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 ANNUAL REPORT

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

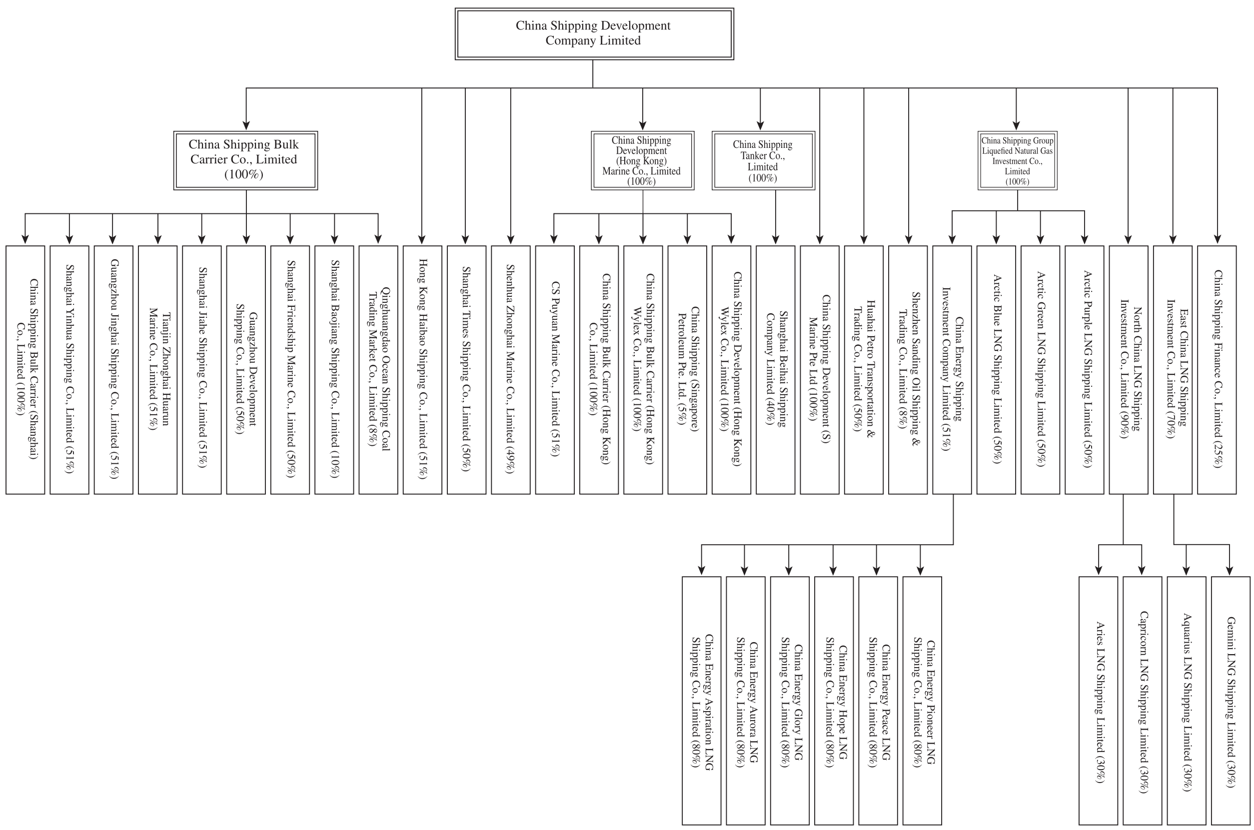
CONTENT

COMPANY PROFILE

China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") is a major shipping company having its business across the coastal region of the PRC and internationally. The Company was established on May 3rd, 1994, and the registered capital of the Company now is RMB4.032 billion. The registered address of the Company is in China (Shanghai) Pilot Free Trade Zone and the headquarter office of the Company is in Shanghai Port International Cruise Terminal in the North Bund Area of Shanghai. The Company was listed in The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, and stock codes are 01138 and 600026.

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

As at 31 December 2014, the Group has the total assets of approximately RMB65.75 billion, of which the shareholders' equity is approximately RMB21.83 billion, and the Group has a fleet of 194 vessels with approximately 17.66 million deadweight tons. The Group now operates one of the largest fleets of oil tankers and dry bulk cargo carriers in the Far East.



FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**12,273,849**	11,344,152	11,053,628	12,157,458	11,283,594
Profit/(loss) before tax	**321,993**	(2,229,350)	(331,375)	1,244,073	2,171,408
Profit/(loss) for the year attributable to equity holders of the parent	**309,413**	(2,234,106)	73,741	1,062,214	1,716,522
Total assets	**65,750,403**	58,842,479	57,860,523	51,747,288	40,710,175
Non-controlling interest and Total liabilities	**43,921,403**	37,615,108	34,343,386	27,988,983	18,131,630
Equity attributable to equity holders of the parent	**21,829,000**	21,227,371	23,517,137	23,758,305	22,578,545
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.270**	6.235	6.908	6.978	6.632
Earning/(loss) per share	**0.0909**	(0.6562)	0.0217	0.312	0.5042
Dividend per share	**0.030**	0.000	0.000	0.100	0.170

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2014, global economy recovered at a slow pace, Chinese economic growth slowed down, and the demand from shipping market was weak. On the other hand, due to increasing shipping capacity, the condition of capacity oversupply has not achieved substantial improvement, and the international shipping market was still sluggish.

In 2014, world economy recovered at a pace which was weaker than expected in the beginning of the year, resulting in lower expected growth in global oil demand. According to statistics of the International Energy Agency, the incremental oil demand in 2014 was 670 thousand barrels/day, representing the lowest level in the past five years. On the other hand, due to increasing supply of shipping capacity, the issue of capacity oversupply has not been significantly improved and the oil shipping market continued a downturn trend.

In 2014, performance of international oil shipping market in general was better as compared to the same period in 2013. The annual average value of freight index for three typical routes in the very large crude oil carrier ("VLCC") market (Middle East - Far East, Middle East - the US and the Gulf, West Africa - China) rose by 12% year-on-year, while the annual average value of freight index for three typical routes (Middle East – Japan TCI, Middle East - Japan TC5, Singapore - Japan TC4) for three types of vessels (LR2, LR1, MR) in the international clean oil market rose by 7.8%, rose by 1.5% and fell by 17% year-on-year respectively. Meanwhile, international oil shipping market was volatile, with the highest and the lowest values of freight index for route from Middle East to Far East in the VLCC market reaching 80 points and 32 points respectively, and the time interval for the highest point was very short, which exerted huge pressure on business operations.

For domestic oil shipment, due to reduced supply from long route offshore crude oil shipment, domestic crude oil shipping market became increasingly competitive which led to declined revenue. Meanwhile, as a result of factors such as more balanced distribution of refineries, rapid development of pipelines transportation and localised purchase and sale by petrochemical enterprises, shipping market for domestic refined oil continued to shrink with significant decrease in both volumes and prices.

Since early 2014, investment growth rate kept declining against a backdrop of global economic slowdown, leading to decreasing commodity prices and shrinking demand for international dry bulk shipment. Affected by weak market demand and continuous high level of supplied capacity, international dry bulk cargo shipment continued to decline, with annual average value of Baltic Dry Index of 1,105 points, representing a decrease of 9.2% as compared to 2013.

For coastal dry bulk shipping market, affected by China's economic restructuring, decreased domestic demand for thermal power, inadequate demand in coastal bulk shipping market and continuous oversupply of capacity, freight rates for coastal dry bulk cargoes continued to decline, with Coastal Bulk Freight Index, an integrated freight rate index for coastal dry bulk shipment, falling from 1,239 points in the beginning of the year to 901 points at the end of the year, which was the lowest point since the index was released in 2001. The annual average value was 990 points, representing a decrease of 12.1% as compared to 2013.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

Facing the complicated market environment, the Group continued to deepen the strategy of "major clients, great co-operation and comprehensive services" under the right leadership of the Board, and actively innovated business ideas and models, obtaining new breakthroughs and achievements in various areas such as management improvement, marketing, reducing cost and increasing efficiency as well as safety management, significantly improving the operating conditions of the Company and maintaining our overall stable development trend.

In 2014, the volume of cargoes shipped by the Group was 182 million tonnes, dropped by 1.9% year-on-year; transport turnover were 430.1 billion tonne-nautical miles, increased by 10.9% year-on-year; revenue derived from operations (after business tax and surcharge) was RMB12.274 billion, increased by 8.2% year-on-year; operating cost was RMB10.886 billion, dropped by 5.5% year-on-year. The profit attributable to owners of the Company was RMB309 million and the basic earnings per share for 2014 was RMB9.09 cents.

