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)

2014 INTERIM REPORT

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

CONTENT

(I) ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD

In the first half of 2014, global economy achieved relatively stable growth in general despite a still sluggish recovery which provided limited impetus to drive market demand. On the other hand, due to increasing shipping capacity, the contradiction of capacity oversupply has not achieved substantial improvement which hindered recovery of the shipping market.

In the first half of 2014, with moderate recovery of the world's major economies, demand for oil grew steadily. Domestic crude oil market recorded basically stable volumes and prices, while domestic refined oil market registered significant decrease both in volumes and prices. International oil shipping market fluctuated significantly, and the overall level was better as compared to the same period of 2013. The annual average value of freight index for three typical routes in the VLCC market (Middle East – Far East, Middle East – the US and the Gulf, West Africa – China) rose 25% year-on-year, while the annual average value of freight index for three typical routes for three types of vessels in the international clean oil market fell 16% year-on-year.

For international dry bulk cargo shipping market, due to volatile downstream demand for major types of cargoes, international dry bulk cargo shipping market in the first half of 2014 showed a trend of turbulence at low level after sharp fall and rebound and the performance generally remained at a low level, with BDI average of 1,180 points, up 40.3% year-on-year, while the annual average value of the Coastal Bulk Freight Index was 1,067 points, up 2.3% year-on-year.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In 2014, faced with a complicated market environment, China Shipping Development Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") further deepened their strategy of "major clients, great co-operation and comprehensive services" and firmly adhered to innovative thinking and mode of operation, achieving new breakthroughs and resulted in the areas of management improvement, marketing, costs control, costs reduction and efficiency enhancement as well as safety management. With significant improvement in operating conditions, the Group maintained an overall trend of stable development.

During the six months ended 30 June 2014 (the "**Reporting Period**"), the Group completed 105.2 million tonnes of cargo shipment and the volume of freight shipping turnover was 260.8 billion tonne-nautical miles, representing an increase of 8.0% and 29.2%, respectively, year-on-year. Revenue from principal operations (after business tax and surcharge, same as below) was RMB6.291 billion, representing an increase of 20.33% year-on-year. Costs of principal operations amounted to RMB5.474 billion, representing an increase of 0.6% year-on-year. The Company achieved net profit attributable to owners of the parent of RMB39.437 million as compared with loss attributable to owners of the parent of RMB922.687 million in the same period last year.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations

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

Sub-business or sub-product	Operating Turnover (RMB'000)	Increase/ decrease in operating turnover as compared with the same period in 2013 (%)	Gross profit margin (%) The first half of 2014	The first half of 2013
Domestic	1,044,607	3.4	33.3	16.9
Crude oil shipment	928,092	8.3	37.8	22.8
Refined oil shipment	116,515	-23.9	-3.0	-15.8
International	1,774,469	8.8	3.4	-17.7
Crude oil shipment	1,044,953	35.6	4.4	-29.4
Refined oil shipment	729,516	-15.3	2.0	-7.2
Sub-total of oil shipment	2,819,076	6.7	14.5	-4.4
Domestic	1,383,725	11.7	-1.6	-15.9
Coal shipment	1,028,085	16.1	3.1	-10.0
Iron ore shipment	123,494	-32.0	-44.9	-29.2
Other dry bulk cargoes shipment	232,146	35.2	0.4	-32.0
International	2,087,892	55.0	20.6	7.3
Coal shipment	193,753	-49.0	3.5	-12.3
Iron ore shipment	1,336,103	49.0	32.1	21.2
Other dry bulk cargoes shipment	558,036	693.1	-0.9	-64.3
Sub-total of bulk shipment	3,471,617	34.2	11.8	-3.8
Total	6,290,693	20.3	13.0	-4.1

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(1) Shipping business — Oil shipments

In the first half of 2014, while adhering to the "major clients and great co-operation" strategy, the Group paid close attention to market changes and carried out reforms and innovation in areas such as operating philosophy and business models, hence achieved good results accordingly.

For domestic oil shipments, the Group continued to strengthen its cooperation with China National Offshore Oil Corporation ("**CNOOC**") to rearrange port capacity, and significantly improved the shipping efficiency of the Group's fleet for domestic oil shipment. Meanwhile, the Group seized the new opportunity from capital injection into Shanghai Beihai Shipping Company Limited ("**Shanghai Beihai Shipping**") and Shenzhen Tri-Dynas Oil & Shipping Co., Ltd. to actively promote full cooperation with CNOOC and Shanghai Beihai Shipping. In the first half of the year, the Group maintained a leading position in domestic crude oil shipment market (52.68% market share). Faced with the overall trend of rapid decline of domestic refined oil market in recent years, particularly the structural shrinking of market for big vessels of ten thousand tonnes and above, the Group adopted a strategic exit strategy and leveraged on the complementary advantages between domestic and international shipments to timely adjust allocation of domestic and international shipping capacities, thereby achieving notable improvement in operating efficiency of both domestic and international refined oil shipments.

For international oil shipments, the Group actively explored new markets and new routes, further optimized structures of existing routes, strengthened analysis of budget and final accounts of voyages, and continued to optimize speed with the best economic benefit, thereby significantly improving the comprehensive income and risk-resistant ability of the VLCC fleet. During the Reporting Period, the operating efficiency of the Group's VLCC fleet was significantly better than the market level.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(1) Shipping business — Oil shipments (Continued)

Table Showing Operating Conditions for Oil Shipment Segment in the First Half of 2014

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne nautical miles	YOY Increase/ Decrease	RMB'000	YOY Increase/ Decrease	1H 2014	1H 2013
Domestic	8.40	2.1%	1,044,607	3.4%	33.3%	16.9%
Crude oil shipment	7.69	17.1%	928,092	8.3%	37.8%	22.8%
Refined oil shipment	0.71	-57.2%	116,515	-23.9%	-3.0%	-15.8%
International	94.65	8.1%	1,774,469	8.8%	3.4%	-17.7%
Crude oil shipment	73.82	11.4%	1,044,953	35.6%	4.4%	-29.4%
Refined oil shipment	20.83	-2.1%	729,516	-15.3%	2.0%	-7.2%
Total	103.05	7.6%	2,819,076	6.7%	14.5%	-4.4%

(2) Shipping business — Dry bulk shipments

For domestic bulk shipments, in 2014, the Group continued to strengthen marketing with focus on COA contract negotiations, striving to enhance contract completion rate. Meanwhile, the Group actively innovated its contract pricing models and adopted fixed price, index linked and other pricing models based on customer needs to ensure basic COA contracts completion according to the progress. In 2014, the Group signed contracts of 51,050,000 tonnes, new customer contracts of 4,900,000 tonnes, of which the fixed freight rates contracts was 11,150,000 tonnes (22%), and the contract freight rates were significantly higher than that of the market over the same period. In a sluggish market, a more market-oriented and more flexible pricing mechanism is in the better interest of the Group as a whole.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(2) Shipping business — Dry bulk shipments (Continued)

Offshore dry bulk cargo shipment became another bright spot in the Group's operation in 2014. In the first half of the year, revenue from offshore dry bulk cargo shipment was RMB2.088 billion, accounting for over 60% of the total dry bulk cargo shipment revenue, and shipment profit was approximately RMB431 million. For VLOC fleet operation, the Group relied on long-term COA agreements for realization in advance source of cargo shipment of each vessel to ensure the smooth operation of all 14 VLOC vessels. The voyage efficiency of the VLOC vessels surpassed expected operating objectives. In the first half of the year, the VLOC vessels achieved a shipping volume of 11,500,000 tonnes, representing an increase of 12.5% year-on-year, and realized an operating revenue of RMB1.116 billion, shipment profits of RMB390 million, and gross profit margin of 35.1%, creating an important effect in ensuring the Group's economic returns. For small and medium sized fleet, the Group was fully aware of the trend for slowing growth of coal shipment. It further strengthened research and judgment of market segments, actively adjusted shipment source structure, strengthened contract solicitation for imported coal, grains and fertilizers. During the Reporting Period, non-coal shipment accounted for 48% of the total shipment volume, representing an increase of approximately 31% year-on-year. Through a series of effective measures, the Group's international dry bulk cargo fleet achieved significantly improved operating efficiency.

Table Showing Operating Conditions for Dry Bulk Shipment Segment in the First Half of 2014

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne nautical miles	YOY Increase/ Decrease	RMB'000	YOY Increase/ Decrease	1H 2014	1H 2013
Domestic	36.61	10.2%	1,383,725	11.7%	-1.6%	-15.9%
Coal shipment	29.03	11.9%	1,028,085	16.1%	3.1%	-10.0%
Iron ore shipment	3.71	14.9%	123,494	-32.0%	-44.9%	-29.2%
Other dry bulk cargoes shipment	3.87	-4.2%	232,146	35.2%	0.4%	-32.0%
International	121.16	66.3%	2,087,892	55.0%	20.6%	7.3%
Coal shipment	6.77	-30.8%	193,753	-49.0%	3.5%	-12.3%
Iron ore shipment	81.04	56.6%	1,336,103	49.0%	32.1%	21.2%
Other dry bulk cargoes shipment	33.35	194.1%	558,036	693.1%	-0.9%	-64.3%
Total	157.77	48.7%	3,471,617	34.2%	11.8%	-3.8%

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

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(3) Progress made in LNG shipments

In 2014, the Group continued to promote the LNG shipment business. On one hand, it strived for existing project development and steadily proceeded with the phase I vessel construction of Mobil (DES) project and APLNG project while actively implementing the tendering for the APLNG phase II project. On the other hand, the Group actively explored new projects and participated in the tendering for the YAMAL gas transportation project jointly with Japan's Mitsui O.S.K Lines Limited, and successfully entered into a basket of contracts in relation to 3 LNG vessels for phase I of such project in July 2014.

