 December 2012	15,974	13,166,651	15,887	2,916	71,824	1,062,042	14,335,294

16. 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 (note 15)	—	—	—	—	—	(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

16. 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels				
Cost at 31 December	**2,170,757**	1,529,480	—	942,484
Accumulated depreciation and impairment losses at 31 December	**397,971**	385,309	—	336,923

Further details of the operating leases are included in note 41(a) to the consolidated financial statements.

At 31 December 2013, certain of the Groups' vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (note 32).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**13,485,303**	8,186,365

17. INTERESTS IN SUBSIDIARIES (Continued)

As at 31 December 2013 and 2012, particulars of principal subsidiaries are as follows:

Name	Place of incorporation and operations / legal status	Nominal value of issued/ registered capital	Class of share in issue	Proportion of ownership interest				Principal activity
				Directly		Indirectly		
				2013	2012	2013	2012	
China Shipping Tanker Co., Limited ("CS Tanker") (Incorporated in 2013)	PRC Limited liability company	RMB1,666,666,600	Ordinary	100%	0%	0%	0%	Provision of shipping services
China Shipping Bulk Carrier Co., Limited ("Bulk Carrier")	PRC Limited liability company	RMB4,300,000,000	Ordinary	100%	100%	0%	0%	Provision of shipping services
China Shipping Bulk Carrier (Shanghai) Co., Limited ("Bulk Carrier Shanghai")	PRC Limited liability company	RMB1,000,000,000	Ordinary	0%	0%	100%	100%	Provision of shipping services
China Shipping Development (Hong Kong) Marine Co., Limited ("CSDHK")	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 Bulk Carrier (Hong Kong) Co., Limited (formerly known as 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	RMB 100,000,000	Ordinary	100%	100%	0%	0%	Investment holding
China Energy Shipping Investment Co., Limited ("China Energy")	Hong Kong Limited liability company	USD5,000,000	Ordinary	0%	0%	51%	51%	Investment holding
CS Puyuan Marine Co., Limited ("CS Puyuan")	Hong Kong Limited liability company	USD 19,000,000	Ordinary	0%	0%	51%	51%	Investment holding
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	RMB 130,000,000 (2012: RMB 100,000,000)	Ordinary	0%	0%	51%	51%	Provision of shipping services

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations / legal status	Nominal value of issued/ registered capital	Class of share in issue	Proportion of ownership interest Directly		Indirectly		Principal activity
				2013	2012	2013	2012	
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	USD 5,000,000	Ordinary	90%	90%	0%	0%	Investment holding
Shanghai Jiahe Shipping Co., Limited ("Shanghai Jiahe")	PRC Limited liability company	RMB240,000,000	Ordinary	0%	0%	51%	51%	Provision of shipping services
Shanghai Yinhua Shipping Co., Limited ("Shanghai Yinhua")	PRC Limited liability company	RMB 200,000,000	Ordinary	0%	0%	51%	51%	Provision of shipping services
Tianjin Zhonghai Huarun Marine Co., Limited ("Tianjin Zhonghai")	PRC Limited liability company	RMB 768,000,000	Ordinary	0%	0%	51%	51%	Provision of shipping services
China Energy Aspiration LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive
China Energy Hope LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive
China Energy Aurora LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive
China Energy Glory LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive
China Energy Pioneer LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive
China Energy Peace LNG Shipping Co., Limited (Incorporated in 2013)	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	80%	0%	Inactive

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.

17. INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI").

The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013			
	China Energy RMB'000	Hai Bao RMB'000	Shanghai Jiahe RMB'000	Tianjin Zhonghai RMB'000
NCI percentage	49%	49%	49%	49%
Current assets	71,922	169,048	114,924	155,010
Non-current assets	1,133,206	3,434,354	396,450	1,756,653
Current liabilities	(1,379)	(528,275)	31,855	37,069
Non-current liabilities	(1,025,452)	(2,744,904)	(270,000)	(1,165,840)
Net assets	178,297	330,223	273,229	782,892
Carrying amount of NCI	87,366	161,809	133,882	383,617
Revenue	—	529,941	257,167	306,133
Profit/(loss) for the year	(3,014)	118,048	21,749	(6,122)
Total comprehensive income/(expense)	150,091	118,048	21,749	(6,122)
Profit/(loss) allocated to NCI	(1,477)	57,844	10,657	(3,000)
Net cash flows from operating activities	(103)	244,770	76,669	40,744
Net cash flows from investing activities	(369,400)	(534,865)	(1,709)	(523,457)
Net cash flows from financial activities	410,936	281,338	(59,696)	282,850

17. INTERESTS IN SUBSIDIARIES (Continued)

	2012			
	China Energy RMB'000	Hai Bao RMB'000	Shanghai Jiahe RMB'000	Tianjin Zhonghai RMB'000
NCI percentage	49%	49%	49%	49%
Current assets	33,635	167,215	109,998	269,239
Non-current assets	—	3,209,145	408,787	995,690
Current liabilities	(2,207)	(492,247)	(364)	(23,400)
Non-current liabilities	—	(2,663,424)	(268,000)	(452,515)
Net assets	31,428	220,689	250,421	789,014
Carrying amount of NCI	15,400	108,138	122,706	386,617
Revenue	—	483,948	121,800	114,629
Profit/(loss) for the year	—	151,555	8,400	(9,043)
Total comprehensive income/(expense)	—	151,555	8,400	(9,043)
Profit/(loss) allocated to NCI	—	74,262	4,116	(4,431)
Net cash flows from operating activities	—	186,202	11,093	6,806
Net cash flows from investing activities	1	(1,012,142)	(240,764)	(463,045)
Net cash flows from financial activities	31,428	860,533	187,559	526,938

18. INVESTMENTS IN ASSOCIATES

	Group	
	2013 RMB'000	2012 RMB'000
Cost of unlisted investments in associates	**8**	8
Share of profits and other comprehensive expenses	**(8)**	(8)
	—	—

18. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2013 and 2012, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

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
			2013	2012	**2013**	2012	
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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

	2013 **RMB'000**	2012 RMB'000
Total assets	**3,657,831**	1,636,707
Total liabilities	**(3,837,032)**	(2,082,566)
Net liabilities	**(179,201)**	(445,859)
Group's share of net assets of associates	**—**	—

	2013 **RMB'000**	2012 RMB'000
Revenue	**—**	—
Profit for the year	**—**	—
Other comprehensive income/(expense)	**257,197**	(43,554)
Group's share of total comprehensive income of associates for the year	**—**	—

19. INVESTMENTS IN JOINT VENTURES

	Group 2013 RMB'000	Group 2012 RMB'000
Equity method	**4,552,714**	4,020,369

	Company 2013 RMB'000	Company 2012 RMB'000
Unlisted shares, at cost	**3,073,463**	2,636,663

As at 31 December 2013 and 2012, particulars of the joint ventures are as follows:

Name of joint ventures	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)	PRC Limited liability company	50%	0%	50%	Provision of shipping services
Shanghai Times Shipping Co., Limited ("Shanghai Times")	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)	PRC Limited liability company	50%	0%	50%	Provision of shipping services
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	Registered Capital of RMB1 each (RMB4,100,000,000) (2012: RMB3,100,000,000)	PRC Limited liability company	49%##	49%##	0%	Provision of shipping services

19. INVESTMENTS IN JOINT VENTURES (Continued)

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

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 joint ventures, and no contingent liabilities of the joint ventures themselves.

The Group holds 25% of the issued share capital of CS Finance with the other three significant shareholders and each of them control 25% of vote in general meeting of CS Finance.

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 joint ventures of the Group.

19. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised unaudited financial information adjusted for any differences in accounting policies and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013					
	Shanghai Friendship RMB'000	Guangzhou Shipping RMB'000	Shanghai Times RMB'000	Huahai RMB'000	CS Finance RMB'000	Shenhua Zhonghai RMB'000
Current assets	58,418	59,866	1,173,355	41,247	5,091,547	1,859,395
Non-current assets	468,320	1,524,193	6,346,744	350,426	4,677,060	6,372,605
Current liabilities	(90,708)	(147,653)	(3,159,582)	(44,217)	(8,841,475)	(2,691,555)
Non-current liabilities	(141,409)	(787,560)	(2,401,502)	(188,500)	—	—
Equity	294,621	648,846	1,959,015	158,956	927,132	5,540,445
Revenue	130,396	317,146	3,638,341	156,753	384,161	5,086,740
Profit/(Loss) from continuing operations	(15,470)	14,545	(118,453)	8,642	165,604	273,380
Post-tax profit or loss from discontinued operations	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income/(expense)	(15,470)	14,545	(118,453)	8,642	165,604	273,380
Dividend received from joint ventures	—	—	—	—	16,800	—
Included in the above profit:						
Depreciation and amortisation	10,916	48,956	303,484	14,096	3,029	102,246
Interest income	(187)	(276)	(1,487)	(178)	—	(18,361)
Interest expense	6,314	58,436	217,199	7,542	—	9,041
Income tax expense/(credit)	—	5,517	(39,192)	3,172	55,345	91,860

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	2013					
	Shanghai Friendship RMB'000	Guangzhou Shipping RMB'000	Shanghai Times RMB'000	Huahai RMB'000	CS Finance RMB'000	Shenhua Zhonghai RMB'000
Net assets of the joint ventures	294,621	648,846	1,959,015	158,956	927,132	5,540,445
Proportion of the group's ownership interest	50%	50%	50%	50%	25%	49%
Group's share of net assets	147,311	324,423	979,507	79,478	231,783	2,714,818
Add: Fair value adjustment of property, plant and equipment when acquired	—	—	—	75,394	—	—
Carrying amount of the Group's interest in joint ventures	147,311	324,423	979,507	154,872	231,783	2,714,818

19. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised unaudited financial information adjusted for any adjusted for any differences in accounting policies and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below (continued):

	2012					
	Shanghai Friendship RMB'000	Guangzhou Shipping RMB'000	Shanghai Times Shipping RMB'000	Huahai RMB'000	CS Finance RMB'000	Shenhua Zhonghai RMB'000
Current assets	57,659	68,876	608,898	46,993	6,216,857	1,389,955
Non-current assets	485,047	1,573,142	6,345,342	284,379	3,801,648	4,124,407
Current liabilities	(121,094)	(116,365)	(2,121,510)	(73,057)	(9,189,776)	(689,627)
Non-current liabilities	(111,520)	(892,880)	(2,753,977)	(108,000)	—	(449,100)
Equity	310,092	632,773	2,078,753	150,315	828,729	4,375,635
Revenue	113,526	353,037	2,097,866	148,444	443,336	4,319,809
Profit/(Loss) from continuing operations	(20,911)	1,261	47,255	10,873	151,018	507,819
Post-tax profit or loss from discontinued operations	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income/(expense)	(20,911)	1,261	47,255	10,873	151,018	507,819
Dividend received from joint ventures	—	—	50,000	—	11,250	215,600
Included in the above profit:						
Depreciation and amortisation	6,312	48,941	272,413	9,880	1,906	95,765
Interest income	(122)	(324)	(846)	(249)	—	(11,861)
Interest expense	1,013	65,487	171,665	759	—	21,476
Income tax expense	13	657	16,963	3,976	50,805	171,578

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	2012					
	Shanghai Friendship RMB'000	Guangzhou Shipping RMB'000	Shanghai Times Shipping RMB'000	Huahai RMB'000	CS Finance RMB'000	Shenhua Zhonghai RMB'000
Net assets of the joint ventures	310,092	632,773	2,078,753	150,315	828,729	4,375,635
Proportion of the group's ownership interest	50%	50%	50%	50%	25%	49%
Group's share of net assets	155,046	316,387	1,039,377	75,157	207,182	2,144,061
Add: Fair value adjustment of property, plant and equipment when acquired	—	—	—	83,159	—	—
Carrying amount of the Group's interest in joint ventures	155,046	316,387	1,039,377	158,316	207,182	2,144,061

20. LOAN RECEIVABLES

Loan receivables of the Group represent loans to associates denominated in USD, are unsecured, bear interests at 3.3% to 4.9% (2012: 3.3% to 4.8%) over 3 month Libor per annum, and repayable in year 2030 to year 2031.

Loan receivables of the Company represent loans to subsidiaries denominated in RMB, are unsecured, bear interests at 3.9% to 6.51% (2012: 3.9% to 6.51%) per annum, and repayable in year 2013 to year 2022.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Unlisted equity investments, at cost	**5,825**	5,873

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

As at 31 December 2013, unlisted equity investments with a carrying amount of RMB5,825,000 (2012: RMB5,873,000) 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 2013, the Group does not provide impairments on available-for-sale financial assets (2012: RMBNil).

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

	Group	
	2013	2012
	RMB'000	RMB'000
RMB	**4,300**	4,300
USD	**1,525**	1,573
	5,825	5,873

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements		
Assets		
Non-current portion	**151,027**	—
Liabilities		
Current portion	**(1,940)**	—
Non-current portion	**(4,689)**	(12,758)
	(6,629)	(12,758)

As at 31 December 2013, the Group held thirty-two (2012: two) interest rate swap agreements, the total notional principal amount of the outstanding interest rate swaps agreements was USD651,133,615 (approximately RMB3,969,869,893) (2012: USD114,093,335 (approximately RMB719,091,000)). The interest rate swaps agreements, with maturity in 2016, 2031 and 2032 are designated as cash flow hedges in respect of the bank borrowings with a floating interest rate.

During the year 2013, the floating rates of the bank loan were Libor plus 0.42%, 0.45% or 2.2% (2012: Libor plus 0.42% or 0.45%).

The gains/(losses) for the interest rate swap agreements during the year are as follows:

	2013	2012
	RMB'000	RMB'000
Total fair value gain included in the hedging reserve	**157,491**	2,846
Hedge loan interest included in finance cost	**(6,216)**	(7,545)
Total gains/(losses) on cash flow hedges interest rate swap agreements	**151,275**	(4,699)

On 28 January 2014, the Group released one of interest rate swap agreements with Citibank, N.A., Hong Kong, the notional principal amount of the interest rate swap agreement was USD41,333,333 prior to maturity in January 2016.

23. DEFERRED TAXATION

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**297,590**	241,801	**—**	152,852
Deferred tax liabilities	**(198,795)**	(175,169)	**(158,077)**	(148,866)
	98,795	66,632	**(158,077)**	3,986

Group

	Tax losses	**Unremitted earnings**	**Revaluation of investment properties**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2012	—	(371,382)	(38,986)	(410,368)
Credited/(charged) to profit or loss during the year (note 11)	241,801	345,079	(109,880)	477,000
At 31 December 2012	241,801	(26,303)	(148,866)	66,632
Credited/(charged) to profit or loss during the year (note 11)	55,789	(15,351)	(8,275)	32,163
At 31 December 2013	**297,590**	**(41,654)**	**(157,141)**	**98,795**

23. DEFERRED TAXATION (Continued)

Company

	Tax losses RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2012	—	(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
Charged to profit or loss during the year	(152,852)	(9,211)	(162,063)
At 31 December 2013	—	**(158,077)**	**(158,077)**

A deferred tax asset in respect of tax losses of RMB182,833,000 (2012: RMB113,271,000) 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 RMB114,299,000 (2012: RMB64,773,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

24. INVENTORIES

The Group's inventories represent the bunker oil inventories and ship stores and spare parts of RMB654,947,000 and RMB233,340,000 respectively (2012: RMB705,993,000 and RMB228,166,000 respectively). The Company's inventories represent the ship stores and spare parts of RMB4,512,000 (2012: bunker oil inventories and ship stores and spare parts of RMB256,866,000 and RMB90,537,000 respectively).

25. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade and bills receivables	**1,647,728**	1,445,631	**1,312**	480,322
Due from associates, joint ventures and fellow subsidiaries	**102,557**	39,235	**—**	1,077
Trade and bills receivables	**1,750,285**	1,484,866	**1,312**	481,399

25. TRADE AND BILLS RECEIVABLES (Continued)

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

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

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			
	2013		2012	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,559,506**	**89**	1,345,645	91
4 - 6 months	**108,813**	**6**	131,054	9
7 - 9 months	**47,208**	**3**	6,751	—
10 - 12 months	**33,251**	**2**	1,075	—
1 - 2 years	**1,507**	**—**	341	—
	1,750,285	**100**	1,484,866	100

	Company			
	2013		2012	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,255**	**96**	466,109	97
4 - 6 months	**—**	**—**	13,093	3
7 - 9 months	**—**	**—**	1,232	—
10 - 12 months	**—**	**—**	835	—
1 - 2 years	**57**	**4**	130	—
	1,312	**100**	481,399	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.