(1) Revenue from Principal Operations

In 2014, overall details of the Group's principal operations by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2013	Increase/ (decrease) in operating costs as compared with 2013	Increase/ (decrease) in gross profit margin as compared with 2013
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(%)
Oil shipments	5,164,370	4,359,081	15.6	-0.7	-21.7	22.6
Coal shipments	2,374,115	2,388,618	-0.6	-12.0	-11.8	-0.2
Iron ore shipments	2,883,053	2,228,176	22.7	17.4	4.8	9.3
Other dry bulk shipments	465,255	508,873	-9.4	-0.5	2.7	-3.4
Vessel chartering	1,387,056	1,400,872	-1.0	167.0	123.3	19.8
Total	12,273,849	10,885,620	11.3	8.2	-5.5	12.9

Principal Operations by Geographical Regions

Regions	Revenue (RMB'000)	Increase/ (decrease) in revenue as compared to 2013 (%)
Domestic shipment	4,607,060	-6.0
International shipment	7,666,789	19.0

(1) Shipping business — Oil shipments

In 2014, in adherence to the "major clients and great co-operation" strategy, China Shipping Tanker Co., Limited ("China Shipping Tanker"), a wholly-owned subsidiary of the Company actively innovated operation ideas and business models, with continuous improvement in transportation efficiency and remarkable achievement in cost efficiency.

For domestic oil shipment, the Company actively innovated the model of cooperation with shippers, significantly improving the shipping efficiency and effectiveness of the domestic oil shipment fleet. In 2014, with the great support of China Shipping, our controlling shareholder, the Company actively carried out integration of tanker assets, and through China Shipping Tanker completed the acquisition of 20% and 20% equity interest in Shanghai Beihai Shipping Company Limited ("Beihai Shipping") from Sinochem International Corporation and Shanghai Shipping (Group) Company respectively. Seizing the opportunities of capital injection into Beihai Shipping, the Company actively promoted all-round cooperation with China National Offshore Oil Corporation and Beihai Shipping. In 2014, domestic offshore oil of the Company recorded a year-on-year growth rate of 9.7% and gross profit of RMB500 million despite a year-on-year decrease in revenue of 6%. In 2014, the Company recorded gross profit for domestic crude oil shipment of RMB660 million and continued to maintain its leading position (about 52% market share) in domestic crude oil shipping market. Meanwhile, in the face of rapid downturn of domestic refined oil market in recent years, particularly the structural shrinkage of market for big vessels over ten thousand tonnes, the Company adopted a strategic exit strategy while exploiting the complementary strengths in the domestic and foreign markets to timely adjust allocation of domestic and foreign oil shipment capacities, hence the gross profit from domestic refined oil shipment increased by approximately RMB60 million despite the decrease in revenue of RMB83 million.

For international oil shipment, the Company significantly optimized the cargo-owner structure, market structure and route structure through active promotion of diversification strategy; and continued to optimise speed with the best economic benefit by strengthened analysis of budget and final accounts of voyage. In 2014, the Company increased investment in the West African routes and third-country shipment, with the proportion of revenue from West African routes increased to 30% this year from 7.5% last year, while the proportion of third-country shipment increase to 22% this year from 7.5% last year, thereby reducing reliance of VLCC fleet on the Middle East - Far East routes. As a result, the consolidated income and risk resistant ability of VLCC fleet have improved significantly with operating efficiency significantly better than the market level. In 2014, the Company's VLCC fleet recorded gross profit of RMB102 million, significantly reducing loss of RMB759 million as compared to 2013.

In 2014, the Group achieved a shipping volume of approximately 190.5 billion tonne-nautical miles of oil, representing an increase of approximately 2.4% year-on-year; revenue derived from oil transportation was approximately RMB550 million, representing an increase of 2.1% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2014 (billion tonne-nautical miles)	In 2013 (billion tonne-nautical miles)	**Increase/ Decrease** (%)
Domestic	**14.78**	15.00	-1.5
Crude oil	**13.39**	13.25	1.1
Refined oil	**1.39**	1.75	-20.6
International	**175.72**	171.03	2.7
Crude oil	**141.78**	134.66	5.3
Refined oil	**33.94**	36.37	-6.7
Total	**190.50**	186.03	2.4

Revenue by shipments types

	In 2014 (RMB million)	In 2013 (RMB million)	**Increase/ Decrease** (%)
Domestic	**1,988**	2,058	-3.4
Crude oil	**1,720**	1,758	-2.2
Refined oil	**212**	295	-28.1
Vessel charting	**56**	5	1,020.0
International	**3,512**	3,331	5.4
Crude oil	**2,020**	1,663	21.5
Refined oil	**1,213**	1,488	-18.5
Vessel chartering	**279**	180	55.0
Total	**5,500**	5,389	2.1

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

For domestic bulk cargo shipment, in 2014, China Shipping Bulk Carrier Co., Limited ("CS Bulk") strengthened marketing on domestic big customers by advanced arrangement of COA contract negotiations early in the year, and strived to increase the fulfilment rate of the contracts. In 2014, CS Bulk signed COA contracts for domestic dry bulk cargoes with a shipping volume of 56.5 million tonnes. Meanwhile, it actively innovated the pricing model of contracts through various pricing models such as fixed freight rates and index linked pricing according to the wishes of customers to ensure that the COA contracts are fulfilled basically as scheduled. In market downturn, taking a more market-oriented and flexible pricing mechanism is in the best interests of the Company as a whole.

International dry bulk shipment became another major business highlight of the Company in 2014. The Company continued to strengthen development of international dry bulk market and further optimised the structure of offshore cargo supply, achieving significant improvement in offshore operation. The turnover of international dry bulk shipment handled in the year was 167.2 billion tonnes-nautical miles, and the operating revenue was RMB4.155 billion, representing an increase of 23.7% and 33.4% respectively over the same period in 2013; the Company realized gross profit of RMB586 million and gross margin of 14.1%, increased by 4.8 percentage points year-on-year. For very large ore carriers (“VLOC”) fleet operation, the Company relied on long-term COA shipment contracts to finalize source of cargoes in advance, ensuring the smooth operation of all 14 VLOCs. In 2014, importation of 26.17 million tonnes of iron ores was completed with a revenue of RMB2.61 billion, a year-on-year increase of 8.7% and 22.9%, respectively. A gross profit of RMB680 million was realized, representing an increase of RMB280 million and a gross margin of 26.3%, which played an important role in ensuring the Company’s benefits. In terms of small and medium fleet, fully aware of the slowing growth in coastal coal transportation, CS Bulk further strengthened market segment research and judgment, actively adjusted the supply structure, focused on development of food markets, ore markets and steel material markets, increased solicitation for imported coal and fertilizers, and vigorously develop the markets in Pacific, Atlantic, America, West Asia and India. In 2014, total volume of international and domestic non-coal cargo shipment was 46.02 million tonnes, representing 40.5% of the total volume of dry bulk cargo shipment, an increase of 7.2% year-on-year. Furthermore, the Company strengthened the efforts on international chartering of vessels and leased out three Capesize vessels by seizing a high market rate. Through a series of effective measures, the Company’s international dry bulk cargo fleet has achieved significant improvement in operating efficiency, with the daily profit margins of the Capesize and Panamax vessels of the Company much higher than those of international markets in the corresponding periods.

In 2014, the Group achieved a shipping volume of approximately 239.58 billion tonne-nautical miles of dry bulk cargo, representing an increase of approximately 18.7% year-on-year; operating revenue derived from dry bulk cargo transportation was approximately RMB6.774 billion, representing an increase of 13.8% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2014 (billion tonne-nautical miles)	In 2013 (billion tonne-nautical miles)	**Increase/ Decrease** (%)
Domestic	**72.37**	66.62	8.6
Coal	**56.73**	54.03	5.0
Iron ore	**7.10**	6.70	6.0
Others	**8.54**	5.89	45.0
International	**167.21**	135.16	23.7
Coal	**12.17**	17.80	-31.6
Iron ore	**147.54**	113.07	30.5
Others	**7.50**	4.29	74.8
Total	**239.58**	201.78	18.7

Revenue by shipments types

	In 2014 (RMB million)	In 2013 (RMB million)	**Increase/ Decrease** (%)
Domestic	**2,619**	2,841	-7.8
Coal	**1,933**	2,093	-7.6
Iron ore	**277**	336	-17.6
Others	**258**	320	-19.4
Vessel chartering	**151**	92	64.1
International	**4,155**	3,114	33.4
Coal	**441**	605	-27.1
Iron ore	**2,606**	2,120	22.9
Others	**207**	147	40.8
Vessel chartering	**901**	242	272.3
Total	**6,774**	5,955	13.8

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

(3) Progress made in LNG shipments

In recent years, domestic LNG markets experienced rapid development, accounting for an increasing proportion in the structure of energy consumption, while the rapid development of China's LNG importation has provided huge strategic opportunities for the Company to expand its LNG transportation. The Company is actively studying on the implementation of national economic policies for energy conservation and clean energy development, and is strengthening coordination with major oil companies to go all out for promotion of LNG project development.

In 2014, the Company continued to proceed with its LNG business. On the one hand, it grasped existing project development while steadily pushing forward the phase I vessel construction of the Mobil DES project and the APLNG project, and actively implemented the tender bidding of the APLNG project phase II vessel construction. On the other hand, the Company actively explored new projects, and participated in the bidding of YAMAL LNG project jointly with Japanese company Mitsui O.S.K. Lines, Limited ("MOL"), and has successfully signed a basket of contracts for three LNG vessels in phase I of such project in July 2014.