With the rapid growth of LNG import volumes and improving LNG terminal networks, the demand for domestic LNG waterway transportation emerged accordingly, and small size LNG vessels waterway transportation will become important means to support distribution, transit and peak shipment adjustment for coastal large LNG terminal. To this end, the Group carefully carried out market research studies for coastal LNG transportation to explore the expansion into coastal LNG transportation, and participation in vessel building, purchasing and leasing projects. Meanwhile, the Group strengthened coordination with major domestic oil companies, and is currently studying cooperation with CNOOC in the area of coastal LNG transportation.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

2. Costs and expenses analysis

In the first half of 2014, while achieving well in transportation operations, the Group seriously and consistently implemented the various requirements of the board (the "**Board**") of directors (the "**Directors**") of the Company on further enhancing management, costs 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, especially the costs of fuel the control of which was excellent. In the first half of 2014, the Group incurred costs of principal operations of RMB5.474 billion, representing an increase of 0.6% year-on-year. Effective costs control has ensured notable improvement in operating profit of the Group. The composition of the main operating costs are analysed as follows:

Item	In the first half of 2014 (RMB'000)	In the first half of 2013 (RMB'000)	Increase/ decrease (%)	Composition ratio in 2014 (%)
Fuel cost	**2,300,899**	2,422,575	-5.0	42.1
Port cost	**455,874**	524,756	-13.1	8.3
Sea crew cost	**727,878**	787,749	-7.6	13.3
Lubricants expenses	**136,998**	122,835	11.5	2.5
Depreciation	**911,365**	797,884	14.2	16.7
Insurance expenses	**122,658**	127,898	-4.1	2.2
Repair expenses	**180,055**	190,681	-5.6	3.3
Charter cost	**414,132**	255,648	62.0	7.6
Others	**224,229**	213,348	5.1	4.0
Total	**5,474,088**	5,443,374	0.6	100.0

In the first half of 2014, the Group incurred fuel costs of RMB2.301 billion, representing a decrease of 5.0% year-on-year and accounting for 42.1% of the costs of principal operations. The Group achieved significant costs reduction by adopting measures including implementing economic shipping speed, centralized purchase, locking oil purchases and various energy-saving measures. While the turnover volume increased by 29.2% year-on-year, the fuel consumption volume was 612,000 tonnes, representing a minor increase of 4.9% year-on-year, and the average fuel consumption was 2.35 kg/1,000 nautical miles, decreased by18.9% year-on-year.

Regarding sea crew costs, in 2014, the Group implemented reform of its crew management system by entering into sea crew management agreements with China Shipping (Group) Company ("**China Shipping**") for the provision of sea crew and related services to the Group, which enabled the Group to reduce crew costs of approximately RMB59.87 million in the first half of 2014.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

2. Costs and expenses analysis (Continued)

In addition, the Group further strengthened communication and coordination with ports, insurance companies and P&I Clubs. As a result, actual expenditures on port charges and insurance fees of the Group decreased RMB68.88 million and RMB5.24 million respectively in the first half of 2014.

In the first half of 2014, the Group incurred depreciation of RMB911 million, representing an increase of 14.2% year-on-year. Such increases were due to: (1) 9 new vessels with a total capacity of 1.128 million dead weight were delivered during the Reporting Period; (2) effective from 1 January 2014, the Group adjusted the residual values of vessels from USD470 (approximately RMB2,960) per light displacement tonne to USD420 (approximately RMB2,560) per light displacement tonne. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB29,038,000 for the six months ended 30 June 2014.

In the first half of 2014, the Group incurred charter cost of RMB414 million, representing an increase of 62.0% year-on-year. Such increases were due to the fact that the Group chartered in 23 bulk vessels with a total capacity of 1,349,000 deadweight tonnes during the Reporting Period, representing an increase of 198% year-on-year.

3. Interests in the joint venture's results

In the first half of 2014, the Group recognised approximately RMB114 million as its income from its joint ventures as compared to a loss of RMB38 million during the same period in 2013. In the first half of 2014, the 5 joint ventures achieved a shipping volume of 67.95 billion tonne-nautical miles, representing a decrease of 3.3% as compared with the same period in 2013. The operating turnover achieved by the 5 joint ventures in the first half of 2014 was approximately RMB4.398 billion, representing an increase of 26% as compared with the same period in 2013, with a net profit of approximately RMB185 million, as compared to a net loss of RMB112 million during the same period in 2013. The 5 joint ventures of the Group are mainly engaged in domestic coastal bulk transportation, and their operating revenue and profits increased significantly due to the domestic coastal coal contract freight rate increased as compared to 2013.

As at 30 June 2014, the 5 joint ventures owned 89 bulk vessels with a total capacity of 4.7 million deadweight tonnes and 12 vessels under construction with the capacity of 626,000 deadweight tonnes.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

3. Interests in the joint venture's results (Continued)

The operating results achieved by the 5 joint ventures in the first half of 2014 are as follows:

Company Name	Interest held by the Company	Shipping volume (billion tonne nautical miles)	Operating revenue (RMB'000)	Net profit/(loss) (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	38.20	1,738,875	199,292
Shanghai Times Shipping Co., Limited	50%	23.79	2,241,133	(31,853)
Guangzhou Development Shipping Co., Limited	50%	3.77	267,880	11,895
Shanghai Friendship Marine Co., Limited	50%	0.98	64,440	177
Huahai Petrol Transportation & Trading Co., Limited	50%	1.21	86,106	5,000
Total		67.95	4,398,434	184,511

In the first half of 2014, the net profit achieved by China Shipping Finance Co., Limited, a non-shipping joint venture, with 25% interest held by the Company, was RMB111,040,000 (the first half of 2013: RMB74,251,000).

(III) FINANCIAL ANALYSIS

1. Net cash outflow/inflow

The net cash inflow and outflow from operating activities of the Group is RMB1,473,310,000 and RMB637,517,000 for the six months ended 30 June 2014 and 2013 respectively.

(III) FINANCIAL ANALYSIS (Continued)

2. Capital commitments

The Group had the following capital commitments as at 30 June 2014 of which RMB1,641,364,000 (31 December 2013: RMB5,980,812,000) will be due within one year.

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note A)	7,379,974	9,586,595
Equity investments (Note B)	539,668	592,868
	7,919,642	10,179,463

Note:

A. According to the construction and purchase agreements entered into by the Group from January 2007 to June 2014, these capital commitments will fall due in 2014 to 2017.

B. Included capital commitments in respect of equity investments are the commitment to invest in joint ventures, Shenhua Zhonghai Marine Co., Limited.

In addition to the above, the Group's share of the capital commitments of its associate which are contracted for but not provided amounted to RMB618,621,000 (31 December 2013: RMB895,929,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB1,008,763,000 (31 December 2013: RMB1,296,397,000); which are authorised but not contracted for amounted to RMBNil (31 December 2013: RMB4,900,000).

3. Capital structure

As at 30 June 2014, the equity attributable to the owners of the Company and net debts (as total debt (which includes interest-bearing bank borrowings, notes, other loan, finance lease and bonds payable) less cash and cash equivalents) amounted to approximately RMB21,212,754,000 and approximately RMB35,834,208,000 respectively and the debt-to-equity ratio was 169% (31 December 2013: 130%).

(III) FINANCIAL ANALYSIS (Continued)

4. Trade and bills receivables

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

An ageing analysis of trade and bills receivables is as follows:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	1,780,911	90	1,559,506	89
4 - 6 months	204,508	10	108,813	6
7 - 9 months	3,944	—	47,208	3
10 - 12 months	266	—	33,251	2
1 - 2 years	2,010	—	1,507	—
	1,991,639	100	1,750,285	100

The Group normally allows an average credit period of 30 to 120 days to its major customers. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

5. Trade and bills payables

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

An ageing analysis of trade and bills payables is as follows:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	873,036	70	1,388,738	90
4 - 6 months	169,957	14	71,612	5
7 - 9 months	110,492	9	49,090	3
10 - 12 months	57,403	5	17,928	1
1 - 2 years	26,139	2	5,889	—
Over 2 years	7,103	—	9,476	1
	1,244,130	100	1,542,733	100

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

(III) FINANCIAL ANALYSIS (Continued)

6. Provision for onerous contracts

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
At beginning of period/year	349,694	—
Provisions made during the period/year	84,432	349,694
Provisions utilised during the period/year	(93,650)	—
Exchange realignment	3,238	—
At end of period/year	343,714	349,694
Less: current portion of provision for onerous contracts	(170,747)	(175,287)
Non-current portion of provision for onerous contracts	172,967	174,407

As at 30 June 2014, the Group had a provision of RMB343,714,000 (31 December 2013: RMB349,694,000) for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 30 June 2014, 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 RMB2,876,183,000 (31 December 2013: RMB3,031,793,000).

(III) FINANCIAL ANALYSIS (Continued)

7. Derivative financial instruments

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) 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	(69,987)	(4,689)
	(69,987)	(6,629)

As at 30 June 2014, the Group held thirty-one (31 December 2013: thirty-two) interest rate swap agreements, the total notional principal amount of the outstanding interest rate swap agreements was approximately USD609,800,000 (approximately RMB3,752,007,000) (31 December 2013: USD651,134,000 (approximately RMB3,969,870,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

As at 30 June 2014, the floating interest rates of the bank loans were London interbank offered rate ("**Libor**") + 0.42% or 2.20% (31 December 2013: Libor + 0.42% or 0.45% or 2.20%).

The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Total fair value (loss)/gain included in the hedging reserve	(214,185)	3,647
Hedge loan interest included in finance costs	(2,048)	(3,335)
Total (loss)/gain on cash flow hedges of interest rate swap agreements for the current period	(216,233)	312

(III) FINANCIAL ANALYSIS (Continued)

7. Derivative financial instruments (Continued)

On 28 January 2014, the Group released one of interest rate swap agreement with Citibank, N.A., Hong Kong, the notional principal amount of the interest rate swap agreement was approximately USD41,334,000 prior to maturity in January 2016.