25. TRADE AND BILLS RECEIVABLES (Continued)

Included in trade and bills receivables are debtors with carrying amount of approximately RMB190,779,000 (2012: RMB58,132,000) 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 (2012: RMBNil).

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 – 6 months	**156,021**	56,716	**—**	4,325
7 – 12 months	**34,758**	1,416	**57**	965
	190,779	58,132	**57**	5,290

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**927,890**	860,363	**1,312**	454,314
USD	**822,395**	624,503	**—**	27,085
	1,750,285	1,484,866	**1,312**	481,399

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**67,484**	114,007	**4,611**	22,732
Deposits and other receivables	**164,515**	437,952	**49,984**	342,944
Due from fellow subsidiaries and related parties	**254,175**	204,202	**50,217**	71,151
Due from subsidiaries	**—**	—	**5,135,667**	5,789,575
	486,174	756,161	**5,240,479**	6,226,402

The amounts due from fellow subsidiaries, related parties 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**63,674**	465,669	**3,350,602**	2,671,269
USD	**318,021**	240,603	**1,889,812**	3,550,228
AUD	**64,040**	31,714	**65**	1,963
JPY	**2,390**	216	**—**	378
Others	**38,049**	17,959	**—**	2,564
	486,174	756,161	**5,240,479**	6,226,402

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 RMB792,008,000 (2012: RMB1,437,942,000) of bank balance deposited with CS Finance, a joint venture of the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**871,540**	2,377,782	**406,746**	1,174,135
USD	**1,043,235**	899,247	**79,898**	103,979
SGD	**1,866**	4,731	**—**	—
HKD	**1,722**	3,154	**73**	37
Others	**841**	831	**841**	831
	1,919,204	3,285,745	**487,558**	1,278,982

28. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**93,828**	—	**93,828**	—
Reclassified as held for sales	**107,191**	121,791	**—**	121,791
Impairment losses	**(80,288)**	(27,963)	**—**	(27,963)
Disposals	**(93,828)**	—	**(93,828)**	—
Exchange realignment	**1,237**	—	**—**	—
At 31 December	**28,140**	93,828	**—**	93,828

29. TRADE AND BILLS PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payables	**548,149**	404,687	**1,614**	154,476
Due to fellow subsidiaries and related parties	**994,584**	803,226	**9,853**	297,056
Due to subsidiaries	**—**	—	**8,688**	6,705
	1,542,733	1,207,913	**20,155**	458,237

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

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

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**952,068**	666,759	**20,062**	292,378
USD	**577,249**	498,892	**93**	157,179
HKD	**1,969**	31,516	**—**	2,070
JPY	**1,885**	5,395	**—**	2,365
EUR	**48**	3,904	**—**	3,852
Others	**9,514**	1,447	**—**	393
	1,542,733	1,207,913	**20,155**	458,237

29. TRADE AND BILLS PAYABLES (Continued)

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

	Group			
	2013		2012	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,388,738**	**90**	1,083,462	90
4 - 6 months	**71,612**	**5**	79,132	6
7 - 9 months	**49,090**	**3**	27,010	2
10 - 12 months	**17,928**	**1**	3,620	—
1 - 2 years	**5,889**	**—**	8,288	1
Over 2 years	**9,476**	**1**	6,401	1
	1,542,733	**100**	1,207,913	100

	Company			
	2013		2012	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**9,653**	**48**	405,971	89
4 - 6 months	**344**	**2**	28,807	6
7 - 9 months	**705**	**3**	19,383	4
10 - 12 months	**6,541**	**33**	2,155	1
1 - 2 years	**2,818**	**14**	1,662	—
Over 2 years	**94**	**—**	259	—
	20,155	**100**	458,237	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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**53,067**	51,049	**5,631**	27,570
Other payables	**139,616**	755,221	**(131,164)**	429,155
Due to ultimate holding company	**88,207**	63,474	**88,207**	63,474
Due to fellow subsidiaries	**633,767**	46,184	**2,398**	91,031
Due to joint ventures	**2,444**	1,037	**733**	—
Due to subsidiaries	**—**	—	**237,832**	135,533
	917,101	916,965	**203,637**	746,763

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 - 3 months.

The amounts due to ultimate holding company, subsidiaries, joint ventures 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**337,323**	586,631	**41,726**	11,543
RMB	**498,081**	326,960	**154,031**	735,220
HKD	**25,333**	3,374	**4,327**	—
Others	**56,364**	—	**3,553**	—
	917,101	916,965	**203,637**	746,763

31. PROVISION FOR ONEROUS CONTRACTS

	Group 2013 RMB'000	Company 2013 RMB'000
As at 1 January	—	—
Provision for the year	**349,694**	**33,436**
As at 31 December	**349,694**	**33,436**
Less: current portion of provision for onerous contracts	**(175,287)**	**(17,158)**
Non-current portion of provision for onerous contracts	**174,407**	**16,278**

As at 31 December 2013, the Group has a provision of RMB349,694,000 for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 31 December 2013, the committed charterhire expenses of non-cancellable chartered-in oil tankers and dry bulk vessel contracts with lease term expiring over 24 months from the end of the reporting period and with period not being covered by chartered-out oil tankers and dry bulk vessels contracts of which management cannot reliably assess their onerous contracts, amounted to approximately RMB3,031,793,000.

32. 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 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Current liabilities						
(i) Bank loans						
Secured	Libor + 0.4% to 1.7%, 6.46%	2014	**1,627,229**	1,069,328	—	—
Unsecured	Libor + 0.6% to 4%, 3 months Libor, 3 months Libor +1.3%, 6.55%	2014	**1,575,940**	1,678,164	**487,752**	628,550
			3,203,169	2,747,492	**487,752**	628,550
(ii) Notes						
Unsecured	3.9%	2014	**2,998,949**	—	**2,998,949**	—
(iii) Other borrowings						
Secured	6.46%	2014	**6,630**	18,657	—	—
Unsecured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, 4.86% to 6.51%, Libor +1.6%	2014	**2,356,307**	1,428,740	**1,000,000**	1,300,000
			2,362,937	1,447,397	**1,000,000**	1,300,000
Notes, interest-bearing bank and other borrowings – current portion			**8,565,055**	4,194,889	**4,486,701**	1,928,550

32. 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 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Non-current liabilities						
(i) Bank loans						
Secured	3 months Libor +2.2%, Libor +0.4% to 1.7%, 6.46%	2016-2037	**8,109,880**	8,327,379	—	—
Unsecured	Libor +1.55% to 1.85%, 6.55%	2019-2024	**2,092,182**	1,257,236	—	—
			10,202,062	9,584,615	—	—
(ii) Notes						
Unsecured	3.9%	2014	—	2,997,211	—	2,997,211
(iii) Other borrowings						
Secured	6.46%	2023	**137,700**	188,663	—	—
Unsecured	10% discount to the PBC Benchmark interest rate, 4.12% to 6.51%	2015-2018	**5,072,790**	5,436,590	**5,000,000**	5,000,000
			5,210,490	5,625,253	**5,000,000**	5,000,000
Notes, interest-bearing bank and other borrowings – non-current portion			**15,412,552**	18,207,079	**5,000,000**	7,997,211

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

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

The Group's bank loans are secured by pledges or mortgages of the Group's 34 vessels (2012: 31 vessels) and another 4 vessels under construction (2012: 6 vessels under construction) with total net carrying value of RMB16,299,120,000 (2012: RMB16,073,385,000) as at 31 December 2013. Collateralised borrowings are secured by trade receivables of RMB504,705,000 (2012: RMBNil).

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 RMB9,598,438,000 (2012: RMB8,924,947,000), unsecured bank loans of RMB2,947,739,000 (2012: RMB1,964,098,000) and unsecured other borrowings of RMB426,767,000 (2012 : RMB628,550,000) which are denominated in USD, all borrowings are denominated in RMB.