3. COSTS AND EXPENSES ANALYSIS

While achieving well in transportation operations, the Company has seriously and consistently implemented the various requirements of the Board on further enhancing management, cost reduction and efficiency improvement. Starting on operational management and overall budget management, cost management and control was further strengthened and all types of various costs and expenses were effectively under control. In 2014, transportation cost of RMB10.89 billion was incurred, representing a decrease of 5.5% year-on year, while ensuring notable improvement in the operating profit of the Company. The composition of the main operating costs is as follows:

Item	In 2014 (RMB'000)	In 2013 (RMB'000)	Increase/ Decrease (%)	Composition ratio in 2013
Fuel cost	**4,555,800**	4,818,839	-5.5%	41.9%
Port cost	**1,107,320**	1,302,820	-15.0%	10.2%
Sea crew cost	**1,499,667**	1,657,039	-9.5%	13.8%
Lubricants expenses	**223,797**	223,615	0.1%	2.1%
Depreciation	**1,842,974**	1,641,748	12.3%	16.9%
Insurance expenses	**238,527**	251,978	-5.3%	2.2%
Repair expenses	**351,382**	289,137	21.5%	3.2%
Charter cost	**516,664**	612,076	-15.6%	4.7%
Provision for onerous contracts	**107,358**	349,694	-69.3%	1.0%
Others	**442,131**	377,893	17.0%	4.0%
Total	**10,885,620**	11,524,839	-5.5%	100.0%

Fuel cost was the most important cost control item for shipping enterprises. In 2014, the Company take advantage of fluctuating and descending in international oil prices and further enhanced our research and judgment over fuel market, which actively implemented operation at shipping speed with the best economic effect and put more effort into energy saving management to explore reduction and control point. In the meantime, we improved technology energy saving control over key parts such as oil in bulk heating/cabin cleaning/inert air filling through adopting various efficiency measures, as such, the Company achieved further achievement in fuel cost control. In 2014, while the transportation turnover volume of the Company increased by 10.9% year-on-year, the fuel consumption volume was 1,171,200 tonnes, representing a decrease of 1.1% year-on-year; and average fuel consumption decreased from 3.05kg/1,000 nautical miles in 2013 to 2.72 kg/1,000 nautical miles, decreasing by 10.8% year-on-year, the utilization efficiency of fuel has been improved significantly. In 2014, the Company incurred fuel costs of RMB4.556 billion, representing a decrease of 5.5% year-on-year and accounting for 41.9% of the costs of transportation costs.

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 for the provision of sea crew and related services to the Group, which enabled the Group to reduce crew costs of approximately RMB157 million in 2014.

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 by RMB196 million and RMB13.45 million respectively in 2014.

In 2014, the Group incurred depreciation of RMB1.843 billion, representing an increase of 12.3% year-on-year. Such increases were due to: (1) 13 new vessels with a total capacity of 1.452 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 ton to USD420 (approximately RMB2,560) per light displacement ton. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB57 million in 2014.

4. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

In 2014, the Group has recognised its profits in its joint ventures of approximately RMB206 million, representing an increase of 85.6% as compared with that of the same period in 2013. In 2014, the 5 joint ventures achieved a shipping volume of 131.5 billion tonne-nautical miles, representing a decrease of 23.5% as compared with the same period in 2013. The operating revenue achieved by the 5 joint ventures in 2014 was approximately RMB8.493 billion, representing a decrease of 9.0% as compared to that of the same period in 2013, and the net profit realised by the 5 joint ventures in 2014 was approximately RMB326 million, representing an increase of 100.0% as compared to that of the same period in 2013.

As at 31 December 2014, the 5 joint ventures owned 82 bulk vessels with a total capacity of 4.58 million deadweight tonnes and 10 vessels under construction with the capacity of 475,000 deadweight tonnes.

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

Company name	Interest held by the Group	2014 Shipping volume (billion tonne nautical miles)	2014 Operating revenue (RMB'000)	2014 Net profit/loss (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	72.16	3,380,687	267,198
Shanghai Times Shipping Co., Limited	50%	47.46	4,270,631	22,698
Shanghai Friendship Marine Co., Limited	50%	1.84	113,616	1,056
Huahai Petrol Transportation & Trading Co., Limited	50%	2.42	188,382	14,485
Guangzhou Development Shipping Co., Limited	50%	7.62	539,367	20,467

In 2014, the net profit achieved by China Shipping Finance Co., Limited ("CS Finance"), a non-shipping joint venture, with 25% interest held by the Company, was approximately RMB213 million.

In 2014, the Group has recognised its profits in its associates of approximately RMB91 million. In 2014, 1 associate achieved a shipping volume of 22.45 billion tonne-nautical miles. The operating revenue achieved by the associate in 2014 was approximately RMB1.218 billion, and the net profit realised by the associate in 2014 was approximately RMB425 million.

As at 31 December 2014, the associate owned 7 bulk vessels with a total capacity of 0.59 million deadweight tonnes.

The operating results achieved by the associate in 2014 are as follows:

Company name	Interest held by the Group	2014 Shipping volume (billion tonne nautical miles)	2014 Operating revenue (RMB'000)	2014 Net profit/loss (RMB'000)
Beihai Shipping	40%	22.45	1,217,924	425,434

5. FINANCIAL ANALYSIS

(1) Net cash inflow

The net cash inflow from operating activities of the Group increased from approximately RMB1,429,279,000 for the year ended 31 December 2013 to approximately RMB3,157,049,000 for the year ended 31 December 2014, representing an increase of approximately 120.9%.

(2) Capital commitments

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**5,430,061**	9,586,595	—	—
Equity Investments (Note 2)	**539,668**	592,868	**539,668**	592,868
	5,969,729	10,179,463	**539,668**	592,868

The Group and the Company had capital commitments as at 31 December 2014, of which RMB1,112,199,000 (2013: RMB5,980,812,000) from the Group and RMB539,668,000 (2013: RMB592,868,000) from the Company will be due within one year.

Note:

(1) According to the construction or purchase agreements entered into by the Group from January 2007 to December 2014, these capital commitments will fall due in 2015 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in joint venture, Shenhua Zhonghai Marine Co., Limited of RMB539,668,000 (2013: RMB592,868,000).

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB486,298,000 (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 RMB3,225,137,000 (2013: RMB1,296,397,000); which are authorised but not contracted for amounted to RMB Nil (2013: RMB4,900,000).

(3) Capital structure

The Group's and Company's net debt-to-equity ratio at 31 December 2014 and 2013 was as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**41,211,060**	33,603,578	**15,830,407**	17,878,629
Less: Cash and cash equivalents	**(2,449,240)**	(1,919,204)	**(517,755)**	(487,558)
Net debt	**38,761,820**	31,684,374	**15,312,652**	17,391,071
Total equity	**22,647,729**	22,211,877	**21,165,727**	20,975,375
Debt to equity ratio	**171%**	143%	**72%**	83%

(4) Cash and cash equivalents

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

Included in cash and cash equivalents is an amount of RMB696,892,000 (2013: RMB792,008,000) of bank balance deposited with CS Finance, a joint venture of the Group.

Pledged bank deposits represent the deposits pledged to bank to secure banking facilities granted to the Group, deposits amounting to RMB611,900,000 (2013: RMBNil) have been pledged to secure short term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

Cash and cash equivalents are denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**1,579,382**	1,043,235	**16,489**	79,898
SGD	**910**	1,866	**—**	—
HKD	**11,182**	1,722	**70**	73
Others	**746**	841	**745**	841

Pledged bank deposits are denominated in the following foreign currency:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**611,900**	—	**611,900**	—

(5) Trade and bills receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivables	**1,735,214**	1,647,728	**2,553**	1,312
Trade receivables from associates, joint ventures and fellow subsidiaries	**11,049**	102,557	—	—
Trade and bills receivables	**1,746,263**	1,750,285	**2,553**	1,312

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

The trade receivables due from associates, joint ventures and fellow subsidiaries are unsecured, non-interest bearing and under normal credit period as other trade receivables.

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

	Group			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,503,619**	**86**	1,559,506	89
4 - 6 months	**131,929**	**8**	108,813	6
7 - 9 months	**58,604**	**3**	47,208	3
10 - 12 months	**47,443**	**3**	33,251	2
1 - 2 years	**4,668**	—	1,507	—
	1,746,263	**100**	1,750,285	100

	Company			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**2,495**	**98**	1,255	96
1 - 2 years	**58**	**2**	57	4
	2,553	**100**	1,312	100

No impairment loss is provided for the trade and bills receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

In determining the recoverability of a trade and bills receivables, the Group considers any change in credit quality of the trade and bills receivables from the date credit was initially granted up to the end of the Reporting Period. In view of the good settlement history of those receivables of the Group which are past due but not impaired for the year, the directors of the Company consider that no allowance is required.

Included in trade and bills receivables are debts with carrying amount of approximately RMB242,644,000 (2013: RMB190,779,000) which are past due as at the end of the Reporting Period for which the Group had not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable (2013: RMB Nil).