8. Notes, interest-bearing bank and other borrowings

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

	Annual effective Interest (%)	Maturity	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Current liabilities				
(i) Bank loans				
Secured	10% discount to the People's Bank of China ("**PBC**") benchmark interest rate, 3 months Libor, 3 months Libor + 1.30%, Libor + 0.38% to 1.70%, 4.50%, 6.46%	2014-2015	1,335,447	1,627,229
Unsecured	9% discount to the PBC benchmark interest rate, Libor + 0.60% to 4.00%, 3.50% to 6.55%	2014-2015	4,659,490	1,575,940
			5,994,937	3,203,169
(ii) Notes				
Unsecured	3.90%	2014-2015	2,999,837	2,998,949
(iii) Other borrowings				
Secured	6.00%, 6.46%	2014-2015	252,395	6,630
Unsecured	10% discount to the PBC benchmark interest rate, Libor + 1.60% to 2.90%, 6 months Libor + 2.50%, 5.02% to 6.00%	2014-2015	4,730,060	2,356,307
			4,982,455	2,362,937

(III) FINANCIAL ANALYSIS (Continued)

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

	Annual effective Interest (%)	Maturity	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Notes, interest-bearing bank and other borrowings – current portion			13,977,229	8,565,055
Non-current liabilities				
(i) Bank loans				
Secured	10% discount to the PBC benchmark interest rate, 3 months Libor + 2.20%, Libor + 0.38% to 2.15%, 6.46%	2016-2037	9,009,678	8,109,880
Unsecured	3 months Libor + 2.40%, Libor + 1.70% to 1.85%, 1.68%, 6.55%	2019-2024	2,811,310	2,092,182
			11,820,988	10,202,062
(ii) Other borrowings				
Secured	6.00%, 6.46%	2023	133,620	137,700
Unsecured	10% discount to the PBC benchmark interest rate, 6 months Libor + 2.50%, 6.51%	2017-2018	3,615,319	5,072,790
			3,748,939	5,210,490
Notes, interest-bearing bank and other borrowings – non-current portion			15,569,927	15,412,552

(III) FINANCIAL ANALYSIS (Continued)

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

(b) As at 30 June 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Analysed into:		
(i) Bank loans:		
Within one year or on demand	**5,994,937**	3,203,169
In the second year	**1,336,427**	1,675,888
In the third to fifth year, inclusive	**5,410,157**	3,886,845
Over five years	**5,074,404**	4,639,329
	17,815,925	13,405,231
(ii) Notes:		
Within one year or on demand	**2,999,837**	2,998,949
(iii) Other borrowings:		
Within one year or on demand	**4,982,455**	2,362,937
In the second year	**8,415**	2,079,420
In the third to fifth year, inclusive	**3,643,369**	3,026,010
Over five years	**97,155**	105,060
	8,731,394	7,573,427
	29,547,156	23,977,607

As at 30 June 2014, certain of the Group's bank loans were secured by (i) pledges or mortgages of the Group's 41 vessels (31 December 2013: 34 vessels) and another 8 vessels under construction (31 December 2013: 4 vessels under construction) with total net carrying amount of RMB19,579,596,000 (31 December 2013: RMB16,299,120,000) and (ii) trade receivables of RMB99,413,000 (31 December 2013: RMB504,705,000).

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

Except for secured bank loans of RMB10,025,390,000 (31 December 2013: RMB9,598,438,000), unsecured bank loans of RMB6,525,417,000 (31 December 2013: RMB2,947,739,000) and unsecured other borrowings of RMB615,319,000 (31 December 2013: RMB426,767,000) which are denominated in USD, all other borrowings are denominated in RMB.

(III) FINANCIAL ANALYSIS (Continued)

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

(c) Details of the notes as at 30 June 2014 are as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Principal amount	**3,000,000**	3,000,000
Notes issuance costs	**(8,245)**	(8,245)
Proceeds received	**2,991,755**	2,991,755
Accumulated amortisation	**8,082**	7,194
	2,999,837	2,998,949

Notes with principal amount of RMB3,000,000,000 were 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 became interest bearing since 4 August 2009, payable annually in arrears on 4 August of each year. The notes matured on 3 August 2014.

9. Risk on foreign currency

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

As at 30 June 2014, the Group's foreign exchange liabilities mainly comprised secured bank loans equivalent to approximately RMB10,025,390,000 (31 December 2013: RMB9,598,438,000), and unsecured bank loans and other borrowings equivalent to approximately RMB7,140,736,000 (31 December 2013: RMB3,374,506,000). In addition, the Company would pay dividend for H shares in HKD.

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

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

(III) FINANCIAL ANALYSIS (Continued)

10. Contingent liabilities

(1) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group has set up a Limitation of Liability for Maritime Claims Fund amounting to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 30 June 2014, the Group was still in the process of settling all the issues concerned.

(2) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2014, claims on damage caused by the fuel leakage amounted to an aggregate of RMB17,224,000 plus court costs. Of which, RMB11,000,000 had been fully settled by insurance companies. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. As at 30 June 2014, the Group was still in the process of settling all the issues concerned.

(3) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("**Capricorn LNG**") and Aries LNG Shipping Limited ("**Aries LNG**"). Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. After the completion of the LNG vessels, the 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 the lease guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB51 million).

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

(III) FINANCIAL ANALYSIS (Continued)

10. Contingent liabilities (Continued)

(4) 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 30 June 2014, the Group was still in the process of settling all the issues concerned.

(5) On 23 December 2013, five of the Group's oil tankers "Danchi", "Baichi", "Daiqing 71", "Daiqing 72" and "Ruijintan" extracted oil from "Bohaiyouyihao" owned by CNOOC (Tianjin Branch). This act was sued by a group of plantiffs for ocean pollution. As at 23 April 2014, claims on damage caused by ocean pollution amounted to an aggregate of RMB47,452,000. Since the Company had been insured with PICC Property and Causalty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. As at 30 June 2014, the Group was still in the process of settling all the issues concerned.

(IV) OTHERS

1. Fleet expansion

In 2014, the Group fully capitalized state subsidies and support policies for shipping companies to timely adjust fleet structure and actively promote implementation of the "12th Five-Year" fleet development plan. In the first half of the year, a fleet of 9 new vessels with a total capacity of 1,128,000 deadweight tonnes have been delivered for use, which comprised 2 new oil tankers with a total capacity of 430,000 deadweight tonnes and 7 new bulk vessels with a total capacity of 698,000 deadweight tonnes. In addition, 21 old vessels of 614,000 deadweight tonnes were demolished. Following the adjustment to the fleet composition, the current fleet composition of the Group was further optimized. The average single vessel capacity kept on rising, the average age of the vessels decreased year by year, and the degree of large-size, low-carbon, new and remote vessel operations further enhanced, thereby strengthening the market competitiveness of the fleet.

(IV) OTHERS (Continued)

1. Fleet expansion (Continued)

As at 30 June 2014, the Group owned 195 vessels with a total capacity of 17.59 million deadweight tonnes. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes (million)	Average age (years)
Tankers	69	7.54	6.1
Bulk vessels	126	10.05	9.6
Total	195	17.59	8.4

2. Significant Investments

For details of significant investments held by the Group, please refer to Notes 10 and 11 in the notes to the interim financial information.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2014

1. Competitive landscape and development trend in the industry

The second half of 2014 was characterized by a slow recovery of global economy. 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 shipping market will undergo a slow and modest recovery, while the traditional peak shipping season in the second half of the year is expected to drive the development of the market to a certain extent. However, the cumulative effects caused by the previous oversupply of tonnage have led to difficulty to substantially alleviate the supply and demand imbalance in the short term. It is expected that the global shipping market will continue to fluctuate at a low level on the whole.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2014 (Continued)

2. Development strategies and work initiatives of the Company

In response to the continuously depressed market environment, the Group will solidify its current position on one hand and hold a vision for the future on the other in the second half of 2014. On the basis of ensuring completion of our annual goal, the Group will further deepen reform and innovation as well as excellent operation for enhancement of our risk-resistant ability, sustainable development capability and core competitiveness. Our work initiatives will focus on the following aspects:

(1) Enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. Facing tough market conditions, the Group will continue to adhere to the strategy of "major clients, 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 focus on protecting the market shares on coastal crude oil and domestic offshore oil and the fixed load ratio of Unipec's VLCC, and utilizing the joint advantages of domestic and offshore trading markets to increase revenue. For bulk cargo shipment operations, the Group will focus on improving the pricing mechanism and contract performance mechanism for COA contracts, improve customer management, consolidate benefits from associated companies, strengthen communication with senior staff of partners, and maintain good cooperation results with associated companies. Meanwhile, the Group will 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 Group will further enhance 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. Fully leveraging the state policy of "demolishing old and building new" regarding vessels, the Group will continue to enhance fleet structure optimization, complete well disposal of old and obsolete vessels and construction and delivery of big vessels, and, through close combination of fleet "streamlining" and "strengthening", actively pursue fleet upgrade and technology upgrade to develop the fleet towards the direction of low-carbon, large-size and energy saving operations, thereby enhancing the economic benefit and the overall competitiveness of the fleet.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2014 (Continued)

2. Development strategies and work initiatives of the Company (Continued)

(3) Adhere to the costs-come-first and excellent operation strategy to continuous improve efficiency and costs advantages. In the second half of the year, the Group will further strengthen and improve comprehensive energy saving mechanism and further enhance energy saving through fleet technologies. 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 costs items such as crew expenses, vessel repair charges, port charges, to create an advantage of low costing.