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

(b) At 31 December 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) **Bank loans:**				
Within one year or on demand	**3,203,169**	2,747,492	**487,752**	628,550
In the second year	**1,675,888**	1,254,148	**—**	—
In the third to fifth year, inclusive	**3,886,845**	3,595,355	**—**	—
Over five years	**4,639,329**	4,735,112	**—**	—
	13,405,231	12,332,107	**487,752**	628,550
(ii) **Notes:**				
Within one year or on demand	**2,998,949**	—	**2,998,949**	—
In the second year	**—**	2,997,211	**—**	2,997,211
	2,998,949	2,997,211	**2,998,949**	2,997,211
(iii) **Other borrowings:**				
Within one year or on demand	**2,362,937**	1,447,397	**1,000,000**	1,300,000
In the second year	**2,079,420**	86,554	**2,000,000**	—
In the third to fifth year, inclusive	**3,026,010**	2,407,994	**3,000,000**	2,000,000
Over five years	**105,060**	3,130,705	**—**	3,000,000
	7,573,427	7,072,650	**6,000,000**	6,300,000
	23,977,607	22,401,968	**9,486,701**	9,925,761

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

(b) **At 31 December 2013, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:** (Continued)

Included in other borrowings represent an amount of RMB1,658,930,000 (2012: RMB562,930,000) were borrowed from CS Finance, a joint venture of the Group. As at 31 December 2013, the current and non-current portion of this borrowing amounted to RMB1,532,140,000 (2012: RMB59,200,000) and RMB126,790,000 (2012: RMB503,730,000) respectively.

Included in other borrowings represent an amount of RMB5,400,000,000 (2012: RMB6,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2013, the current and non-current portion of this borrowing amounted to RMB400,000,000 (2012: RMB1,300,000,000) and RMB5,000,000,000 (2012: RMB5,000,000,000) respectively.

Included in other borrowings represent an amount of RMB426,767,000 (2012: RMBNil) were borrowed from China Shipping (Hong Kong) Holdings Co., Limited ("CSHK"), a fellow subsidiary of the Company. As at 31 December 2013, the current portion of this borrowing amounted to RMB426,767,000 (2012: RMBNil).

(c) **Details of the notes at 31 December 2013 are as follows:**

	Group and Company	
	2013	2012
	RMB'000	RMB'000
Principal amount	**3,000,000**	3,000,000
Notes issuance cost	**(8,245)**	(8,245)
Proceeds received	**2,991,755**	2,991,755
Accumulated amortisation	**7,194**	5,456
	2,998,949	2,997,211

Notes with principal amount of RMB3,000,000,000 was issued by the Group to investors on 3 August 2009. The notes carried a fixed interest yield of 3.90% per annum and were issued at a price of 100 per cent of its principal amount, resulting in no discount on the issue. The notes become interest bearing since 4 August 2009, payable annually in arrears on 4 August of each year. The notes will mature on 3 August 2014.

33. OTHER LOANS

	Group	
	2013	2012
	RMB'000	RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**424,206**	437,318
Kantons International Investment Limited ("Kantons International")	**142,453**	12,574
Shanghai Puyuan Shipping Co., Limited ("Shanghai Puyuan")	**104,297**	76,993
Mitsui O.S.K. Lines, Limited ("MOL")	**63,132**	—
Petrochina International Co., Limited	**10,020**	878
	744,108	527,763
Less: current portion of other loans	**(29,874)**	—
Non-current portion of other loans	**714,234**	527,763

Included in loan from Baosteel Resources International represents an amount of USD69,580,000 (2012: USD69,580,000) was provided to Hai Bao to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3.5% (2012: 3%) per annum and repayable in 2014 and 2018.

According to the contract signed between ELNG and its non-controlling shareholder, Kantons International, USD3,069,517 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 China Energy and its non-controlling shareholder, Kantons International, USD20,295,349 were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between CS Puyuan and its non-controlling shareholder, Shanghai Puyuan, USD17,107,200 was provided to CS Puyuan to finance the daily operation. The loans are unsecured, non-interest bearing and repayable in 2015 and 2016.

According to the contracts signed between China Energy and its non-controlling shareholder of subsidiaries, MOL, USD10,354,792 were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 15 years after such vessels construction projects completed.

According to the contract signed between NLNG and its non-controlling shareholder, Petrochina International Co., Limited, USD1,643,393 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.

34. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its vessels under finance leases, with lease terms of 10 years. Interest rates underlying all under finance leases are fixed at 5.90% per annum.

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Amounts payable under finance leases				
– Within one year	**68,977**	—	**41,479**	—
– In more than one year but not more than two years	**68,977**	—	**43,979**	—
– In more than two years but not more than five years	**206,931**	—	**149,543**	—
– More than five years	**288,886**	—	**254,934**	—
	633,771	—	**489,935**	—
Less: future finance charges	**(143,836)**	—		
Present value of lease obligations	**489,935**	—		
Less: Amount due within one year shown under current liabilities			**(41,479)**	—
Amount due after one year			**448,456**	—

The Group's obligations under finance leases are secured by charges over the leased assets.

35. ISSUED CAPITAL

	2013		2012	
	Number of shares	**RMB'000**	Number of shares	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	**2,108,552,613**	**2,108,553**	2,108,552,270	2,108,552
Conversion of convertible bonds	**3,371**	**3**	343	1
At 31 December	**2,108,555,984**	**2,108,556**	2,108,552,613	2,108,553
Total capital	**3,404,555,984**	**3,404,556**	3,404,552,613	3,404,553

Convertible bonds: convertible bonds converted during the year resulted in 3,371 shares being issued (2012: 343). The related conversion price was RMB8.6 (2012: RMB8.7) per share.

36. RESERVES

Group

	Share premium RMB'000	Revaluation reserve RMB'000	Statutory reserve RMB'000	Safety fund 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 2012	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 and at 1 January 2013	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
Loss for the year	–	–	–	–	–	–	–	–	–	(2,234,106)	(2,234,106)
Net gain on cash flow hedges	–	–	–	–	–	67,713	–	–	–	–	67,713
Exchange realignment	–	–	–	–	–	–	–	(122,876)	–	–	(122,876)
Total comprehensive expense for the year	–	–	–	–	–	67,713	–	(122,876)	–	(2,234,106)	(2,289,269)
Conversion of convertible bonds	25	–	–	–	–	–	–	–	(6)	–	19
Accrual of safety fund reserve	–	–	–	90,672	–	–	–	–	–	(91,269)	(597)
Utilisation of safety fund reserve	–	–	–	(26,896)	–	–	–	–	–	26,974	78
At 31 December 2013	**3,947,241**	**273,418**	**2,877,435**	**68,933**	**93,158**	**53,180**	**1,019**	**(1,027,724)**	**873,036**	**10,663,119**	**17,822,815**

36. RESERVES (Continued)

	Company									
	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Safety Fund 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 2012	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 and 1 January 2013	3,947,492	270,254	(1,796)	2,877,435	—	93,158	1,019	873,042	10,263,644	18,324,248
Loss for the year	—	—	—	—	—	—	—	—	(753,448)	(753,448)
Conversion of convertible Bonds	25	—	—	—	—	—	—	(6)	—	19
Accrual of safety fund reserve	—	—	—	—	49,162	—	—	—	(49,162)	—
Transfer to a subsidiary	—	—	—	—	(32,360)	—	—	—	32,360	—
Utilisation of safety fund reserve	—	—	—	—	(16,802)	—	—	—	16,802	—
At 31 December 2013	3,947,517	270,254	(1,796)	2,877,435	—	93,158	1,019	873,036	9,510,196	17,570,819

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").

No net profit has been transfer to SSR as the Company incurred loss after tax during the year. 10% of the Company's profit after tax amount of RMB15,939,000 has been transfer in 2012.

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 2013, before the proposed final dividend, the Company had reserve of RMB9,510,196,000 (2012: RMB10,263,644,000).

In addition, in accordance with the Company Laws of the PRC, an amount of approximately RMB3,947,517,000 (2012: 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.

36. RESERVES (Continued)

Share premium

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

Revaluation reserve

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

Statutory surplus reserve

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

Safety fund 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.

Hedging reserve

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

36. RESERVES (Continued)

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.