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**190,533**	156,021	**—**	—
7 - 12 months	**47,443**	34,758	**—**	57
Over 1 year	**4,668**	—	**58**	—
	242,644	190,779	**58**	57

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

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

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**968,211**	822,395	**1,893**	—
AUD	**2**	—	**—**	—

(6) **Prepayments, deposits and other receivables**

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**139,850**	67,484	**6,350**	4,611
Deposits and other receivables	**316,039**	164,515	**38,081**	49,984
Due from fellow subsidiaries	**185,662**	125,294	**—**	—
Due from joint ventures	**74,565**	65,000	**50,000**	50,217
Due from associates	**3,427**	—	**—**	—
Due from related parties				
– Due from joint ventures of ultimate holding company	**16,971**	24,275	**—**	—
– Due from joint venture of a fellow subsidiary	**76,153**	39,606	**—**	—
Due from subsidiaries	**—**	—	**10,289,076**	5,135,667
	812,667	486,174	**10,383,507**	5,240,479

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

Included in amounts due from subsidiaries amount to RMB3,500,000,000 are unsecured and interest bearing at fixed rate of 3.60% to 4.50% or at variable rate 5% to 20% discount to the People's Bank of China ("PBC") Benchmark interest rate.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**483,041**	318,021	**16,975**	1,889,812
AUD	**22,820**	64,040	**—**	65
JPY	**1,914**	2,390	**—**	—
Others	**36,638**	38,049	**86**	—

(7) Trade and bills payables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payables	**472,700**	548,149	**2,824**	1,614
Due to ultimate holding company	**147**	—	**—**	—
Due to joint ventures	**860**	1,125	**—**	—
Due to fellow subsidiaries	**377,627**	920,966	**247**	9,853
Due to related parties				
– Due to joint ventures of fellow subsidiaries	**129,759**	47,173	**—**	—
– Due to joint ventures of ultimate holding company	**9,576**	25,320	**—**	—
Due to subsidiaries	**—**	—	**8,720**	8,688
	990,669	1,542,733	**11,791**	20,155

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

The trade payables due to ultimate holding company, joint ventures, fellow subsidiaries, related parties and subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**619,246**	577,249	**8,675**	93
HKD	**36,944**	1,969	**—**	—
JPY	**2,283**	1,885	**—**	—
EUR	**6,161**	48	**—**	—
Others	**9,458**	9,514	**—**	—

An ageing analysis of the trade and bills payables at the end of the Reporting Period, based on the invoice date, is as follows:

	Group			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**710,078**	**72**	1,388,738	90
4 - 6 months	**129,070**	**13**	71,612	5
7 - 9 months	**51,795**	**5**	49,090	3
10 - 12 months	**66,103**	**7**	17,928	1
1 - 2 years	**24,436**	**2**	5,889	—
Over 2 years	**9,187**	**1**	9,476	1
	990,669	**100**	1,542,733	100

	Company			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**2,377**	**20**	9,653	48
4 - 6 months	**—**	**—**	344	2
7 - 9 months	**220**	**2**	705	3
10 - 12 months	**—**	**—**	6,541	33
1 - 2 years	**6,707**	**57**	2,818	14
Over 2 years	**2,487**	**21**	94	—
	11,791	**100**	20,155	100

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

(8) **Other payables and accruals**

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**41,906**	53,067	**3,676**	5,631
Other payables	**(57,484)**	139,616	**73,250**	(131,164)
Due to ultimate holding company	**17,647**	88,207	**17,135**	88,207
Due to fellow subsidiaries	**97,665**	633,767	**41**	2,398
Due to joint ventures	**4,962**	2,444	**489**	733
Due to subsidiaries	—	—	**81,683**	237,832
	104,696	917,101	**176,274**	203,637

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

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

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

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**314,656**	337,323	**2,400**	41,726
HKD	**3,412**	25,333	—	4,327
Others	**1,937**	56,364	—	3,553

(9) Provision for onerous contracts

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**349,694**	—	**33,436**	—
Utilised during the year	**(175,850)**	—	**(17,158)**	—
Provision for the year	**107,358**	349,694	**45,547**	33,436
Exchange realignment	**613**	—	**50**	—
As at 31 December	**281,815**	349,694	**61,875**	33,436
Current portion of provision for onerous contracts	**142,287**	175,287	**32,317**	17,158
Non-current portion of provision for onerous contracts	**139,528**	174,407	**29,558**	16,278
	281,815	349,694	**61,875**	33,436

As at 31 December 2014, the Group has a provision of RMB281,815,000 (2013: RMB349,694,000) for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 31 December 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 RMB2,709,313,000 (2013: RMB3,031,793,000).

(10) Derivative financial instruments

	Group	
	2014	2013
	RMB'000	RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements		
Assets		
Non-current portion	**—**	151,027
Liabilities		
Current portion	**—**	(1,940)
Non-current portion	**(291,553)**	(4,689)
	(291,553)	(6,629)

As at 31 December 2014, the Group held thirty-one (2013: thirty-two) interest rate swap agreements, the total notional principal amount of the outstanding interest rate swaps agreements was USD609,800,282 (approximately RMB3,731,368,000) (2013: USD651,133,615 (approximately RMB3,969,869,893)). 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 a floating interest rate.

During the year ended 31 December 2014, the floating rates of the bank loan were Libor plus 0.42%, 0.45% or 2.2% (2013: Libor plus 0.42%, 0.45% or 2.2%).

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

	2014	2013
	RMB'000	RMB'000
Net (loss)/gain included in the hedging reserve	**(436,415)**	157,491
Hedge loan interest included in finance costs	**(3,386)**	(6,216)
Total (loss)/gain on cash flow hedges interest rate swap agreements	**(439,801)**	151,275

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

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

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

		Annual effective interest (%)	Maturity	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Current liabilities							
(i)	**Bank loans**						
	Secured	5% to 10% discount to the PBC Benchmark interest rate, 3 months Libor, 3 months Libor + 1.30%, Libor + 0.38% to 2.15%, 3.50% to 4.73%	2015	**1,926,196**	1,627,229	**611,900**	—
	Unsecured	Libor + 0.60% to 4.00%, 9% to 10% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, 3 months Libor, 3 months Libor + 1.30% to 2.20%, 4.50%	2015	**4,030,944**	1,575,940	**200,000**	487,752
				5,957,140	3,203,169	**811,900**	487,752
(ii)	**Notes**						
	Unsecured	3.90%	2014	—	2,998,949	—	2,998,949
(iii)	**Other borrowings**						
	Secured	6.00%, 5% discount to the PBC Benchmark interest rate	2015	**253,160**	6,630	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 2.50% to 6.00%, Libor +1.60% to 2.90%	2015	**2,032,790**	2,356,307	**1,100,000**	1,000,000
				2,285,950	2,362,937	**1,100,000**	1,000,000
Notes, interest-bearing bank and other borrowings – current portion				**8,243,090**	8,565,055	**1,911,900**	4,486,701

		Annual effective interest (%)	Maturity	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Non-current liabilities							
(i)	**Bank loans**						
	Secured	5% to 10% discount to the PBC Benchmark interest rate, 3 months Libor +2.20%, Libor +0.38% to 2.15%, 4.27% to 4.73%	2016- 2037	**11,295,416**	8,109,880	**—**	—
	Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.45% to 1.85%, 3 months Libor + 2.40%, 1.68% to 6.00%	2019- 2026	**7,388,464**	2,092,182	**1,800,000**	—
				18,683,880	10,202,062	**1,800,000**	—
(ii)	**Other borrowings**						
	Secured	5% discount to the PBC Benchmark interest rate	2023	**129,540**	137,700	**—**	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.60% to 6.51%, 6 months Libor + 2.50%	2017- 2018	**4,611,923**	5,072,790	**4,000,000**	5,000,000
				4,741,463	5,210,490	**4,000,000**	5,000,000
Notes, interest-bearing bank and other borrowings – non-current portion				**23,425,343**	15,412,552	**5,800,000**	5,000,000

The Group's bank and other borrowings are secured by pledges or mortgages of the Group's 48 vessels (2013: 34 vessels) and 13 vessels under construction (2013: 4 vessels under construction) with total net carrying value of RMB24,149,221,000 (2013: RMB16,299,120,000) as at 31 December 2014. Collateralised borrowings are secured by trade receivables of RMBNil (2013: RMB504,705,000).

Bank deposits of RMB611,900,000 (2013: RMBNil) have been pledged to secure short-term bank loan. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

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

Except for secured bank loans of RMB12,470,966,000 (2013: RMB9,598,438,000), unsecured bank loans of RMB6,978,985,000 (2013: RMB2,947,739,000) and unsecured other borrowings of RMB611,923,000 (2013: RMB426,767,000) which are denominated in USD, all borrowings are denominated in RMB.

(b) As at 31 December 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**5,957,140**	3,203,169	**811,900**	487,752
In the second year	**2,689,239**	1,675,888	—	—
In the third to fifth year, inclusive	**10,204,923**	3,886,845	**1,800,000**	—
Over five years	**5,789,718**	4,639,329	—	—
	24,641,020	13,405,231	**2,611,900**	487,752
(ii) Notes:				
Within one year or on demand	—	2,998,949	—	2,998,949
(iii) Other borrowings:				
Within one year or on demand	**2,285,950**	2,362,937	**1,100,000**	1,000,000
In the second year	**8,670**	2,079,420	—	2,000,000
In the third to fifth year, inclusive	**4,640,993**	3,026,010	**4,000,000**	3,000,000
Over five years	**91,800**	105,060	—	—
	7,027,413	7,573,427	**5,100,000**	6,000,000
	31,668,433	23,977,607	**7,711,900**	9,486,701

Included in other borrowings represent an amount of RMB1,421,790,000 (2013: RMB1,658,930,000) were borrowed from CS Finance, a joint venture of the Group. As at 31 December 2014, the current and non-current portion of this borrowing amounted to RMB1,370,990,000 (2013: RMB1,532,140,000) and RMB50,800,000 (2013: RMB126,790,000) respectively.