(4) Strengthen funds management and expand financing channels to secure development funds. According to the new vessel delivery plans, the capital expenditure of the Group for the second half of 2014 and 2015 will be approximately RMB2.57 billion and RMB2.78 billion respectively. In this connection, the Group will further strengthen cooperation with banks, fully utilize both domestic and international markets and reasonably use financial instruments to secure the required capital funds, and will continuously enhance operating benefits and efficiency of capital operations, reduce financing costs and maintain a relatively sound financial structure, so as to prevent financial risk and capital risk practicably.

(5) Continue to strengthen safety development to ensure safety development of the enterprise. Safe production is a matter of lives. We will firmly instil the working philosophy of "pursuing a safety management system to achieve safe operation and management" with a focus on collision avoidance, pirate prevention and pollution prevention, further strengthen the safe production responsibility system, and actively promote establishment of safety standards for safety management.

(VI) OTHER MATTERS

1. Possible Accumulated Net Profit for the Nine Months ended 30 September 2014

Since the beginning of 2014, there has been certain improvement in the domestic and overseas shipping markets. Based on information currently available to the Company, it is expected that the Group may record accumulated net profit for the nine months ended 30 September 2014, as compared to a net loss of approximately RMB1.19 billion attributable to the equity holders of the Company for the nine months ended 30 September 2013.

(VI) OTHER MATTERS (Continued)

2. Changes in directors, supervisors and senior management

(1) On 17 January 2014, the Company convened the first meeting of the Board of 2014 and resolved to accept the resignation of Mr. Zhu Yongguang as an independent non-executive Director.

(2) On 29 January 2014, the Company convened the first meeting of the Supervisory Committee of the Company of 2014 and resolved to accept the resignation of Mr. Zhang Rongbiao as a supervisor of the Company.

(3) On 18 March 2014, the Company convened the third meeting of the Board of 2014 and resolved to accept the resignation of Mr. Wang Daxiong as an executive Director.

(4) On 31 March 2014, the Company convened the first extraordinary general meeting of the Company and approved to appoint Mr. Ruan Yongping as an independent non-executive Director, and the resignation of Mr. Lu Wenbin as an independent non-executive Director became effective at the meanwhile.

(5) On 6 June 2014, the Company convened the annual general meeting of the Company and approved to appoint Mr. Liu Xihan and Mr. Yu Zenggang as executive Directors, Mr. Ip Sing Chi as an independent non-executive Director.

3. Substantial shareholders' interests in shares and underlying shares

As at 30 June 2014, 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 SFO:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company	A	1,578,500,000(L)	74.86%	46.36%
JPMorgan Chase & Co.	H	185,057,304(L)	14.28%	5.44%
		33,912,597(S)	2.62%	1.00%
		61,548,123(P)	4.75%	1.81%
GIC Private Limited	H	157,520,900(L)	12.15%	4.63%
Citigroup Inc.	H	95,367,489(L)	7.36%	2.80%
		66,000(S)	0.01%	0.00%
		95,300,742(P)	7.35%	2.80%
Templeton Asset Management Limited	H	90,972,800(L)	7.02%	2.67%
Schroders Plc	H	76,944,000(L)	5.94%	2.26%

(VI) OTHER MATTERS (Continued)

3. Substantial shareholders' interests in shares and underlying shares (Continued)

Note 1: H – H Shares
A – A 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 30 June 2014, the total issued share capital of the Company was 3,404,556,216 Shares of which 1,296,000,000 were H Shares and 2,108,556,216 were A Shares.

Save as disclosed above, as at 30 June 2014, 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.

4. Directors' and supervisors' interests in contracts

As at 30 June 2014, none of the Directors or supervisors of the Company 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.

5. Directors' and supervisors' interests and short positions in shares and underlying shares of the Company

As at 30 June 2014, 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 Securities and Futures Ordinance "**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 ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

6. 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 of the company 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.

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

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

(VI) OTHER MATTERS (Continued)

8. Compliance with the Corporate Governance Code

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

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

9. Audit Committee

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

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

10. Remuneration Committee

The remuneration committee of the Company ("**Remuneration Committee**") comprises the five independent non-executive Directors. The Remuneration Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

11. Compliance with the Model Code as set out in Appendix 10 to the Listing Rules

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

Following specific enquiries made with the Directors, supervisors and chief executives of the Company, the Directors have confirmed to the Company that each of them has complied with the Model Code during the six months ended 30 June 2014.

(VI) OTHER MATTERS (Continued)

12. Employees

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

As at 30 June 2014, the Company had 697 employees (as at 30 June 2013:7,991). In 2014, the Group implemented reform of its crew management system by entering into sea crew management agreements with China Shipping for the provision of sea crew and related services to the Group. During the Reporting Period, the total staff cost was approximately RMB846 million (The same period in 2013: approximately RMB850 million), in which, the sea crew cost was approximately RMB728 million (The same period in 2013: approximately RMB788 million).

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

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

(VI) OTHER MATTERS (Continued)

14. Events after the Reporting Period

On 8 July 2014, Arctic Blue LNG Shipping Limited, Arctic Green LNG Shipping Limited and Arctic Purple LNG Shipping Limited (the "**JV Companies**"), each of which is a joint venture of the Group, entered into three shipbuilding contracts with Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited (the "**Shipbuilders**") and the three time charter agreements with YAMAL Trade Pte. Ltd. (the "**Charterer**"). As a result, the Company entered into three corporate guarantees on the same date in favour of the Shipbuilders and three owner's guarantees in favour of the Charterer in connection with the due performance of the JV Companies' obligations under the three shipbuilding contracts and the three time charter agreements, to the extent of USD490,000,000 (approximately RMB3,014,872,000) and USD6,400,000 (approximately RMB39,378,000) respectively.

On 30 July 2014, China Shipping Tanker Co., Limited ("**CS Tanker**") entered into an equity transfer agreement with Shanghai Shipping (Group) Company, a wholly-owned subsidiary of China Shipping, pursuant to which CS Tanker acquired further 20% equity interests of Shanghai Beihai Shipping at a consideration of RMB830,000,000 plus/minus 20% of profit/(loss) of Shanghai Beihai Shipping for the period from 1 January 2014 to the date of completion of the registration of transfer in the relevant authority.

At an extraordinary general meeting of shareholders held on 12 August 2014, the Company passed a special resolution of changing the conversion price from RMB8.60 per share to RMB6.24 per share in accordance with the terms of issuance of convertible bonds effective from 14 August 2014.

By order of the Board
China Shipping Development Company Limited
Xu Lirong
Chairman

Shanghai, the PRC
29 August 2014

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

BAKER TILLY
HONG KONG | 天職香港

TO THE BOARD OF DIRECTORS OF CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 72, which comprises the condensed consolidated statement of financial position of China Shipping Development Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 August 2014
Lo Wing See
Practising certificate number P04607

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	For the six months ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue			
Turnover	4	**6,290,693**	5,227,790
Operating costs		**(5,474,088)**	(5,443,374)
Gross profit/(loss)		**816,605**	(215,584)
Other income and gains	5	**8,063**	18,514
Marketing expenses		**(22,727)**	(20,244)
Administrative expenses		**(195,234)**	(182,877)
Other expenses		**(18,490)**	(18,116)
Share of profits/(losses) of joint ventures		**114,216**	(37,735)
Finance costs	6	**(594,302)**	(467,507)
PROFIT/(LOSS) BEFORE TAX	7	**108,131**	(923,549)
Tax	8	**(34,645)**	(5,355)
PROFIT/(LOSS) FOR THE PERIOD		**73,486**	(928,904)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		**32,837**	(102,809)
Net (loss)/gain on cash flow hedges		**(214,185)**	3,647
Share of other comprehensive income of joint ventures		**1,426**	—
Other comprehensive expense for the period		**(179,922)**	(99,162)
Total comprehensive expense for the period		**(106,436)**	(1,028,066)
Profit/(loss) for the period attributable to:			
Owners of the Company		**39,437**	(922,687)
Non-controlling interests		**34,049**	(6,217)
		73,486	(928,904)

	Note	For the six months ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(13,957)**	(1,019,366)
Non-controlling interests		**(92,479)**	(8,700)
		(106,436)	(1,028,066)
Earnings/(loss) per share	9		
– Basic		**1.16 cents**	(27.10) cents
– Diluted		**1.16 cents**	(27.10) cents

Details of interim dividend are set out in note 10.

The accompanying notes from pages 36 to 72 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	11	**1,076,280**	1,076,280
Property, plant and equipment	11	**49,551,537**	47,467,664
Investments in associates	12	**807,453**	—
Investments in joint ventures		**4,694,865**	4,552,714
Loan receivables		**280,218**	219,289
Available-for-sale investments		**35,294**	5,825
Derivative financial instruments	16	—	151,027
Deferred tax assets		**292,144**	297,590
		56,737,791	53,770,389
CURRENT ASSETS			
Inventories		**970,212**	888,287
Trade and bills receivables	13	**1,991,639**	1,750,285
Prepayments, deposits and other receivables		**733,291**	486,174
Cash and cash equivalents		**3,509,674**	1,919,204
		7,204,816	5,043,950
Assets classified as held for sale	11	—	28,140
		7,204,816	5,072,090
CURRENT LIABILITIES			
Trade and bills payables	14	**1,244,130**	1,542,733
Other payables and accruals		**608,817**	917,101
Current portion of provision for onerous contracts	15	**170,747**	175,287
Current portion of derivative financial instruments	16	—	1,940
Current portion of notes, interest-bearing bank and other borrowings	17	**13,977,229**	8,565,055
Current portion of other loans		**44,963**	29,874
Current portion of obligations under finance leases		**41,479**	41,479
Tax payable		**14,481**	12,072
		16,101,846	11,285,541
NET CURRENT LIABILITIES		**(8,897,030)**	(6,213,451)
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,840,761**	47,556,938