37. BONDS PAYABLE

	Group and Company	
	2013	2012
	RMB'000	RMB'000
Convertible bonds	**3,424,692**	3,267,823
Corporate bonds	**4,967,236**	4,961,395
	8,391,928	8,229,218

(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 issuing 39,500,000 number of bonds at a 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.

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.1 per share (before tax). According to the terms of issuance of the convertible bonds and relevant regulations by China Securities Regulatory Commission, the Company changed the conversion price from RMB8.7 per share to RMB8.6 per share effective from 1 June 2012.

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.

37. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

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
Carrying amount at 1 January 2012	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
Interest charge	184,541
Interest paid	(27,650)
Conversion during the year	(22)
Carrying amount at 31 December 2013	3,424,692

The fair value and effective interest rate of the liability component of the convertible bonds at 31 December 2013 is RMB3,424,692,000 (2012: RMB3,267,823,000) and 5.6% (2012: 5.6%) per annum respectively.

Interest expense of RMB184,541,000 (2012: RMB176,978,000) has been recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2013.

37. BONDS PAYABLE (Continued)

(b) Corporate bonds

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

	RMB'000
Carrying amount at initial recognition	4,959,500
Interest charge	1,895
Balance as at 31 December 2012	4,961,395
Interest charge	5,841
Balance as at 31 December 2013	4,967,236

As at 31 December 2013, 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	At 31 December 2012 RMB'000	Interest charge RMB'000	At 31 December 2013 RMB'000
3 August 2012	3 years	**1,000,000**	**991,400**	**992,527**	**2,792**	**995,319**
3 August 2012	10 years	**1,500,000**	**1,487,100**	**1,487,519**	**1,042**	**1,488,561**
29 October 2012	7 years	**1,500,000**	**1,488,600**	**1,488,844**	**1,405**	**1,490,249**
29 October 2012	10 years	**1,000,000**	**992,400**	**992,505**	**602**	**993,107**
		5,000,000	**4,959,500**	**4,961,395**	**5,841**	**4,967,236**

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.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2013 RMB'000	2012 RMB'000
Loss before tax	**(2,229,350)**	(331,375)
Adjustments for:		
Interest income	**(44,337)**	(64,094)
Gain on revaluation of investment properties	**(11,637)**	(439,126)
Loss/(gain) on disposal of property, plant and equipment	**235,475**	(46,869)
Dividend income	**(1,772)**	—
Impairment losses on assets classified as held for sale	**80,288**	27,963
Impairment losses on property, plant and equipment	**341,657**	—
Depreciation	**1,668,703**	1,486,470
Provision for loss on onerous contracts	**349,694**	—
Share of profits of joint ventures	**(111,581)**	(293,701)
Operating profit before working capital changes	**277,140**	339,268
Increase in trade and bills receivables	**(265,419)**	(356,921)
Decrease/(increase) in inventories	**45,872**	(110,198)
Decrease in prepayments	**46,523**	4,789
Decrease/(increase) in deposits and other receivables	**273,437**	(273,064)
Decrease in amounts due from fellow subsidiaries	**13,362**	6,937
Increase in amounts due from related parties	**(63,335)**	—
(Decrease)/increase in trade and bills payables	**(68,950)**	134,752
(Decrease)/increase in accruals	**(17,444)**	8,026
(Decrease)/increase in other payables	**(378,711)**	493,648
Increase in amount due to ultimate holding company	**24,733**	63,474
Increase in amounts due to joint ventures	**1,407**	1,037
Increase/(decrease) in amounts due to fellow subsidiaries	**587,583**	(4,487)
Cash generated from operation	**476,198**	307,261
Finance costs	**964,462**	593,160
Income tax paid	**(11,381)**	(9,113)
Net cash inflow from operating activities	**1,429,279**	891,308

39. 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% (2012: 18%-22%) of the basic salaries of the Group's employees. Contributions by the Group to the Scheme for the year ended 31 December 2013 amounted to RMB153,675,000 (2012: RMB117,261,000).

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 2013 amounted to RMB50,779,000 (2012: RMB39,317,000).

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 HKD25,000 (2012: HKD20,000 from 1 January 2012 to 31 May 2012 and HKD25,000 effective as on 1 June 2012). Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2013 amounted to RMB15,002,000 (2012: RMB14,245,000).

40. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's dry bulk cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" sunk afterwards. The Group is in a progress of setting up a Limitation of Liability for Maritime Claims amounting to a total sum of RMB23,120,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 31 December 2013, the Group was still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's oil tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 31 December 2013, claims on damage caused by the fuel leakage amounted to an aggregate of RMB11,000,000. 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 2013, 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 and Gemini LNG, and NLNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG and 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 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 RMB50 million).

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

40. CONTINGENT LIABILITIES (Continued)

(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 the floating dock and other facilities. As at 10 July 2013, the claims on damage caused by the collision 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 compensation will be borne by the insurance companies. As at 31 December 2013, the Group was still in the process of setting all the issues concerned.

41. 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 (2012: 1 to 3 years).

As at 31 December 2013, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**116,278**	71,633	**10,912**	64,090
In the second to fifth year, inclusive	**6,891**	36,341	**2,410**	36,341
	123,169	107,974	**13,322**	100,431

41. OPERATING LEASE ARRANGEMENTS (Continued)

(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 (2012: 1 to 15 years).

As at 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**464,118**	354,130	**60,339**	13,265
In the second to fifth year, inclusive	**1,239,959**	1,122,046	**235,889**	33,259
Over five years	**2,140,243**	2,473,483	**117,945**	—
	3,844,320	3,949,659	**414,173**	46,524

42. CAPITAL COMMITMENTS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**9,586,595**	6,742,053	**—**	2,245,880
Equity Investments (Note 2)	**592,868**	1,029,703	**592,868**	1,029,703
	10,179,463	7,771,756	**592,868**	3,275,583

In addition to the operating lease commitments detailed in note 41 above, the Group and the Company had capital commitments as at 31 December 2013, of which RMB5,980,812,000 (2012: RMB6,742,053,000) from the Group and RMB592,868,000 (2012: RMB2,245,880,000) from the Company will be due within one year.

Note:

1. According to the construction or purchase agreements entered into by the Group from January 2007 to December 2013, these capital commitments will fall due in 2014 to 2017.

2. Included capital commitments in respect of equity investments is commitment to invest in joint ventures, Shenhua Zhonghai of RMB592,868,000 (2012: RMB1,029,668,000) and a subsidiary, China Energy of RMBNil (2012 : RMB35,000) respectively.

42. CAPITAL COMMITMENTS (Continued)

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB895,929,000 (2012: RMB1,561,350,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB1,296,397,000 (2012: RMB2,353,458,000); which are authorised but not contracted for amounted to RMB4,900,000 (2012: RMB1,286,211,000).

43. 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, joint ventures, holding company's joint ventures as well as related parties for the year ended 31 December 2013 and 2012, which are also considered by directors as related party transactions, are set out as below:

(1) A services agreement signed in October 2012 between the Company and China Shipping became effective subsequent to the approval by independent shareholders at an extraordinary general meeting hold on 18 December 2012. Pursuant to the services agreement, China Shipping, its subsidiaries or joint ventures 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 services agreement is effective for three years, from 1 January 2013 to 31 December 2015. 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.

43. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or joint ventures in respect of the services agreement for the year ended 31 December 2013 and 2012 are set out below:

	Pricing basis	2013 Total value RMB'000	2012 Total value RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**181,492**	480,039
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	**3,273,102**	2,690,353
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**56,466**	56,603
Crew expenses	Market prices	**119,699**	30,566
Accommodation, lodging medical services and transportation for employees	State-fixed prices or market prices	**7,585**	8,395
Miscellaneous management services	Market prices	**36,594**	30,706
Agency commissions	Market prices	**112,600**	113,583
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**7,350**	1,496

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

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Except for the related party transactions outlined above, details of the Group's related party transactions with the holding company, fellow subsidiaries, joint ventures, associates and related companies are as follows:

	Notes	2013 RMB'000	2012 RMB'000
Vessel chartering charges	(i)	**59,318**	43,222
Vessel chartering income		**57,717**	15,930
Sale of vessels	(ii)	**20,470**	55,894
Construction of vessels	(iii)	**995,890**	254,809
Rental income		**19,471**	22,163
Vessel management income		**2,610**	2,200
Shipment income		**706,929**	773,700
Interest income from associates		**7,376**	3,197
Loan interest payment	(iv)	**356,565**	362,177
Technical service fees		**440**	652

Note:

The Group has entered into the following agreements:

(i) In November 2012, CSHK and Xi Chuan Shipping S.A., an indirectly wholly-owned subsidiary of the Company, entered into a bare-boat charter contract where CSHK will lease the oil tanker "Song Lin Wan" to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2013 to 31 December 2013. The aggregate payment is up to USD2,928,000.