Included in other borrowings represent an amount of RMB5,411,923,000 (2013: RMB5,400,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2014, the current and non-current portion of this borrowing amounted to RMB800,000,000 (2013: RMB400,000,000) and RMB4,611,923,000 (2013: RMB5,000,000,000) respectively.

Included in current portion of other borrowings represent an amount of RMBNil (2013: RMB426,767,000) were borrowed from China Shipping (Hong Kong) Holdings Co., Limited, a fellow subsidiary of the Company.

(c) Details of the notes as at 31 December 2014 are as follows:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Principal amount	**3,000,000**	3,000,000
Notes issuance cost	**(8,245)**	(8,245)
Proceeds received	**2,991,755**	2,991,755
Accumulated amortisation	**8,245**	7,194
Redemption of notes	**(3,000,000)**	—
	—	2,998,949

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

(12) Other Loans

	Group 2014 RMB'000	Group 2013 RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**410,784**	424,206
Kantons International Investment Limited ("Kantons International")	**306,769**	142,453
Shanghai Puyuan Shipping Co., Limited	**107,681**	104,297
MOL	**138,140**	63,132
Petrochina International Co., Limited	**12,286**	10,020
	975,660	744,108
Less: current portion of other loans	**(44,714)**	(29,874)
Non-current portion of other loans	**930,946**	714,234

Included in loan from Baosteel Resources International represents an amount of USD67,130,000 (approximately RMB410,784,000) (2013: USD69,580,000 (approximately RMB424,206,000)) was provided to Hong Kong Hai Bao Shipping Co., Limited to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3.5% (2013: 3.5%) per annum and repayable in 2018.

According to the contract signed between East China Shipping Investment Co., Limited ("ELNG") and its non-controlling shareholder, Kantons International, USD5,885,854 (approximately RMB36,015,000) (2013: USD3,069,517 (approximately RMB18,714,000)) was provided to ELNG to finance the vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, bearing interest at approximately 3.3% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between China Energy Shipping Investment Co., Limited ("China Energy") and its non-controlling shareholder, Kantons International, USD44,248,019 (approximately RMB270,754,000) (2013: USD20,295,349 (approximately RMB123,739,000)) were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between CS Puyuan Marine Co., Limited ("CS Puyuan") and its non-controlling shareholder, Shanghai Puyuan Shipping Co., Limited, USD17,597,200 (approximately RMB107,681,000) (2013: USD17,107,200 (approximately RMB104,297,000)) was provided to CS Puyuan to finance the daily operation. The loans are unsecured, non-interest bearing and repayable in 2015 and 2016.

According to the contracts signed between China Energy and its non-controlling shareholder of subsidiaries, MOL, USD22,575,542 (approximately RMB138,140,000) (2013: USD10,354,792 (approximately RMB63,132,000)) were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 15 years after such vessels construction projects completed.

According to the contract signed between North China LNG Shipping Investment Co., Limited ("NLNG") and its non-controlling shareholder, Petrochina International Co., Limited, USD2,007,839 (approximately RMB12,286,000) (2013: USD1,643,393 (approximately RMB10,020,000)) was provided to NLNG to finance the vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, bearing interest at approximately 4.9% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

(13) Obligations Under Finance Leases

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

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	**68,977**	68,977	**43,979**	41,479
– In more than one year but not more than two years	**68,977**	68,977	**46,630**	43,979
– In more than two years but not more than five years	**206,931**	206,931	**158,273**	149,543
– More than five years	**219,910**	288,886	**199,578**	254,934
	564,795	633,771	**448,460**	489,935
Less: future finance charges	**(116,335)**	(143,836)		
Present value of lease obligations	**448,460**	489,935		
Less: Amount due within one year shown under current liabilities			**(43,979)**	(41,479)
Amount due after one year			**404,481**	448,456

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

(14) Bonds payable

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Convertible bonds	**3,145,147**	3,424,692
Corporate bonds	**4,973,360**	4,967,236
	8,118,507	8,391,928
Less: current portion of bonds payable	**(4,143,383)**	—
Non-current portion of bonds payable	**3,975,124**	8,391,928

(a) *Convertible bonds*

The Company's A-share convertible bonds amounting to RMB3,950,000,000 were issued on 1 August 2011, with a term of 6 years, by issuing 39,500,000 number of bonds at a nominal value of RMB100 each. The convertible bonds are convertible into A-shares of the Company at anytime between six months after the date of issue of the convertible bonds and the maturity date of the convertible bonds, being 2 February 2012 to 1 August 2017, at initial conversion price of RMB8.70 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% for the sixth year. The interests are payable annually in arrears on 1 August of each year starting from 2012.

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

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

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

On 12 August 2014, the Company passed a special resolution to approve the downward adjustment to the conversion price from RMB8.60 per share to RMB6.24 per share in accordance with the terms of issuance of the convertible bonds, which adjustment became effective on 14 August 2014.

As the closing price of the A Shares had been equal to or higher than 130% of the conversion price of the convertible bonds (being RMB6.24 per share) for at least 15 trading days out of the 30 consecutive trading days between 26 November 2014 and 8 January 2015, the Board had on 8 January 2015 resolved to redeem all outstanding convertible bonds in accordance with the specified redemption procedures. On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

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

	RMB'000
Carrying amount as at 1 January 2013	3,267,823
Interest charge	184,541
Interest paid	(27,650)
Conversion during the year	(22)
Carrying amount as at 31 December 2013	3,424,692
Interest charge	192,486
Interest paid	(35,586)
Conversion during the year	(436,445)
Carrying amount as at 31 December 2014 (Current portion)	3,145,147

The fair value and effective interest rate of the liability component of the convertible bonds as at 31 December 2014 is RMB3,145,147,000 (2013: RMB3,424,692,000) and 5.6% (2013: 5.6%) per annum respectively.

Interest expense of RMB192,486,000 (2013: RMB184,541,000) has been recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2014.

(b) *Corporate bonds*

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

	RMB'000
Carrying amount at initial recognition	4,961,395
Interest charge	5,841
Balance as at 31 December 2013	4,967,236
Interest charge	6,124
Balance as at 31 December 2014	4,973,360
Current portion of corporate bonds	998,236
Non-current portion of corporate bonds	3,975,124
	4,973,360

As at 31 December 2014, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond	At 31 December 2013	Interest charge	At 31 December 2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 August 2012	3 years	1,000,000	991,400	995,319	2,917	**998,236**
3 August 2012	10 years	1,500,000	1,487,100	1,488,561	1,095	**1,489,656**
29 October 2012	7 years	1,500,000	1,488,600	1,490,249	1,478	**1,491,727**
29 October 2012	10 years	1,000,000	992,400	993,107	634	**993,741**
		5,000,000	4,959,500	4,967,236	6,124	**4,973,360**

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

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

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

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

(15) 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 amounting to RMB22,250,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 31 December 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 31 December 2014, claims on damage caused by the fuel leakage amounted to an aggregate of RMB19,370,000 plus court costs. Of which, RMB11,250,000 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 compensations will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(iii) ELNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and NLNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. 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 RMB50.18 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. In March 2014, the claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 31 December 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 plaintiffs 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 Casualty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(vi) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Company for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (approximately RMB2,998,310,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Company under the owner's guarantees is limited to USD6,400,000 (approximately RMB39,162,000).

(16) Foreign exchange risk management

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

At 31 December 2014, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2014 would have been RMB175,485,000 (2013: post-tax loss RMB154,289,000) higher/lower (2013: lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

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

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

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

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

At 31 December 2014, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB165,076,000 (2013: Group's post-tax loss RMB100,108,000) lower/higher (2013: higher/lower), the Company's post-tax loss for the year would have been RMB15,000,000 (2013: RMB3,658,000) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

7. OTHERS

(1) Fleet expansion projects

In 2014, the Group has achieved further improvement in its fleet expansion.

In 2014, the cash outflow from investment activities of the Group was approximately RMB9.164 billion which has been paid for construction of new vessels, transformation of old vessels and capital increases into joint ventures of the Company, including capital expenditure of approximately RMB6.638 billion paid for the purchase of new vessels by the Group.

In terms of fleet expansion, 2 new oil tankers with a total capacity of approximately 430,000 deadweight tonnes and 11 new bulk vessels with a total capacity of approximately 1,022,000 deadweight tonnes have been delivered for use in 2014.

As at 31 December 2014, the composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes** ('000)	**Average age** (years)
Oil Tankers	67	7,462	6.2
Dry bulk vessels	127	10,200	9.3
Total	194	17,662	8.3

(2) Material asset disposals

In 2014, the Group disposed of 26 vessels of an aggregate of 867,000 deadweight tonnes, including 9 oil tankers of 308,000 deadweight tonnes and 17 bulk vessels of 559,000 deadweight tonnes respectively.