	Note	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	**3,404,556**	3,404,556
Reserves		**17,808,198**	17,822,815
		21,212,754	21,227,371
Non-controlling interests		**892,688**	984,506
		22,105,442	22,211,877
NON-CURRENT LIABILITIES			
Provision for onerous contracts	15	**172,967**	174,407
Derivative financial instruments	16	**69,987**	4,689
Notes, interest-bearing bank and other borrowings	17	**15,569,927**	15,412,552
Other loans		**791,256**	714,234
Obligations under finance leases		**428,022**	448,456
Bonds payable	19	**8,491,006**	8,391,928
Deferred tax liabilities		**212,154**	198,795
		25,735,319	25,345,061
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**47,840,761**	47,556,938

Xu Lirong	**Han Jun**
Director	*Director*

The accompanying notes from pages 36 to 72 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 period	–	–	–	–	–	–	–	–	–	–	(922,687)	(922,687)	(6,217)	(928,904)
Net gain on cash flow hedges	–	–	–	–	–	–	3,647	–	–	–	–	3,647	–	3,647
Exchange realignment	–	–	–	–	–	–	–	–	(100,326)	–	–	(100,326)	(2,483)	(102,809)
Total comprehensive expenses for the period	–	–	–	–	–	–	3,647	–	(100,326)	–	(922,687)	(1,019,366)	(8,700)	(1,028,066)
Conversion of convertible bonds	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Accrual of safety fund reserve	–	–	–	–	46,174	–	–	–	–	–	(46,746)	(572)	572	–
Utilisation of safety fund reserve	–	–	–	–	(20,884)	–	–	–	–	–	20,884	–	–	–
Contribution from non-controlling interests shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	8	8
At 30 June 2013 (Unaudited)	3,404,553	3,947,217	273,418	2,877,435	30,447	93,158	(10,886)	1,019	(1,005,174)	873,042	12,012,971	22,497,200	860,306	23,357,506
At 1 January 2014	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
Profit for the period	–	–	–	–	–	–	–	–	–	–	39,437	39,437	34,049	73,486
Net loss on cash flow hedges	–	–	–	–	–	–	(85,410)	–	–	–	–	(85,410)	(128,775)	(214,185)
Exchange realignment	–	–	–	–	–	–	–	–	30,590	–	–	30,590	2,247	32,837
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	1,426	–	–	–	1,426	–	1,426
Total comprehensive expenses for the period	–	–	–	–	–	–	(85,410)	1,426	30,590	–	39,437	(13,957)	(92,479)	(106,436)
Conversion of convertible bonds	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Accrual of safety fund reserve	–	–	–	–	47,798	–	–	–	–	–	(49,664)	(1,866)	1,866	–
Utilisation of safety fund reserve	–	–	–	–	(51,627)	–	–	–	–	–	52,832	1,205	(1,205)	–
At 30 June 2014 (Unaudited)	3,404,556	3,947,242	273,418	2,877,435	65,104	93,158	(32,230)	2,445	(997,134)	873,036	10,705,724	21,212,754	892,688	22,105,442

The accompanying notes from pages 36 to 72 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,473,310**	637,517
INVESTING ACTIVITIES		
Interest received	**16,294**	9,738
Purchases of property, plant and equipment	**(4,329,933)**	(1,437,926)
Proceeds from disposal of property, plant and equipment	**286,108**	113,042
Proceeds from disposal of held-to-maturity investments	**20,000**	—
Loans to associates	**(51,534)**	(58,050)
Dividends received from joint ventures	**19,100**	16,800
Dividends received from available-for-sale investments	**298**	1,630
Investments in held-to-maturity investments	**(20,000)**	(87,000)
Investments in joint ventures	**(52,722)**	(670)
Investments in associates	**(830,240)**	—
Investments in available-for-sale investments	**(29,455)**	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(4,972,084)**	(1,442,436)
FINANCING ACTIVITIES		
Interest paid	**(395,378)**	(353,098)
Net cash inflow from notes, bank and other borrowings	**5,474,796**	166,871
Contribution from non-controlling shareholders of subsidiaries	**—**	8
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**5,079,418**	(186,219)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,580,644**	(991,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,919,204**	3,285,745
Effect of foreign exchange rate changes, net	**9,826**	(12,863)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**3,509,674**	2,281,744
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,509,674**	2,281,744

The accompanying notes from pages 36 to 72 form part of the interim financial information.

1. CORPORATE INFORMATION

China Shipping Development Company Limited (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office and principal place of business of the Company is located at Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC and 670 Dong Da Ming Road, Shanghai, the PRC respectively. During the period, the Company and its subsidiaries (together the "**Group**") were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering.

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 interim financial information is 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 interim financial information has been approved for issue by the Board of Directors on 29 August 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim financial information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2013 set out in the Company's 2013 annual report.

2.2 Significant accounting policies

The interim financial information has been prepared on the historical cost basis, except that investment properties and derivative financial instruments are measured at fair values. In addition, asset classified as held-for-sale are stated at the lower of carrying amount and fair value less costs to sell.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Significant accounting policies (Continued)

A number of new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") are effective for the financial year beginning on 1 January 2014. Except as described below (Note 2.3), the same accounting policies, presentation and methods of computation have been followed in this interim financial information for the six months ended 30 June 2014 as were applied in the preparation of the Company's consolidated financial statements for the year ended 31 December 2013.

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

Impact of new and revised HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2014. The adoption of these new and revised HKFRSs has had no material effect on the interim financial information of the Group for the current and previous accounting periods.

HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting

Impact of HKFRSs issued but not yet effective

Improvement to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 Cycle[1]
Improvement to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 Cycle[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 9	Financial instruments[2]
HKFRS 11 (Amendments)	Accounting for acquisition of interests in joint operation[3]
HKFRS 15	Revenue from contracts with customers[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Available for application – the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalised.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.

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.

3. CHANGE IN ACCOUNTING ESTIMATES

Effective from 1 January 2014, the Group adjusted the residual values of vessels from USD470 (approximately RMB2,960) per light displacement ton to USD420 (approximately RMB2,560) per light displacement ton. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB29,038,000 for the six months ended 30 June 2014, and that would have increased by approximately RMB1,093,479,000 for the future periods.

4. REVENUE AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are categorised as follows:

(a) oil shipment; and

(b) dry bulk shipment
- coal shipment
- iron ore shipment
- other dry bulk shipment

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

There is seasonality for the Group's turnover but the effect is small. An analysis of the Group's turnover and contribution to the gain/(loss) from operating activities by principal activity and geographical area of operations for the period is set out as follows:

	For the six months ended 30 June			
	2014 (Unaudited)		2013 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment	2,819,076	408,436	2,641,678	(117,212)
Dry bulk shipment				
– Coal shipment	1,221,838	38,604	1,265,770	(135,482)
– Iron ore shipment	1,459,597	373,924	1,078,222	137,341
– Other dry bulk shipment	790,182	(4,359)	242,120	(100,231)
	3,471,617	408,169	2,586,112	(98,372)
	6,290,693	816,605	5,227,790	(215,584)
Other income and gains		8,063		18,514
Marketing expenses		(22,727)		(20,244)
Administrative expenses		(195,234)		(182,877)
Other expenses		(18,490)		(18,116)
Share of profits/(losses) of joint ventures		114,216		(37,735)
Finance costs		(594,302)		(467,507)
Profit/(loss) before tax		108,131		(923,549)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	For the six months ended 30 June			
	2014 (Unaudited)		2013 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000
Total segment assets				
Oil shipment		23,593,632		22,702,435
Dry bulk shipment		30,913,782		15,972,687
Unallocated corporate assets		9,435,193		18,470,364
		63,942,607		57,145,486
Total segment liabilities				
Oil shipment		13,903,545		15,969,338
Dry bulk shipment		22,163,419		12,599,097
Unallocated corporate liabilities		5,770,201		5,219,545
		41,837,165		33,787,980

Segment contribution represents gross profit/(loss) from each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of profits/(losses) 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 value of tankers and dry bulk vessels at 30 June 2014 amounted to RMB20,358,354,000 and RMB24,966,712,000 respectively (31 December 2013: RMB23,802,813,000 and RMB19,895,788,000 respectively).

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the six months ended 30 June			
	2014 (Unaudited)		2013 (Unaudited)	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	2,428,332	324,619	2,248,904	(25,374)
International	3,862,361	491,986	2,978,886	(190,210)
	6,290,693	816,605	5,227,790	(215,584)
Other income and gains		8,063		18,514
Marketing expenses		(22,727)		(20,244)
Administrative expenses		(195,234)		(182,877)
Other expenses		(18,490)		(18,116)
Share of profits/(losses) of joint ventures		114,216		(37,735)
Finance costs		(594,302)		(467,507)
Profit/(loss) before tax		108,131		(923,549)
Turnover				
Total segment turnover		6,290,693		5,227,790
Less: inter-segment transactions		—		—
Total consolidated turnover		6,290,693		5,227,790

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	For the six months ended 30 June 2014 (Unaudited)			
	Oil shipment RMB'000	**Dry bulk shipment RMB'000**	**Others RMB'000**	**Total RMB'000**
Additions to segment non-current assets	**866,587**	**1,449,717**	**841,318**	**3,157,622**
Depreciation	**429,961**	**489,813**	**4,074**	**923,848**
Loss on disposal of property, plant and equipment	**(28,758)**	**(67,420)**	**(3,600)**	**(99,778)**
Interest income	**3,887**	**3,391**	**9,016**	**16,294**

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

The principal assets employed by the Group are located in the PRC and, accordingly, no segment analysis of assets and expenditure has been prepared.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Other income		
Bank interest income	8,917	27,960
Rental income from investment properties	8,710	10,385
Government subsidies (note)	10,050	9,605
Interest income from loan receivables	7,117	2,338
Interest income from held-to-maturity investments	260	1,894
Others	6,570	4,409
	41,624	56,591
Other losses		
Derivative financial instruments: reclassified from hedging reserve on disposal	(1,636)	—
Dividends from available-for-sale investments	298	1,630
Exchange gains/(losses), net	40,538	(33,599)
Loss on disposal of property, plant and equipment, net	(99,778)	(9,147)
Waiver of other payables	24,209	—
Others	2,808	3,039
	(33,561)	(38,077)
Other income and gains	8,063	18,514

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.