On 21 November 2013, Bulk Carrier, a wholly-owned subsidiary of the Company entered into the bare-boat charters with Dalian Shipping Group Co., Limited ("Dalian Shipping"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease the Bulk Vessels, namely, "Qing Feng Ling" and "Shi Long Ling", from Dalian Shipping for a term of three years commencing from 1 December 2013. The annual aggregate charter payment for each of the bare-boat charters is RMB12,154,500 per year.

On 23 December 2013, Bulk Carrier entered into the framework agreement with CSHK, whereby Bulk Carrier will lease the dry bulk vessels from CSHK for a term of six months commencing from 1 January 2014. The aggregate charter payment under the framework agreement shall be no more than USD70,000,000. Upon expiry of the framework agreement, the framework agreement and the lease thereunder may or may not be extended.

(ii) The Company and China Shipping Industry Company Limited Digang Shipyard ("Digang shipyard"), a fellow subsidiary of the Group, entered into the sale and purchase agreement on 27 September 2013 whereby the Company agreed to sell and Digang Shipyard agreed to purchase the tanker "Ming Chi". The consideration for the sale of the "Ming Chi" is RMB20,470,000.

43. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Note: (Continued)

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

On 15 June 2012, Shanghai Yinhua, a subsidiary of the Group, entered into the agreement with CS Industrial (Jiangsu) for construction of the 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 the 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 is RMB2,553,600,000.

During the year, the total consideration paid for the construction in progress of the vessels is RMB995,890,000.

(iv) At the 2010 second board meeting held on 26 March 2010, the Company passed the resolution of entering into the entrusted loan agreement with China Shipping and CS Finance, a joint venture of the Group, whereby China Shipping entrusted CS Finance to provide a three-year loan in the amount of RMB1,300,000,000 to the Company. The loan is used to pay 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 Group. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid. The entrusted loan was fully repaid on 15 January 2013.

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 into 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 loan for Bulk Carrier has been repaid on 24 July 2013, the loan for Bulk Carrier Shanghai has been repaid for the amount of RMB 14,540,000 during the year.

43. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Note: (Continued)

(iv) (Continued)

On 8 August 2011, 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 RMB3,000,000,000 to the Company. The entrusted loan has a term of seven years commencing from 9 August 2011 and ending on 8 August 2018. The interest rate is 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum.

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 and, pursuant to this new agreement; the interest rate was decreased from 5.02% per annum to 4.12% per annum for one year, with effect from 26 March 2012. After the date of 26 March 2013, the interest rate has been adjusted to fixed 5.02% per annum.

On 25 June 2012, Shanghai Jiahe, a subsidiary of the Group, 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. In March 2013, a further RMB4,000,000 was withdrawn by Shanghai Jiahe from CS Finance. During the year, RMB500,000 has been repaid.

On 30 December 2013, CSDHK, a wholly owned subsidiary of the Group, entered into a loan agreement with CSHK whereby CSHK provided a six-month loan in the amount of USD70,000,000 to CSDHK. The loan commencing from 30 December 2013 and ending on 30 June 2014 at 3 month Libor plus 1.6% per annum.

The related interest expenses RMB356,565,000 for the year ended 31 December 2013 have been included in the finance cost.

(3) In October 2012, the Company entered into a the “Financial Services Framework Agreement” with 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 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 2013 to 31 December 2015.

(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 20, 25, 26, 29, 30 and 33 to the consolidated financial statements.

43. RELATED PARTY TRANSACTIONS (Continued)

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

	2013	2012
	RMB'000	RMB'000
Directors' fees	**458**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**5,023**	6,057
Discretionary bonuses	**314**	443
Pension scheme contributions	**286**	266
	6,081	7,166

Details of directors' and supervisor's emoluments are included in note 9 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include bank and other borrowings, cash, available-for-sale investments, derivative financial instruments and medium-term notes. The main purpose of these financial instruments is to raise finance for the Group's operations.

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

The Group also enters into interest rate swap derivative transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance.

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

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

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

44. 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 2013, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax loss for the year 2013 would have been RMB154,289,000 (2012: post-tax profit RMB140,559,000) lower/higher (2012: higher/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 32, 33 and 34. To minimize its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31 December 2013, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax loss for the year would have been RMB100,108,000 (2012: Group's post-tax profit RMB163,840,000) higher/lower (2012: lower/higher), the Company's post-tax loss for the year would have been RMB3,658,000 (2012: Company's post-tax profit RMB40,250,000) higher/lower (2012: lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

44. 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 2013 and 2012, 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**	**2013 RMB'000**
Bank of China	A1/P-1/Stable	**338,774**
Citibank	A2/P-1/Stable	**272,395**
Bank of Communications	A3/P-2/Stable	**164,720**
DNB Bank ASA	A1/P-1/Stable	**55,743**
Bank of Tokyo-Mitsubishi DFJ	Aa3/P-1/Stable	**55,199**

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

The Group does not have significant exposure to credit risk.

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

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

Counterparty	**2013** **RMB'000**
Wisco Shipping Co., Ltd.	**285,697**
Shenhua Zhonghai	**98,684**
Unipec Asia CO., Ltd.	**95,007**
Superior Ocean Shipping (Singapore)	**55,435**
China Petroleum & Chemical Corporation	**47,684**

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

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Group

At 31 December 2013

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Bank and other borrowings	20,978,658	23,510,446	6,115,288	5,192,006	12,203,152
Notes	2,998,949	3,117,000	3,117,000	—	—
Derivative financial instruments	6,629	6,629	1,940	—	4,689
Obligations under finance leases	489,935	633,771	68,977	68,977	495,817
Trade and bills payables	1,542,733	1,542,733	1,542,733	—	—
Other payables and accruals	687,633	687,633	687,633	—	—
Interest payments on notes and bank borrowings	229,468	229,468	229,468	—	—
Bonds payable	8,391,928	10,908,650	279,350	1,295,150	9,334,150
Other loan	744,108	881,159	45,420	44,610	791,129
	36,070,041	41,517,489	12,087,809	6,600,743	22,828,937

At 31 December 2012

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2013

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Bank and other borrowings	6,487,752	7,552,007	1,825,011	2,218,681	3,508,315
Notes	2,998,949	3,117,000	3,117,000	—	—
Trade and bills payables	20,155	20,155	20,155	—	—
Other payables and accruals	203,637	203,637	203,637	—	—
Bonds payable	8,391,928	10,908,650	279,350	1,295,150	9,334,150
	18,102,421	21,801,449	5,445,153	3,513,831	12,842,465

At 31 December 2012

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Bank and other borrowings	6,928,550	8,290,548	2,268,469	289,926	5,732,153
Notes	2,997,211	3,234,000	117,000	3,117,000	—
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	8,229,218	11,131,000	272,200	280,100	10,578,700
	19,359,979	23,860,548	3,862,669	3,687,026	16,310,853

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

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

	The Group and the Company			
	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets:				
Derivative financial instruments	**—**	**151,027**	**—**	**151,027**
Financial liabilities:				
Derivative financial instruments	**—**	**6,629**	**—**	**6,629**

	The Group and the Company			
	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

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2013.