8. OUTLOOK AND HIGHLIGHTS FOR 2014

(1) Competitive landscape and development trend in the industry

The international economic condition in 2015 is expected to remain complicated and variable, and while the growth of global economy is likely to be rebounded narrowly, it's difficult to achieve obvious turnaround from the overall weak recovery trend, and it is anticipated that low growth rate may become a normal trend in the next few years. Global trading growth will likely be restrained by the fragile economy growth rate.

Against the backdrop of global economy entering into the new normal and insufficient market demand of transportation, the over-capacity issue is unlikely to achieve substantial improvement in the short term, it is expected that the overall international shipping market will remain at a low level. Nonetheless, it is expected that the international oil prices closely-related to operation of shipping enterprises will also remain at a low level in 2015 due to oversupply, thus likely relieving the cost pressure of shipping enterprises. At the same time, the transportation demand of oil shipping market will be driven by low international oil prices, which will be beneficial to large oil tankers such as VLCC and Suez.

(2) Development strategies of the Company

Above conditions and factors include both pros and cons to shipping industry. Faced with a rapid developed market environment, the Company will capture the favorable opportunity of continued low international oil prices, actively research and judge over the market and timely adjust operating strategy, and the Company will further deepen reform and innovation as well as excellent operation for enhancement of our risk-resistant ability, sustainable development capability and core competitiveness.

(3) Operational plans

In 2015, the Group expects to add 8 new dry bulk vessels with a total tonnage of 516,000 deadweight tonnes of shipping capacity. It is anticipated that the total shipping capacity in effective use throughout the whole year will be 18.72 million deadweight tonnes, representing an increase of 1.3% year-on-year.

Based on the market conditions of the domestic and international shipping industry in 2015, and taking into account of the delivery of new vessels, the Group's major operating plans in 2015 are as follows: completion of shipment turnover volume of 439 billion tonne-nautical miles, representing an increase of 2.1% year-on-year; revenue of RMB12.5 billion is expected to be realized, representing an increase of 1.8% year-on-year; operating costs of RMB9.8 billion, representing a decrease of 10% year-on-year.

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

To cope with the current market situation, the Group will implement the following initiatives in 2015:

A. Strengthen safety development to ensure safety development of the enterprise. We will firmly instill the working philosophy of "redline" awareness and "bottom line mind-set", and will continue to improve safety production system establishment, strictly implement safety production responsibility system, and enhance accountability. We will implement the vessel comprehensive management system at full force with general control and two-ways as main body and supported by care and support our crews, and establish a safety management prevention and pre-control, in order to reduce the risk and control the risk, and establish safety management as our core competiveness to drive safety development of the enterprise.

B. Innovative operating philosophy and model to realize a new breakthrough in operating level. 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 create values for customers actively.

In 2015, for oil shipment operations, cooperation with the top three domestic petroleum companies will be strengthened continuously, further create a new cooperation system, so as to consolidate and enhance market share in costal crude oil; meanwhile, utilizing the joint advantages of domestic and offshore trading markets to establish a scientific market research and judgment mechanism; utilizing the opportunity of international market improvement to strengthen the adjustment in shipping routes structure; grabbing the VLCC fixed loading at high level to scientifically plan the term leasing ratio, so as to strive for increasing profitability and stabilizing market fluctuation.

For bulk cargo shipment operations, the Company will actively response to the major trend of adjustment in PRC economic structure and energy structure, and increase the structure of cargo sources. The Company 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, further improve the market share of offshore shipment operations.

For LNG shipment operations, the first vessel of ExxonMobil DSE project cooperated with MOL was delivered for use in January 2015, it symbolized the China Shipping LNG project transportation entering into a substantive operating stage. In 2015, the Company will steadily progress various tasks of existing projects, and ensure the shipping construction and ancillary works will be successfully progressed of Mobil DES project, APLNG project and phase I of YAMAL project; on the other hand, the Company will further enhance the integrated capabilities on LNG project development, vessel construction management, business management, bank financing, crew, vessel management and talent cultivation, in order to safeguard the LNG market for the two major groups, China Petrochemical Corporation and China National Petroleum Corporation, and actively develop cooperation with other LNG importers.

C. Accelerate fleet structure adjustment and increase competitiveness of fleet. The Company will firmly capture the strategic opportunity of "The 21st Century Maritime Silk Road" established by PRC, focus on establishment of medium-long term development planning of fleet, complete well disposal of old and obsolete vessels and construction and delivery of big vessels, and, through continuous fleet optimization, actively pursue fleet upgrade and technology upgrade to develop the fleet towards the direction of large-size, modernize and low-carbon operations, thereby enhancing the overall competitiveness of the fleet.

D. Adhere to the costs-come-first and continue to improve operating efficiency and costs reduction and control level. In the background of strict environment with continuously depressed market, the completion among the enterprises will be tended to cost competition. In this connection, we need to actively implement low cost strategy, strengthen the philosophy of cost control in all our employees, and persistently to enhance cost competiveness. In 2015, the Company will further sort out the key links and system of cost control, continue to improve comprehensive energy saving mechanism, strengthen evaluation, analysis and decision-making mechanism of fuel cost control, fully utilize the current favorable opportunity of low oil prices, as well as scientifically and reasonably complete well fuel locking and purchasing; while the Company will continue to enhance its communication and coordination with suppliers, strive for breakthrough in management and control of various costs items such as crew expenses, vessel repair charges, port charges, to create an advantage of low costing.

E. Strengthen funds management and expand financing channels to secure development funds and strive for reduce capital costs. According to the new vessel delivery plans, the capital expenditure of the Company in 2015 and 2016 will be approximately RMB4.37 billion and RMB1.84 billion, respectively. In this connection, the Company 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.

F. Strengthen talent development and team building. The Company will research and develop a plan for building a team of cadre corresponding to and according to our planning for fleet development and the development need of various business segments and intensify our efforts to introduce and develop talents. Moreover, the Company will also continuously improve the business level and capability of staff and secure the manpower for fleet development through active exploration and establishment of an enduring effective mechanism for education and training.

CORPORATE GOVERNANCE

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance can improve the Company's scientific decision-making and risk prevention abilities, ensure normal and effective operations, and promote the sustained development of the Company. The board of directors of the Company ("Board") believes that shareholders of the Company ("Shareholders") can derive the greatest benefits from good corporate governance.

I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "Articles"), related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and having regard to the actual conditions of the Company, the Company constantly formulates, improves and implements various operational systems and related procedures for each of the Board and its special committees.

In order to improve the Company's system and enhance corporate governance, in 2011 the Company amended the "Articles" and the relevant rules of procedure, including "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Supervisory Committee" and "Rules of Procedure of the General Meeting" and formulated "Working Regulations for Independent Non-executive Directors", "Measures for the Administration of Connected Transactions", "Risk Control System for Connected Transactions with China Shipping Finance Co., Ltd." and "Working Regulations for Secretary to the Board".

In 2012, pursuant to new regulations released by the CSRC, the Company has revised the Registration System of Insider and made amendments to the relevant provisions under Chapter 15 "Accounting regulation and profit distribution" of the Articles, further clarifying the requirements such as the "Basic principles of profit distribution and cash distribution policy". That reflects the Company's consistent policy of emphasis on returns to shareholders by maintaining a long-term stable proportion of dividends distribution. Such amendments to the Articles were approved by the Shareholders in the 2013 annual general meeting, details of which are set out in the circular of the Company dated 13 April 2013.

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

In 2014, the Company amended the "Implementation rules of the Audit Committee of the Board", further defining the duties of the Audit Committee member, and the rules of procedures and procedures of decision making, pursuant to the "Operation Instructions for Audit Committee of the Board of Listed Companies on Shanghai Stock Exchange" released on 19 December 2013. In addition, the Company formulated its "Management System of Internal Audit" in 2014 for the purposes of further improving the level of governance of the Company, enhancing internal audit of the Company, and delivering better supervision on, assessment and service for the development of internal audit functions in accordance with the relevant rules and regulations, standards and the relevant regulatory requirements of listed companies on internal audit.

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

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

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

To strengthen and regulate enterprise internal control, and enhance the level of operational management and risk prevention capability, the Company has implemented the establishment of the internal control system since March 2011 pursuant to the Basic Standard for Enterprise Internal Control《(企業內部控制基本規範》) and the Implementation Guidelines for Enterprise Internal Control《(企業內部控制配套指引》) jointly promulgated by the Ministry of Finance, the Securities Regulatory Commission, the Audit Office, the Banking Regulatory Commission and the Insurance Regulatory Commission of the People's Republic of China.

The Company completed preparing the "Internal Control Manual of China Shipping Development 2011 edition" in December 2011. The scope of the Internal Control Manual of China Shipping Development《(中海發展內控手冊》) covers existing operations of the Company, and its contents mainly include human resources, capital management, asset management, financial reporting, comprehensive budgeting, contract management, procurement management, sales management and information system management.