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total finance costs		
Interest expenses in:		
– Bank loans and other borrowings repayable within five years	**265,163**	195,277
– Bank loans and other borrowings repayable over five years	**115,354**	125,642
– Corporate bonds	**124,260**	124,122
– Convertible bonds	**96,089**	91,718
– Notes	**58,907**	59,356
– Finance leases	**14,054**	10,661
– Hedge loans	**2,048**	3,335
Other loans or borrowings costs and charges	**1,677**	132
	677,552	610,243
Less: Interest capitalised	**(83,250)**	(142,736)
Finance costs	**594,302**	467,507

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**2,756,773**	2,947,331
Others (including vessel depreciation and crew expenses)	**2,717,315**	2,496,043
	5,474,088	5,443,374
Operating lease rentals:		
Land and buildings	**22,531**	24,288
Vessels	**414,132**	255,648
Total operating lease rentals	**436,663**	279,936
Staff costs (including directors' remuneration, salaries, pension and crew expenses)	**846,265**	849,963
Depreciation	**923,848**	809,622
Dry-docking and repairs	**180,055**	164,819

8. TAX

(i) Hong Kong Profits Tax

Hong Kong Profits Tax was not provided for in the interim financial information as the Group did not have any assessable profits arising in Hong Kong during the six months ended 30 June 2014 and 2013.

(ii) PRC Corporate Income Tax

Under the Law of the People's Republic of China on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the Group is 25%.

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Hong Kong	**—**	—
PRC		
– Charge for the period	**15,556**	2,191
– Under provision in prior years	**284**	1
Deferred tax charge	**18,805**	3,163
Total tax charge for the period	**34,645**	5,355

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	**39,437**	(922,687)
Weighted average number of ordinary shares in issue (thousands)	**3,404,556**	3,404,553
Basic earnings/(loss) per share (RMB cents per share)	**1.16**	(27.10)

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the six months ended 30 June 2014 and 2013 is the same as the basic earnings/(loss) per share as the assumed exercise of the outstanding convertible bonds has anti-dilutive effect.

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB Nil).

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

During the six months ended 30 June 2014, additions to construction in progress amounted to RMB3,146,100,000 (six months ended 30 June 2013: RMB1,693,188,000).

During the six months ended 30 June 2014, the construction of 2 tankers at cost of RMB1,009,343,000 and 7 dry bulk vessels at cost of RMB1,680,114,000 (six months ended 30 June 2013: 5 tankers at cost of RMB1,207,193,000 and 5 dry bulk vessels at cost of RMB1,511,985,000) were completed and were transferred from construction in progress to vessels, in which no vessel held under finance leases was completed (six months ended 30 June 2013: 4 dry bulk vessels at cost RMB657,150,000 were held under finance lease upon completion) and no vessel was under repair and transferred to construction in progress (six months ended 30 June 2013: 1 tanker with net carrying amount of RMB64,118,000 was under repair and was transferred to construction in progress). Meanwhile, no vessel (six months ended 30 June 2013: 1 used vessel at cost of RMB47,840,000) was acquired during the six months ended 30 June 2014.

11. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

During the six months ended 30 June 2014, 14 dry bulk vessels and 7 tankers with net carrying amount of RMB238,057,000 and RMB131,315,000 respectively (six months ended 30 June 2013: 1 dry bulk vessel and 3 tankers with net carrying amount of RMB35,786,000 and RMB93,828,000 respectively) were disposed. Of which, no vessels (31 December 2013: 2 dry bulk vessels with net carrying amount of RMB28,140,000) were being included in assets held for sale as at 30 June 2014.

As at 30 June 2014, the net carrying value of vessels of RMB45,325,066,000 (31 December 2013: RMB43,698,601,000) includes an amount of RMB625,115,000 (31 December 2013: RMB636,363,000) in respect of assets held under finance leases.

As at 30 June 2014, investment properties with fair value of RMB1,076,280,000 (31 December 2013: RMB1,076,280,000) were leased.

There is no significant change in the fair value of investment properties during the six months ended 30 June 2014. The investment properties comprise of commercial buildings located at 670 Dong Da Ming Road, Shanghai, the PRC, held under medium term lease.

12. INVESTMENTS IN ASSOCIATES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Cost of unlisted investments in associates	**867,461**	8
Share of profits and other comprehensive expenses, net of dividend income	**(60,008)**	(8)
	807,453	—

On 20 June 2014, China Shipping Tanker Co., Limited ("**CS Tanker**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem International Corporation, a stated-owned enterprise, pursuant to which CS Tanker acquired 20% equity interests of Shanghai Beihai Shipping Company Limited ("**Shanghai Beihai Shipping**"), a sino-foreign joint venture enterprise established in the PRC, at a consideration of RMB830,000,000 plus 20% of profit of Shanghai Beihai Shipping for the period from 1 January 2014 to the date of completion of the registration of transfer in the relevant authority.

12. INVESTMENTS IN ASSOCIATES (Continued)

Subsequent to the reporting period, on 30 July 2014, CS Tanker entered into an equity transfer agreement with Shanghai Shipping (Group) Company, a wholly-owned subsidiary of China Shipping, pursuant to which CS Tanker acquired further 20% equity interests of Shanghai Beihai Shipping at a consideration of RMB830,000,000 plus/minus 20% of profit/(loss) of Shanghai Beihai Shipping for the period from 1 January 2014 to the date of completion of the registration of transfer in the relevant authority.

Shanghai Beihai Shipping is principally engaged in the provision of shipping services. It is an unlisted entity whose quote market price is not available.

13. TRADE AND BILLS RECEIVABLES

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

An ageing analysis of trade and bills receivables is as follows:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
1 - 3 months	**1,780,911**	**90**	1,559,506	89
4 - 6 months	**204,508**	**10**	108,813	6
7 - 9 months	**3,944**	—	47,208	3
10 - 12 months	**266**	—	33,251	2
1 - 2 years	**2,010**	—	1,507	—
	1,991,639	**100**	1,750,285	100

The Group normally allows an average credit period of 30 to 120 days to its major customers. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

14. TRADE AND BILLS PAYABLES

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

An ageing analysis of trade and bills payables is as follows:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Balance	Percentage	Balance	Percentage
	RMB'000	%	RMB'000	%
1 - 3 months	873,036	70	1,388,738	90
4 - 6 months	169,957	14	71,612	5
7 - 9 months	110,492	9	49,090	3
10 - 12 months	57,403	5	17,928	1
1 - 2 years	26,139	2	5,889	—
Over 2 years	7,103	—	9,476	1
	1,244,130	100	1,542,733	100

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

15. PROVISION FOR ONEROUS CONTRACTS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
At beginning of period/year	**349,694**	—
Provisions made during the period/year	**84,432**	349,694
Provisions utilised during the period/year	**(93,650)**	—
Exchange realignment	**3,238**	—
At end of period/year	**343,714**	349,694
Less: current portion of provision for onerous contracts	**(170,747)**	(175,287)
Non-current portion of provision for onerous contracts	**172,967**	174,407

As at 30 June 2014, the Group had a provision of RMB343,714,000 (31 December 2013: RMB349,694,000) for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 30 June 2014, 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 RMB2,876,183,000 (31 December 2013: RMB3,031,793,000).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) 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	(69,987)	(4,689)
	(69,987)	(6,629)

As at 30 June 2014, the Group held thirty-one (31 December 2013: thirty-two) interest rate swap agreements, the total notional principal amount of the outstanding interest rate swap agreements was approximately USD609,800,000 (approximately RMB3,752,007,000) (31 December 2013: approximately USD651,134,000 (approximately RMB3,969,870,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032 are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

As at 30 June 2014, the floating interest rates of the bank loans were London interbank offered rate ("**Libor**") + 0.42% or 2.20% (31 December 2013: Libor + 0.42% or 0.45% or 2.20%).

The gains and losses for the interest rate swap agreements during the period are as follows:

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Total fair value (loss)/gain included in the hedging reserve	(214,185)	3,647
Hedge loan interest included in finance costs	(2,048)	(3,335)
Total (loss)/gain on cash flow hedges of interest rate swap agreements for the current period	(216,233)	312

On 28 January 2014, the Group released one of interest rate swap agreement with Citibank, N.A., Hong Kong, the notional principal amount of the interest rate swap agreement was approximately USD41,334,000 prior to maturity in January 2016.

17. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	Annual effective Interest (%)	Maturity	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Current liabilities				
(i) **Bank loans**				
Secured	10% discount to the People's Bank of China ("**PBC**") benchmark interest rate, 3 months Libor, 3 months Libor + 1.30%, Libor + 0.38% to 1.70%, 4.50%, 6.46%	2014-2015	**1,335,447**	1,627,229
Unsecured	9% discount to the PBC benchmark interest rate, Libor + 0.60% to 4.00%, 3.50% to 6.55%	2014-2015	**4,659,490**	1,575,940
			5,994,937	3,203,169
(ii) **Notes**				
Unsecured	3.90%	2014-2015	**2,999,837**	2,998,949
(iii) **Other borrowings**				
Secured	6.00%, 6.46%	2014-2015	**252,395**	6,630
Unsecured	10% discount to the PBC benchmark interest rate, Libor + 1.60% to 2.90%, 6 months Libor + 2.50%, 5.02% to 6.00%	2014-2015	**4,730,060**	2,356,307
			4,982,455	2,362,937
Notes, interest-bearing bank and other borrowings – current portion			**13,977,229**	8,565,055

17. 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	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Non-current liabilities				
(i) Bank loans				
Secured	10% discount to the PBC benchmark interest rate, 3 months Libor + 2.20%, Libor + 0.38% to 2.15%, 6.46%	2016-2037	**9,009,678**	8,109,880
Unsecured	3 months Libor + 2.40%, Libor + 1.70% to 1.85%, 1.68%, 6.55%	2019-2024	**2,811,310**	2,092,182
			11,820,988	10,202,062
(ii) Other borrowings				
Secured	6.00%, 6.46%	2023	**133,620**	137,700
Unsecured	10% discount to the PBC benchmark interest rate, 6 months Libor + 2.50%, 6.51%	2017-2018	**3,615,319**	5,072,790
			3,748,939	5,210,490
Notes, interest-bearing bank and other borrowings – non-current portion			**15,569,927**	15,412,552

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

(b) As at 30 June 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Analysed into:		
(i) Bank loans:		
Within one year or on demand	**5,994,937**	3,203,169
In the second year	**1,336,427**	1,675,888
In the third to fifth year, inclusive	**5,410,157**	3,886,845
Over five years	**5,074,404**	4,639,329
	17,815,925	13,405,231
(ii) Notes:		
Within one year or on demand	**2,999,837**	2,998,949
(iii) Other borrowings:		
Within one year or on demand	**4,982,455**	2,362,937
In the second year	**8,415**	2,079,420
In the third to fifth year, inclusive	**3,643,369**	3,026,010
Over five years	**97,155**	105,060
	8,731,394	7,573,427
	29,547,156	23,977,607

As at 30 June 2014, certain of the Group's bank loans were secured by (i) pledges or mortgages of the Group's 41 vessels (31 December 2013: 34 vessels) and another 8 vessels under construction (31 December 2013: 4 vessels under construction) with total net carrying amount of RMB19,579,596,000 (31 December 2013: RMB16,299,120,000) and (ii) trade receivables of RMB99,413,000 (31 December 2013: RMB504,705,000).

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

(b) As at 30 June 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows: (Continued)

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

Except for secured bank loans of RMB10,025,390,000 (31 December 2013: RMB9,598,438,000), unsecured bank loans of RMB6,525,417,000 (31 December 2013: RMB2,947,739,000) and unsecured other borrowings of RMB615,319,000 (31 December 2013: RMB426,767,000) which are denominated in USD, all other borrowings are denominated in RMB.

(c) Details of the notes as at 30 June 2014 are as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Principal amount	3,000,000	3,000,000
Notes issuance costs	(8,245)	(8,245)
Proceeds received	2,991,755	2,991,755
Accumulated amortisation	8,082	7,194
	2,999,837	2,998,949

Notes with principal amount of RMB3,000,000,000 were 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 became interest bearing since 4 August 2009, payable annually in arrears on 4 August of each year. The notes matured on 3 August 2014.

18. ISSUED CAPITAL

	For the six months 30 June 2014 (Unaudited) Number of shares	RMB'000
Registered, issued and fully paid:		
Listed H-Shares of RMB1.00 each		
At 1 January 2014 and 30 June 2014	1,296,000,000	1,296,000
Listed A-Shares of RMB1.00 each		
At 1 January 2014	2,108,555,984	2,108,556
Conversion of convertible bonds	232	—
At 30 June 2014	2,108,556,216	2,108,556
Total capital	3,404,556,216	3,404,556

Convertible bonds: Convertible bonds converted during the six months ended 30 June 2014 resulted in 232 shares being issued (six months ended 30 June 2013: 116 shares). The related conversion price was RMB8.60 (six months ended 30 June 2013: RMB8.60) per share.

19. BONDS PAYABLE

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Convertible bonds	3,520,780	3,424,692
Corporate bonds	4,970,226	4,967,236
	8,491,006	8,391,928

19. BONDS PAYABLE (Continued)

(a) Convertible bonds

The Company's A-share convertible bonds amounted 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 RMB8.70 per share.

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.10 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 RMB8.70 per share to RMB8.60 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 2.0% 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 to 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 convertible 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 bonds were 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.

19. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

The movement of the liability component of the convertible bonds for the six months ended 30 June 2014 is set out below:

	RMB'000
Carrying amount at 31 December 2013	3,424,692
Interest charge	96,089
Conversion during the period	(1)
Carrying amount at 30 June 2014	3,520,780

The fair value and effective interest rate of the liability component of the convertible bonds at 30 June 2014 is RMB3,520,780,000 (31 December 2013: RMB3,424,692,000) and 5.60% (31 December 2013: 5.60%) per annum respectively.

Interest expense of RMB96,089,000 (six months ended 30 June 2013: RMB91,718,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income in respect of the convertible bonds for the six months ended 30 June 2014.

At an extraordinary general meeting of shareholders held on 12 August 2014, the Company passed a special resolution of changing the conversion price from RMB8.60 per share to RMB6.24 per share in accordance with the terms of issuance of convertible bonds effective from 14 August 2014.

(b) Corporate bonds

The movement of the corporate bonds for the six months ended 30 June 2014 is set out below:

	RMB'000
Balance as at 31 December 2013	4,967,236
Interest charge	2,990
Balance as at 30 June 2014	4,970,226

19. BONDS PAYABLE (Continued)

(b) Corporate bonds (Continued)

As at 30 June 2014, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond at initial recognition	At 31 December 2013	Interest charge	At 30 June 2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 August 2012	3 years	1,000,000	991,400	995,319	1,420	**996,739**
3 August 2012	10 years	1,500,000	1,487,100	1,488,561	532	**1,489,093**
29 October 2012	7 years	1,500,000	1,488,600	1,490,249	726	**1,490,975**
29 October 2012	10 years	1,000,000	992,400	993,107	312	**993,419**
		5,000,000	4,959,500	4,967,236	2,990	**4,970,226**

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bond 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 a ten-year corporate bond 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 a further 2 batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bond 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 a ten-year corporate bond 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.

20. OPERATING LEASE ARRANGEMENT

(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 (31 December 2013: 1 to 3 years).

As at 30 June 2014, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	**120,034**	116,278
In the second to fifth year, inclusive	**31,938**	6,891
	151,972	123,169

(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 16 years (31 December 2013: 1 to 15 years).

As at 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	**379,043**	464,118
In the second to fifth year, inclusive	**1,472,556**	1,239,959
After five years	**2,386,232**	2,140,243
	4,237,831	3,844,320

21. FINANCIAL INSTRUMENTS

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

(a) Fair value of financial assets and financial liabilities measured at fair value

(i) Fair value hierarchy

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

	30 June 2014 (Unaudited)			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities:				
Derivative financial instruments	—	69,987	—	69,987

	31 December 2013 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Derivative financial instruments	—	151,027	—	151,027
Financial liabilities:				
Derivative financial instruments	—	6,629	—	6,629

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 December 2013. There was no transfer between level 1, 2 and 3 in the current and prior periods.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

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 the current interest rates and the current creditworthiness of the swap counterparties.

21. FINANCIAL INSTRUMENTS (Continued)

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

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

22. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group has set up a Limitation of Liability for Maritime Claims Fund amounted to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 30 June 2014, 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 tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2014, claims on damage caused by the fuel leakage amounted to an aggregate of RMB17,224,000 plus court costs. Of which, RMB11,000,000 had been fully settled by insurance companies. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. As at 30 June 2014, the Group was still in the process of settling all the issues concerned.

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("**Capricorn LNG**") and Aries LNG Shipping Limited ("**Aries LNG**"). Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. After the completion of the LNG vessels, the 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.

22. CONTINGENT LIABILITIES (Continued)

(iii) (Continued)

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 the lease guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB51 million).

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

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of 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 30 June 2014, the Group was still in the process of settling all the issues concerned.

(v) On 23 December 2013, five of the Group's oil tankers "Danchi", "Baichi", "Daiqing 71", "Daiqing 72" and "Ruijintan" extracted oil from "Bohaiyouyihao". This act was sued by a group of plantiffs for ocean pollution. As at 23 April 2014, claims on damage caused by ocean pollution amounted to an aggregate of RMB47,452,000. Since the Company had been insured with PICC Property and Causalty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. As at 30 June 2014, the Group was still in the process of settling all the issues concerned.

23. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments as at 30 June 2014 of which RMB1,641,364,000 (31 December 2013: RMB5,980,812,000) will be due within one year.

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (Note 1)	**7,379,974**	9,586,595
Equity investments (Note 2)	**539,668**	592,868
	7,919,642	10,179,463

Note:

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

(2) Included capital commitments in respect of equity investments are the commitment to invest in joint ventures, Shenhua Zhonghai Marine Co., Limited.

In addition to the above, the Group's share of the capital commitments of its associate which are contracted for but not provided amounted to RMB618,621,000 (31 December 2013: RMB895,929,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB1,008,763,000 (31 December 2013: RMB1,296,397,000); which are authorised but not contracted for amounted to RMBNil (31 December 2013: RMB4,900,000).

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the interim financial information, business transactions between the Group and its holding company, fellow subsidiaries, joint ventures, associates, holding company's joint ventures as well as other related parties for the period, which are also considered by directors as related party transactions, are set out as below:

24. RELATED PARTY TRANSACTIONS (Continued)

(1) A services agreement signed in October 2012 between the Company and China Shipping became effective subsequent to the approval by the independent shareholders at an extraordinary general meeting held 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 operations 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.