45. 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 2013 and 2012 was as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**33,603,578**	31,158,949	**17,878,629**	18,154,979
Less: Cash and cash equivalents	**(1,919,204)**	(3,285,745)	**(487,558)**	(1,278,982)
Net debt	**31,684,374**	27,873,204	**17,391,071**	16,875,997
Total equity	**22,211,877**	24,385,563	**20,975,375**	21,728,801
Debt to equity ratio	**143%**	114%	**83%**	78%

46. 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 PRC's Ministry of Transport, Ministry of Finance, National Development and Reform Commission and Ministry of Industry and Information Technology issued the Renewed Implementation Plan on Early Disposal of Aged Shipping Vessels and Single-hull Oil Tankers(《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) in order to execute the State Council's Notice on the Implementation Plan on Accelerating Structural Adjustment and Promoting Transformation and Upgrading of the Ship-building Industry (2013-2015)《船舶工業加快結構調整促進轉型升級實施方案(2013-2015年)》), and issued the "Administrative Measures on Disposal of Aged Shipping Vessels and Single-hull Oil Tankers and Renewal of Centralised Government Special Subsidy"(《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) on 28 February 2014 (the "New Scheme"). Such implementation is to encourage early retirement of aged shipping vessels and single-hull oil tankers with ocean and coastal operations. According to the New Scheme, the central government has offered a special subsidy based on a standard rate of RMB1,500 per ton on the disposed vessels with new replacement, which will also take into account of the vessel type and their early retirement ages and 50% of the subsidy will be given upon the destruction of vessel and the remaining 50% will be given after the vessel's construction. Under the principle of voluntariness, shipping enterprises may choose to calculate the total tonnage by weighting separately or in aggregate tons of the dissembled and newly constructed vessels. The New Scheme might have an impact to the Group's income relating to subsidies.

(ii) Pursuant to the resolution passed at the second meeting of the Board on 29 January 2014, the Board agreed that the Company, will issue guarantee letters for the benefit of China Shipping Development (Hong Kong) Marine Co., Limited, a wholly-owned subsidiary of the Company, to guarantee its loans made from domestic commercial loans to repayment obligations for offshore bank loans in the aggregate amount of USD500,000,000, subject to the approval by the shareholders of the Company in an extraordinary general meeting and shall be valid for one year. For further details, please refer to the Company's announcement titled "Provision of Guarantee to a Subsidiary" dated 29 January 2014.

(iii) Pursuant to the resolution passed at the third meeting of the Board on 18 March 2014, the Board passed the "Resolution on Changes in Accounting Estimates" to change the estimation of the residual value of the vessels. The net residual value of vessels is changed from USD470/LDT to USD420/LDT, which were adopted with effect from 1 January 2014.

47. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are set out in note 32 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, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Postal Code:	201306
Tel:	(8621) 65966666
Fax:	(8621) 65966160
Place of business in Hong Kong:	20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Xu Lirong
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 auditor:	Baker Tilly Hong Kong Limited 2th Floor, 625 King's Road North Point, Hong Kong
PRC auditor:	Baker Tilly China Certified Public Accountants LLP No.19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, PRC

Legal advisors:	Jun He Law Offices Shanghai Office Suite 2501, Kerry Centre 1515 Nanjing Road West, 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

EXECUTIVE DIRECTORS

Mr. Xu Lirong, born in July 1957 and aged 56, is a senior 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. 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 executive vice president, a member of the Party Committee and the chairman of the Labor Union of China Ocean Shipping (Group) Company from 2007 to 2011 and 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. He was a director, executive president and a member of the Party Committee of China Shipping (Group) Company from August 2011 to November 2013, and he was 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)) from November 2011 to December 2013. Mr. Xu joined the Company in January 2012 as an executive Director and was elected as the chairman of the Company in December 2013. Mr. Xu has over 30 years of experience in ocean shipping business management and extensive experience in corporate management. Mr. Xu obtained his Master of Business Administration degree from the Shanghai Maritime University and the Maastricht School of Management in the Netherlands.

Mr. Li Shaode, born in August 1950 and aged 63, is a senior economics engineer. 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. He has been awarded "State Council's Special Contribution Allowance" in 1999. Mr. Li has been an executive Director from May 1994 when the Company was estabilshed and became the Chairman of the Company in April 2004. Mr. Li resigned as an executive Director and Chairman of the Company in December 2013. Mr. Li was an executive director and the chairman of China Shipping Container Lines Co., Ltd. from June 2006 to December 2013.

Mr. Zhang Guofa, born in October 1956 and aged 57, 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, a director and the general manager of China Shipping (Group) Company and an executive director and the chairman of China Shipping Container Lines Co., Ltd., Mr. Zhang was the deputy chief and chief of Transportation Regulation Department of Ministry of Communications since 1991, the deputy director of General Office and the director of International Shipping Management Division of the Water Transportation Department of Ministry of Communications since 1996, the assistant of director-general and the deputy director-general of the Water Transportation Department of Ministry of Communications since 2000. Mr. Zhang joined China Shipping (Group) Company as the vice president in November 2004 and joined the Company in May 2006 as an executive Director.

Ms. Su Min, born in February 1968, aged 46. She graduated from the University of Science and Technology of China, majoring in business administration with a master's degree and is a senior accountant. She is currently an executive Director of the Company, the chief accountant and a Party Committee member of China Shipping (Group) Company and a non-executive director of China Shipping Container Lines Co., Ltd. ("CSCL"). She held the posts of Assistant to the Director – General of the Finance Bureau of the Xishi District of Hefei City, staff member of the Finance Division, section chief of the Office Finance Section, deputy director of the Internal Services Centre, office deputy director, deputy director of the Administration and Finance Division of Anhui Provincial Economic and Trade Commission, Deputy Director – General of the Intellectual Property Bureau of Anhui Provincial State-owned Assets Supervision and Administration Commission ("SASAC"), chief accountant of Anhui Province Energy Group Co., Ltd. and chairman and general manager of Anhui Hefei Wanneng Small Loan Company. Ms. Su joined the Company as an executive Director in May 2013.

Mr. Huang Xiaowen, born in May 1962 and aged 51, is a senior engineer. Mr. Huang is currently an executive Director of the Company, the deputy general manager and a member of the Party Committee of China Shipping (Group) Company and also the Vice Chairman and Executive Director of CSCL. Mr. Huang held the posts of the section chief of the Container Shipping Section of Guangzhou Ocean Shipping Company Limited, deputy general manager and general manager of Container Transportation Department of China Ocean Shipping (Group) Company, and the deputy general manager, Managing Director and the vice Party Secretary of CSCL. Mr. Huang graduated from Qingdao Ocean Shipping Mariners College with major in Vessel Piloting in 1981, graduated from China Europe International Business School in September 2010 and obtained an EMBA Degree. Mr. Huang joined the Company as an executive Director in May 2013.

Mr. Ding Nong, born in May 1961 and aged 52, 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. Wang Daxiong, born in December 1960 and aged 53, is a senior accountant. He is currently the chairman of China Shipping (H.K.) Holdings Co., Ltd. and a non-executive director of China Shipping Container Lines Co., Ltd., 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 graduated in 1983 from Shanghai Maritime University with a professional qualification in finance and accounting and joined Guangzhou BOMTA in the same year, 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 was the chief accountant and then a deputy general manager of China Shipping (Group) Company since July 1997. Mr. Wang joined the Company in 1997 as an executive Director and resigned the position in March 2014.

Mr. Han Jun, born in March 1965 and aged 49, has an university education background and has a MBA degree and is also an engineer. He is currently an executive director and the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship's chief officer of Dalian Shipping (Group) Company, and the general manager of Hainan Hailian Shipping Company Limited. He was the general manager of the Development Department of China Shipping (Group) Company (the controlling shareholder of the Company) when China Shipping (Group) Company was established in July 1997. He was also the vice president of China Shipping (H.K.) Holdings Co., Ltd. and 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. Mr. Han joined the Company as the general manager in March 2013 and as an executive Director in May 2013.

Mr. Yan Zhichong, born in May 1957 and aged 56, is a senior engineer. He is now the general manager of Guangzhou Shipping (Group) 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 was the general manager of the Company from January 2011 to February 2013 and was an executive Director of the Company from April 2011 to March 2013.