The Company further the establishment of its system for internal control standard in 2012-2013. Firstly, by expanding the scope of the internal control system with the inclusion into the scope of establishment of the system of four domestic shareholding subsidiaries under the Company in 2012; secondly, based on the changes to the internal structure and operational flow and taking into account of the establishment of CS Tanker (中 海 油 運), a wholly-owned subsidiary of the Company, made corresponding adjustments to the design of the internal control and timely update on the system and procedures, and thirdly, implemented self-evaluation on internal control by the management to evaluate and test the effectiveness of the internal control system and basedon the result of such evaluation and test, further improve the content of the manuals for internal control. Achievements of the Company in respect of facilitating the establishment of the system for internal control standard were demonstrated in 2012 version of the Internal Control Manual of China Shipping Development (《中海發展內部控制手冊》), 2013 version ofthe Internal Control Manual of China ShippingDevelopment (《中海發展內部控制手冊》) and Risk Management Manual of China Shipping Development (《中海發展风险管理手冊》)。

Building on the experiences from and achievements of our efforts on internal control three years ago in 2014, the Company has continued to perfecting the establishment of internal control, further reinforced supervision and examination of the internal control system, and developed on an going basis evaluation of internal control on its effectiveness to ensure an effective operation of the standard of internal control, whereby major risks of the Company shall remain under our control and steady development along the requirements of the Company's standard of internal control be facilitated. Currently, update for the internal control manual 2014 is basically accomplished.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, The Company is independent of its controlling shareholder, China Shipping (Group) Company, in respect of its business, personnel, asset, organisational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

IV. THE ESTABLISHMENT AND IMPLEMENTATION OF THE STAFF SALARY SYSTEM, PERFORMANCE APPRAISAL AND INCENTIVE MECHANISM

The Board has implemented the annual salary system and formulated requirements for annual salary system assessment for the senior operating management of its subsidiaries and the headquarters.

In terms of the staff salary system, the Company has established post wages and effectiveness wages together with years of service wages, performance wages and complementary wages. Among them, post wages reflect the difference in responsibilities for different posts, years of service wages reflect the difference in the period of service accumulated and performance wages reflect the difference in labour contribution. Complementary wages reflect the state's special treatment.

The Company wishes to adopt more effective measures in the future to continuously improve its internal management system so as to bring the incentive and restriction functions of the distribution system into full play.

In 2014, in order to motivate the operational personnel of the Company to implement refined management, active efforts have been made to discover talents and increase revenue, striving to achieve the operational performance required by the appraisal indicators. According to the principles of strengthening performance appraisals of all staff as well as the reward and punishment efforts, the Remuneration and Appraisal Committee convened the first meeting on 7 March 2014. In accordance with the "Detailed Rule and Regulations of Implementation of the Remuneration and Appraisal Committee of China Shipping Development Company Limited", and based on the appraisal to the operating results achieved by the Company in 2013 and the safety management of the Company for 2013, the Remuneration and Appraisal Committee proposed the remuneration allocation method for operational staff of the Company for 2013 and the remuneration appraisal and allocation method for operational staff for 2014. Such proposal was approved by the 2014 annual general meeting of the Company held on 6 June 2014 by the Company.

Upon the proposal made by the Remuneration and Appraisal Committee under the Board of the Company, the Board proposed the remuneration standards of the senior management officers of the Company for the year 2014 as follows: The annual remuneration for the general manager of the Company is comprised of basic salary, performance-based salary and special bonus; (i) basic salary is RMB600,000 per year (before tax); (ii) performance-based salary is 0 to 1.5 times of basic salary subject to performance appraisal; and (iii) special bonus. The general manager will receive the special bonus of RMB300,000 if he achieves or exceeds the operating profit target of the Group fixed by the board of Directors.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

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

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code ("Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Reporting Period.

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and any other committees (as appropriate) to attend. However, in the annual general meeting held on 6 June 2014 ("2014 AGM"), Chairman Mr. Xu Lirong was unable to attend the 2014 AGM as he had other business commitments. Mr. Han Jun, executive Director and general manager of the Company, chaired the 2014 AGM on behalf of the chairman. Further, Mr. Ruan Yongping, Mr. Wang Wusheng and Mr. Lin Junlai, all being independent non-executive Directors and chairman of each of the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee at the time of the 2014 AGM were invited to attend the 2014 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Huang Xiaowen, Mr. Ding Nong and Mr. Qiu Guoxuan, the executive Directors, and Mr. Zhang Jun, an independent non-executive Director, were unable to attend the 2014 AGM due to prior commitments. In addition to the 2014 AGM, the independent non-executive Director, Mr. Zhang Jun was unable to attend the extraordinary general meetings of the Company held on 31 March 2014, 12 August 2014 and 16 October 2014 due to prior commitments. The independent non-executive Directors, Mr. Lu Wenbin (resigned on 31 March 2014) and Mr. Lin Junlai (resigned on 16 October 2014), were unable to attend the extraordinary general meetings of the Company held on 31 March 2014 and 16 October 2014, respectively, because both of them had submitted their resignation letter at that time. Mr. Ip Sing Chi, an independent non-executive Director, was unable to attend the extraordinary general meetings of the Company held on 31 March 2014, 12 August 2014 and 16 October 2014 due to prior commitments.

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

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. In order to ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2014, the Company held 4 general meetings. The table on page 49 shows the attendance of the Directors at the general meetings. At the 2014 AGM, 14 resolutions were passed, among which the Report of Directors for 2013, the Report of Supervisory Committee for 2013, the profit distribution plan for 2013, the remuneration proposal of the Company's Directors and supervisors ("Supervisors") for 2014, the re-appointment of international and domestic auditors of the Company for 2014, the election of executive Directors and an independent non-executive Director, the bareboat leasing of 4 bulk vessels of 64,000 deadweight each and the proposal on signing the agreement regarding provision of seacrew member with China Shipping International Company Limited were adopted.

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

3. The Board

(1) The responsibility of the Board

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. During the Reporting Period, the Board also performed the following corporate governance duties:

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

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

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

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

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

The Company elects its Directors in strict compliance with the procedures for election of Directors as set out in the Articles. Each Director shall act in the interests of the Shareholders, and shall use its best endeavours to perform his duties and obligations as a Director in accordance with all the applicable laws and regulations. Duties of the Board include making decisions of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to the management for the management of the Group. In addition, the Board delegates responsibilities to professional committees under the Board. Details of those committees are set out in this report.

(2) Composition of the Board

According to the Articles, all the Directors (including independent non-executive Directors) are elected by the general meeting of Shareholders with a term of three years. Directors may be re-elected upon the expiration of their terms. The terms of the independent non-executive Directors shall be the same with the other Directors, i.e. for three years but not exceeding six years.

The Directors of the Company during the Reporting Period were:

Executive Directors:

Mr. Xu Lirong (許立榮) (Chairman)	
Mr. Zhang Guofa (張國發) (Vice Chairman)	
Mr. Wang Daxiong (王大雄)	(Resigned on 18 March 2014)
Ms. Su Min (蘇敏)	
Mr. Huang Xiaowen (黃小文)	
Mr. Ding Nong (丁農)	
Mr. Liu Xihan (劉錫漢)	(Appointed on 6 June 2014)
Mr. Yu Zenggang (俞曾港)	(Appointed on 6 June 2014)
Mr. Han Jun (韓駿) (Chief Executive Officer)	
Mr. Qiu Guoxuan (邱國宣)	

Independent non-executive Directors:

Mr. Zhu Yongguang (朱永光)	(Resigned on 17 January 2014)
Mr. Zhang Jun (張軍)	
Mr. Lu Wenbin (盧文彬)	(Resigned on 31 March 2014)
Mr. Wang Wusheng (王武生)	
Mr. Lin Junlai (林俊來)	(Resigned on 16 October 2014)
Mr. Ruan Yongping (阮永平)	(Appointed on 31 March 2014)
Mr. Ip Sing Chi (葉承智)	(Appointed on 6 June 2014)
Mr. Wang Guoliang (王國樑)	(Appointed on 16 October 2014)

The Company convened the second extraordinary general meeting of 2012 on 20 June 2012, in which the Directors of the seventh term of the Company were appointed for a term of three years. Pursuant to the service contracts entered into between the Company and each of the Directors, the term of Directors will expire on 19 June 2015 (or the date of the Company's annual general meeting in 2015, whichever is earlier).

The Company convened the first extraordinary general meeting of 2014 on 31 March 2014, in which Mr. Ruan Yongping was elected as an independent non-executive Director of the Company. The Company convened its 2014 AGM on 6 June 2014, in which Mr. Liu Xihan and Mr. Yu Zenggang were elected as executive Directors of the Company and Mr. Ip Sing Chi was elected as an independent non-executive Director of the Company. The Company convened the third extraordinary general meeting of 2014 on 16 October 2014, in which Mr. Wang Guoliang was elected as an independent non-executive Director of the Company

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out in this annual report on pages 211 to 217 and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

(3) The Responsibility of Directors

The Board ensures that each newly appointed Director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under the relevant rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive Directors play an active role in Board meetings and can make contribution to the formulation of strategies and policies and make reliable judgement on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They also serve as members of various Board committees to monitor the overall performance of the Group in achieving predetermined corporate objectives and benchmarks and making reports for such performance.

4. **Performance of Independent Non-executive Directors' Duties**

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2014, the Company had five independent non-executive Directors exceeding one-third of the total number of the Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law, shipping and economics, respectively. Mr. Ruan Yongping, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Ruan Yongping, please refer to the section headed BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT in this annual report. The independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance to the Articles and the relevant requirements under the applicable laws and regulations.