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 period are set out below:

		For the six months ended	
	Pricing basis	**30 June 2014 Total value (Unaudited) RMB'000**	30 June 2013 Total value (Unaudited) RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**83,407**	137,140
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for life boats	Market prices	**2,047,520**	1,290,496
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**16,436**	19,682
Crew expenses	Market prices	**171**	33,943
Accommodation, lodging, medical services and transportation for employees	State-fixed prices or market prices	**1,051**	3,181
Miscellaneous management services	Market prices	**9,821**	11,390
Agency commissions	Market prices	**41,767**	52,069
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**3,366**	3,337

24. RELATED PARTY TRANSACTIONS (Continued)

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.

(2) Two services agreements signed in April 2014 between the China Shipping Bulk Carrier Co., Limited ("**CS Bulk Carrier**"), CS Tanker, two wholly-owned subsidiaries of the Company, and China Shipping International Ship Management Co., Limited ("**CSISM**"), a wholly-owned subsidiary of China Shipping, became effective subsequent to the approval by the independent shareholders at an annual general meeting held on 6 June 2014. Pursuant to the services agreements, CSISM agreed to provide to the Group crew management services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The fees for the agreed supplies and services payable to CSISM were determined with reference to market price.

During the six months ended 30 June 2014, the total crew management fee to CSISM is approximately RMB86,264,000.

(3) 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:

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Vessel chartering charges	(i)	**159,736**	17,613
Vessel chartering income		**28,545**	28,045
Purchases and construction of vessels	(ii)	**809,679**	18,730
Rental income		**10,098**	9,803
Shipment income		**14,753**	213,603
Technical service fee		**220**	—
Crew expenses		**564,313**	—
Interest income from associates		**7,117**	2,338
Loan interest payment	(iii)	**211,558**	183,546

24. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

The Group has entered into the following agreements:

(i) In November 2012, China Shipping (Hong Kong) Holdings Co., Limited ("**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 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 approximately USD2,928,000.

On 21 November 2013, CS Bulk Carrier entered into the bare-boat charters with Dalian Shipping Group Co., Limited ("**Dalian Shipping**"), a wholly-owned subsidiary of China Shipping, whereby CS 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.

On 23 December 2013, CS Bulk Carrier entered into the framework agreement with CSHK, whereby CS 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 and it has been automatically extended for six months to 31 December 2014.

On 15 April 2014, China Shipping Bulk Carrier (Hong Kong) Co., Limited ("**CS Bulk Carrier (HK)**"), an indirect wholly-owned subsidiary of the Company, entered into 4 bareboat charters with Dong Fang International Asset Management Limited ("**Dong Fang**"), an indirect wholly-owned subsidiary of China Shipping, whereby CS Bulk Carrier (HK) will lease 4 bulk vessels from Dong Fang for a term of 10 years. These bulk vessels are used for international dry bulk transportation and will be managed, operated and maintained under the full control of CS Bulk Carrier (HK) during the term of the respective bareboat charters. The annual amount of charter payment for each of these bareboat charters is approximately USD2,500,000.

24. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

(ii) On 28 September 2010, the Company entered into the agreements with China Shipping Industrial Co., Limited ("**CS Industrial**") and CS Industrial (Jiangsu) Co., Limited ("**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 approximately RMB2,553,600,000.

On 13 January 2012, China Shipping Development (Hong Kong) Marine Co., Limited ("**CSDHK**"), a wholly-owned subsidiary of the Company, entered into the agreement with CS Industrial and CS Industrial (Jiangsu) for the construction of a tanker for the transportation of crude oil and refined oil. The total consideration for the construction of the tanker is approximately USD53,280,000.

On 15 June 2012, Shanghai Yinhua Shipping Co., Limited, an indirect and non wholly-owned subsidiary of the Company, 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 approximately RMB182,800,000.

During the six months ended 30 June 2014, the total consideration paid for the construction of the vessels is approximately RMB809,679,000 (six months ended 30 June 2013: RMB18,730,000).

(iii) 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 China Shipping Finance Co., Limited ("**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 tonnes vessel. The interest rate is a preferential rate determined by the commercial bank interest rate on the date of drawdown of such loan by the Company. Interest payments are to be settled every quarter of the year, with the last interest payment date being the maturity date of the entrusted loan when the outstanding principal amount will also be repaid. 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 it 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 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.

24. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

(iii) (Continued)

On 26 March 2012, the Company entered into the entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB2,000,000,000 to the Company. The entrusted loan has a term of three years commencing from 26 March 2012 and ending on 26 March 2015. The interest rate is at 5.02% per annum. CS Finance will also charge an 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. Since 26 March 2013, the interest rate has been re-adjusted to 5.02% per annum.

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 CS Bulk Carrier and China Shipping Bulk Carrier (Shanghai) Co., Limited ("**CS Bulk Carrier (Shanghai)**"), wholly-owned subsidiaries of the Company, respectively. The loan for CS Bulk Carrier has been fully repaid on 24 July 2013 and a balance of RMB7,270,000 of the loan for CS Bulk Carrier (Shanghai) has been repaid up to 30 June 2014.

On 25 June 2012, Shanghai Jiahe Shipping Co., Limited ("**Shanghai Jiahe**"), an indirect and non wholly-owned subsidiary of the Company, entered into a loan agreement with CS Finance whereby CS Finance provided a ten-year loan of RMB53,600,000 to Shanghai Jiahe. The loan is used to finance the construction of vessel. The interest rate is fixed at 6.46% per annum. In March 2013, a further RMB4,000,000 was withdrawn by Shanghai Jiahe from CS Finance. As at 30 June 2014, RMB1,300,000 has been repaid.

On 30 December 2013, CSDHK entered into a loan agreement with CSHK whereby CSHK provided a loan in the amount of USD70,000,000 to CSDHK. The loan has a term of six months commencing from 30 December 2013 and ending on 30 June 2014. The interest rate is at 3 months Libor plus 1.60% per annum. The loan was early and fully repaid in January 2014.

On 30 June 2014, China Shipping entered into loan agreements with the Company and CSDHK whereby China Shipping provided loans in the amount of RMB400,000,000 and USD100,000,000 to the Company and CSDHK respectively. The terms of the RMB400,000,000 loan and the USD100,000,000 loan are six months and three years respectively, and the interest rates are at 5.27% and 6 months Libor plus 2.50% per annum respectively.

During the six months ended 30 June 2014, the related interest expenses of RMB211,558,000 (six months ended 30 June 2013: RMB183,546,000) have been included in the finance cost.

24. RELATED PARTY TRANSACTIONS (Continued)

(4) In October 2012, the Company entered into 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 held 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 and will be automatically renewed for another three years from 1 January 2016 unless either party regards not to renew the financial services framework agreement.

(5) Outstanding balances with related parties

(i) Loan receivables represent loans to associates, which are unsecured, bear interests at Libor plus 3.59% to 5.20% (31 December 2013: 3.30% to 4.90%) over 3 months Libor per annum and repayable in year 2030 to year 2031.

(ii) Included in trade and bill receivables are amounts due from fellow subsidiaries, joint ventures and associates amounting RMB31,465,000 (31 December 2013: RMB102,557,000).

(iii) Included in prepayments, deposits and other receivables are amounts due from fellow subsidiaries, joint ventures, associates and other related parties amounting RMB451,518,000 (31 December 2013: RMB254,175,000).

(iv) Included in cash and cash equivalent is an amount of RMB826,330,000 (31 December 2013: RMB792,008,000) of bank balance deposited with CS Finance.

(v) Included in trade and bills payables are amounts due to fellow subsidiaries and other related parties amounting RMB594,511,000 (31 December 2013: RMB994,584,000).

(vi) Included in other payables and accruals are amounts due to ultimate holding company, fellow subsidiaries and joint ventures amounting RMB326,618,000 (31 December 2013: RMB724,418,000).

24. RELATED PARTY TRANSACTIONS (Continued)

(5) Outstanding balances with related parties (Continued)

(vii) Included in other borrowings is an amount of RMB2,130,360,000 (31 December 2013: RMB1,658,930,000) borrowed from CS Finance. As at 30 June 2014, the current and non-current portion of this borrowing amounted to RMB2,077,960,000 (31 December 2013: RMB1,532,140,000) and RMB52,400,000 (31 December 2013: RMB126,790,000) respectively.

Included in other borrowings is an amount of RMB6,515,319,000 (31 December 2013: RMB5,400,000,000) borrowed from the Company's ultimate holding company. As at 30 June 2014, the current and non-current portion of this borrowing amounted to RMB2,900,000,000 (31 December 2013: RMB400,000,000) and RMB3,615,319,000 (31 December 2013: RMB5,000,000,000) respectively.

Included in other borrowings is an amount of RMBNil (31 December 2013: RMB426,767,000) borrowed from CSHK. As at 30 June 2014, the current portion of this portion of this borrowing amounted to RMBNil (31 December 2013: RMB426,767,000).

Except for those amounts mentioned in (i) and (vii) above, the amounts due from/(to) the ultimate holding company, fellow subsidiaries, joint ventures and associates are unsecured, non-interest bearing and repayable on demand.

25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 8 July 2014, Arctic Blue LNG Shipping Limited, Arctic Green LNG Shipping Limited and Arctic Purple LNG Shipping Limited (the "**JV Companies**"), each of which is a joint venture of the Group, entered into three shipbuilding contracts with Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited (the "Shipbuilders") and the three time charter agreements with YAMAL Trade Pte. Ltd. (the "**Charterer**"). As a result, the Company entered into three corporate guarantees on the same date in favour of the Shipbuilders and three owner's guarantees in favour of the Charterer in connection with the due performance of the JV Companies' obligations under the three shipbuilding contracts and the three time charter agreements, to the extent of USD490,000,000 (approximately RMB3,014,872,000) and USD6,400,000 (approximately RMB39,378,000) respectively.

Save as disclosed in notes 12 and 19(a) above and elsewhere in the interim financial information, the Group does not have other significant events after the end of the reporting period.