Mr. Qiu Guoxuan, born in August 1957 and aged 56, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jun, born in January 1963 and aged 51, is professor and a doctoral supervisor. He is currently an independent non-executive Director and a member of each of the Strategy Committee, Remuneration and Appraisal Committee, Audit Committee and Nomination Committee. Previously, he was a tutor, lecturer, associate professor and professor in economics at Fudan University. Mr. Zhang has acted as a visiting professor and a visiting scholar at a number of universities and research institutes in the United States of America, the United Kingdom and Japan since 1994. He acted as a visiting research fellow in the “World Research Institute on Economic Development” of the United Nations University, Helsinki, Finland from June to September 2005 and a Changjiang special professor of “Modern Chinese Economy” at Fudan University in April 2006. Currently, he is the director of the “Research Center of Chinese Economy”, a key research base of the Ministry of Education, and the chief editor of the “World Economic Papers”, a major journal in economics. Mr. Zhang is currently an independent director of Deluxe Family Co., Ltd., and was an independent director of Tengda Construction Group Co., Ltd from October 2007 to October 2013, both being companies listed on the Shanghai Stock Exchange (stock codes 600503 and 600512). Mr. Zhang joined the Company as an independent non-executive Director in May 2009.

Mr. Wang Wusheng, born in March 1951 and aged 63, is currently an independent non-executive Director, the chairman of the Company’s Nomination Committee, a member of each of the Remuneration and Appraisal Committee and Audit Committee, and a lawyer and a senior partner of Jin Mao P.R.C. Lawyers. Mr. Wang had been a law consultant of Legal Affairs Center of Transportation of the Ministry of Transport of the PRC, and an independent director of Shuangliang Eco-Energy Systems Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code: 600481)). Mr. Wang joined the Company as an independent non-executive Director in January 2012.

Mr. Lin Junlai, born in December 1952, aged 61, was graduated from Jilin University, majoring in economics, with postgraduate qualifications and a master’s degree and is a economic engineer. He is currently an independent non-executive Director of the Company. He held the posts of deputy director of the Planning Division under the Planning Department of the Ministry of Commerce, director of the Planning Division under the Comprehensive Planning Department of the Ministry of Internal Trade, assistant to the commissioner of the State Council Compliance Inspectors’ General Office, full-time supervisor of the Enterprise Work Committee of the CPC Central Committee, division chief-level and deputy director- general level full-time supervisor of SASAC, deputy director of 11th Offfice of the Board of Supervisors of All Large Key State-owned Enterprises of the State Council. Mr. Lin retired in January 2013 and joined the Company as an independent non-executive Director in May 2013.

Mr. Ruan Yongping, born in September 1973, and aged 40 years old and is a doctor of philosophy, a professor of accounting and a doctoral tutor. He is currently an independent non-executive Director of the Company, the head of the Faculty of Accounting at East China University of Science and Technology, a member of The Chinese Institute of Certified Public Accountants, and a director of the Chinese Institute of Finance and Cost Research. From 1995 to 1998, Mr. Ruan studied in Jinan University, majoring in finance, and obtained a master degree in economics. Mr. Ruan worked in the securities headquarters of Guangdong Overseas Chinese Trust and Investment Company from 1998 to 2001 as a member of its management in the securities issue, research and development and sales departments, and was also the responsible person of its branch. Mr. Ruan studied in the School of Management, Shanghai Jiao Tong University from 2001 to 2005 majoring in corporate management (specialized in corporate finance), and graduated with the doctorate degree in management. Since 2005 up to the present, Mr. Ruan has been engaged in teaching and scientific research in the Faculty of Accounting of Business School at East China University of Science and Technology, and worked as the head of the Faculty of Accounting, a professor and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of each of Shanghai CIMIC Holdings Co., Ltd., Guangzhou Zhiguang Electric Co., Ltd. and C&S Paper Co., Ltd. (all being companies listed on the Shenzhen Stock Exchange with stock codes 002162, 002169 and 002511 respectively). Mr. Ruan joined the Company as an independent non-executive Director in March 2014.

Mr. Zhu Yongguang, born in June 1945 and aged 68, is a senior economics engineer. 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 Development Group Limited (a company listed on the main board of the Stock Exchange (Stock code: 0474), previously known as Hao Tian Resources Group Limited) from August 2010 to August 2012, Mr. Zhu was an independent non-executive Director of the Company from January 2008 to January 2014.

Mr. Lu Wenbin, born in September 1967 and aged 46, is a Ph.D. in accounting. 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 was an independent director of Yintai Resource Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000975)) from November 2008 to July 2013, an independent director of Shanghai Bestway Marine Engineering Design Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300008)) from March 2008 to April 2013, an independent director of Ningbo Shuanglin Auto Parts Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300100)) from May 2007 to May 2013. Mr. Lu was an independent non-executive Director of the Company from May 2009 to March 2014.

SUPERVISORS

Mr. Xu Wenrong, born in June 1961 and aged 52, is a professor-level senior engineer. Mr. Xu graduated from East China Petroleum Institute with a Bachelor degree. He is now the chairman of Supervisory Committee of the Company and a deputy general manager, a member of the Party Committee and Chief of Discipline & Inspection of China Shipping (Group) Company and the chairman of Supervisory Committee of China Shipping Container Lines Co., Ltd. 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 and Deputy Party Secretary 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. Chen Jihong, born in May 1957 and aged 56, has a university education background and has a MBA degree. He is currently a supervisor of the Company, the general manager of the Shanghai Shipping (Group) Company Limited and a non-executive director of China Shipping Container Lines Co., Ltd. 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 Organization 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. Mr. Chen was appointed as a supervisor of the Company in May 2013.

Mr. Zhang Rongbiao, born in October 1961 and aged 52, is an accountant, auditor and engineer. He is now the secretary of the Party committee of the China Shipping Tanker Company Limited, a non-executive director of China Shipping Container Lines Co., Ltd. and a director of China Shipping Haisheng Co., Ltd. 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. In March 2014, Mr. Zhang took the position as the secretary of the Party committee of the China Shipping Tanker Company Limited. 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 and from June 2012 to January 2014.

Mr. Xu Hui, was born in April 1962 and aged 51. 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.

Mr. Luo Yuming, born in December, 1967 and aged 46, is a senior engineer. He is currently a supervisor of the Company as a representative of staff, deputy general manager of China Shipping Tanker Company Limited. 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 48, has a master degree. She is currently a supervisor of the Company as a representative of staff and the general manager of business department in China Shipping Bulk Carrier Co. Ltd. Ms. Chen graduated from Wuhan University of Technology in May 1990 majoring in transportation management. 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, the section chief of business 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.

SENIOR MANAGEMENT

Mr. Han Jun, born in March 1965 and aged 49, has an university education background and has a MBA degree and is also an engineer. He is currently an executive director and the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship's chief officer of Dalian Shipping (Group) Company, and the general manager of Hainan Hailian Shipping Company Limited. He was the general manager of the Development Department of China Shipping (Group) Company (the controlling shareholder of the Company) when China Shipping (Group) Company was established in July 1997. He was also the vice president of China Shipping (H.K.) Holdings Co., Ltd. and 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. Mr. Han joined the Company as the general manager in March 2013 and as an executive Director in May 2013.

Mr. Yan Zhichong, born in May 1957 and aged 56, is a senior engineer. He is now the general manager of Guangzhou Shipping (Group) 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 was the general manager of the Company from January 2011 to February 2013 and was an executive Director of the Company from April 2011 to March 2013.

Mr. Qiu Guoxuan, born in August 1957 and aged 56, 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. Wang Kangtian, born in March 1966 and age 48, has a master's degree in economics. He is a deputy general manager and the Chief Financial Officer of the Company. Mr. Wang joined Guangzhou BOMTA in 1988, and was formerly a section chief, then assistant head of the financial and accounting department in Guangzhou Maritime Transport Group. Mr. Wang joined China Shipping (Group) Company in 1997, and joined the Company in 1999. Mr. Wang graduated from the Finance Department in Anhui Institute of Finance and Trade in 1988 and obtained a master's degree in economics in 2005 from Renmin University of China.

Mr. Tan Weixin, born in July 1958 and age 55, has a master degree and an economic engineer. He is currently a deputy general manager of the Company. He was formerly the Company Secretary of the Shanghai Hai Xing Shipping Company Limited, the general manager of the China Shipping International Trading Co., Ltd., the deputy manager of the China Shipping Logistic Co., Ltd and the deputy manager and general manager of the development department of China Shipping (Group) Company. He joined the Company in February 2007 as a deputy general manager.

Mr. Zhuang Deping, born in December 1959 and age 54, 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 Company and is now the general manager of China Shipping Group Gas Investment Co., Ltd. (a wholly owned subsidiary of the Company).

Ms. Yao Qiaohong, born in September 1969 and age 44, is an economic engineer. She is 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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