In 2014, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision making process of the Board of Directors. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

The Company has received confirmation from each of the independent non-executive Directors about their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors are completely independent of the Company, its major Shareholders and its affiliates and comply fully with the requirements concerning the independent non-executive Directors under the Listing Rules.

5. **Securities Transactions by Directors**

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code.

6. Board Meetings

In 2014, the Board convened a total of 10 meetings and considered and passed 65 Board resolutions so as to review the financial and operating performance of the Group. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance	
		Board meeting	General meeting
Executive Directors:			
Mr. Xu Lirong (許立榮) (Chairman)		10/10	0/4
Mr. Zhang Guofa (張國發) (Vice Chairman)		8/10	1/4
Mr. Wang Daxiong (王大雄)	(Resigned on 18 March 2014)	1/3	0/0
Ms. Su Min (蘇敏)		9/10	1/4
Mr. Huang Xiaowen (黃小文)		10/10	0/4
Mr. Ding Nong (丁農)		10/10	0/4
Mr. Liu Xihan (劉錫漢)	(Appointed on 6 June 2014)	5/5	0/3
Mr. Yu Zenggang (俞曾港)	(Appointed on 6 June 2014)	5/5	1/3
Mr. Han Jun (韓駿) (Chief Executive Officer)		10/10	3/4
Mr. Qiu Guoxuan (邱國宣)		10/10	0/4
Independent non-executive Directors:			
Mr. Zhu Yongguang (朱永光)	(Resigned on 17 January 2014)	0/1	0/0
Mr. Zhang Jun (張軍)		9/10	0/4
Mr. Lu Wenbin (盧文彬)	(Resigned on 31 March 2014)	3/3	0/1
Mr. Wang Wusheng (王武生)		10/10	4/4
Mr. Lin Junlai (林俊來)	(Resigned on 16 October 2014)	9/9	3/4
Mr. Ruan Yongping (阮永平)	(Appointed on 31 March 2014)	7/7	4/4
Mr. Ip Sing Chi (葉承智)	(Appointed on 6 June 2014)	4/5	0/3
Mr. Wang Guoliang (王國樑)	(Appointed on 16 October 2014)	1/1	1/1

* In addition to the Directors' attendance in person to the Board meeting as disclosed in the table, the following Directors appointed an alternative to attend Board meeting respectively in 2014: (1) Mr. Zhang Guofa appointed Mr. Huang Xiaowen and Mr. Xu Lirong respectively to attend 2 Board meetings; (2) Mr. Zhang Jun appointed Mr. Ruan Yongping to attend 1 Board meeting; and (3) Mr. Ip Sing Chi appointed Mr. Wang Wusheng to attend 1 Board meeting.

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

7. Chairman and Chief Executive Officer ("CEO")

The posts of Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgement views. The Board has appointed Mr. Xu Lirong as the Chairman. The Chairman is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and appropriate issues in a timely manner. The CEO, Mr. Han Jun, an executive Director, is responsible for executing the business policy and decisions on management and operations of the Group.

8. The Professional Committees of the Board

In compliance with the code provisions set out in the Code in Appendix 14 of the Listing Rules, the Company has established four professional committees under the Board, namely, the Audit Committee, Remuneration and Appraisal Committee, a strategy committee ("Strategy Committee") and a nomination committee ("Nomination Committee").

(1) Audit Committee

During the Reporting Period, the Audit Committee comprised 4 independent non-executive Directors, and Mr. Ruan Yongping became the Chairman when Mr. Lu Wenbin resigned on 31 March 2014. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least three meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2014, the Audit Committee held 4 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee		**Rate of attendance**
Mr. Lu Wenbin (Chairman)	(Resigned on 31 March 2014)	2/2
Mr. Ruan Yongping (Chairman)	(Appointed on 31 March 2014)	2/2
Mr. Zhu Yongguang	(Resigned on 17 January 2014)	0/0
Mr. Zhang Jun		3/4
Mr. Wang Wusheng		4/4
Mr. Lin Junlai	(Resigned on 16 October 2014)	3/3
Mr. Wang Guoliang	(Appointed on 16 October 2014)	2/2

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

The Audit Committee considered the proposals in respect of the annual financial report of the Company for 2013, status report of the Company's continuing connected transactions for 2013, appraisal report of the Company's internal control for 2013, the appointment of the Company's PRC and overseas auditors for 2014 and the interim financial report of the Company for 2014, and formed the written opinions of the Audit Committee in respect of the Company's financial report for 2013, the draft profit distribution plan for 2013 and the interim financial report of the Company for 2014.

The Audit Committee holds at least one meeting with the external auditor each year to discuss any issues in the course of the auditing and the management is not allowed to attend the meeting. In 2014, the Audit Committee held 3 meetings with the external auditor. The Audit Committee will first review the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee comprised 4 members, all being independent non-executive Directors. Mr. Mr. IP Sing Chi became the Chairman when Mr. Lin Junlai resigned on 16 October 2014. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code are as follows:

(a) make recommendations on the remuneration of executive Directors and senior management of the Company to seek approval from the Board; and

(b) consider the remuneration package of Directors and senior management and make recommendations on salaries and bonuses, including incentives.

In 2014, the Remuneration and Appraisal Committee held two meetings, and all members attended the meeting. In the meeting, the Remuneration and Appraisal Committee assessed performance of executive Directors, reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2013. The Company's remuneration policy for 2014 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors and senior management.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the Reporting Period:

Members of the Remuneration and Appraisal Committee		**Rate of attendance**
Mr. Lin Junlai (Chairman)	(Resigned on 16 October 2014)	2/2
Mr. Ip Sing Chi (Chairman)	(Appointed on 16 October 2014)	0/0
Mr. Zhang Jun		2/2
Mr. Lu Wenbin	(Resigned on 31 March 2014)	2/2
Mr. Wang Wusheng		2/2
Mr. Ruan Yongping	(Appointed on 31 March 2014)	0/0

(3) Strategy Committee

The duties of the Strategy Committee include review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns and submit its advice to the Board. During the Reporting Period, The Strategy Committee of the Board of the Company consisted of 12 Directors, including 9 executive Directors and 3 independent non-executive Directors. Mr. Xu Lirong was the Chairman. Independent non-executive Directors Mr. Zhang Jun, Mr. IP Sing Chi and Mr. Wang Guoliang , with extensive professional knowledge and work experience in economics, shipping and accounting, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

During 2014, the Strategy Committee held three meetings, advising on the project of Yamal LNG transportation, the downward adjustment to the conversion price of A share convertible bonds, the acquisition of 40% equity interest in Shanghai Beihai Shipping Company Limited (上海北海船务股份有限公司) and the provision of guarantee to the Company's subsidiaries for their financing. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

Members of the Strategy Committee		Rate of attendance
Executive Directors:		
Mr. Xu Lirong (許立榮) (Chairman)		3/3
Mr. Zhang Guofa (張國發)		3/3
Mr. Wang Daxiong (王大雄)	(Resigned on 18 March 2014)	0/1
Ms. Su Min (蘇敏)		0/0
Mr. Huang Xiaowen (黃小文)		0/0
Mr. Ding Nong (丁農)		3/3
Mr. Liu Xihan (劉錫漢)	(Appointed on 6 June 2014)	0/0
Mr. Yu Zenggang (俞曾港)	(Appointed on 6 June 2014)	0/0
Mr. Han Jun (韓駿)		0/0
Mr. Qiu Guoxuan (邱國宣)		3/3
Independent non-executive Directors:		
Mr. Zhu Yongguang (朱永光)	(Resigned on 17 January 2014)	0/0
Mr. Zhang Jun (張軍)		3/3
Mr. Ip Sing Chi (叶承智)	(Appointed on 6 June 2014)	0/0
Mr. Wang Guoliang (王国樑)	(Appointed on 16 October 2014)	0/0

(4) Nomination Committee

Pursuant to the Company's Articles, election and replacement of Directors shall be proposed to the Shareholders' general meeting for approval. Shareholders whose shareholding represents 3% or more of the voting shares of the Company are entitled to make such proposal and request the Board to authorise the Chairman to consolidate a list of the director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised by the Board, the Chairman shall consolidate a list of Director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Company's Articles, the Company is required to give notice of the Shareholders' meeting to shareholders in writing 45 days in advance and dispatch a circular to the Shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in the circular to the Shareholders to facilitate voting by Shareholders. The new Directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the Shareholders' general meeting.

During the Reporting Period, the Nomination Committee of the Company consisted of 4 Directors, including 1 executive Director and 3 independent non-executive Directors, and independent non-executive Director Mr. Wang Wusheng was the Chairman of the committee.

In 2014, the committee convened 3 meetings to consider relevant issues such as the appointment of executive Directors and independent non-executive Directors of the Company, and relevant proposals were submitted to the Board for approval. The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

Members of the Nomination Committee		**Rate of attendance**
Mr. Wang Wusheng (Chairman)		3/3
Mr. Zhang Guofa		2/3
Mr. Wang Daxiong	(Resigned on 18 March 2014)	0/1
Mr. Lu Wenbin	(Resigned on 31 March 2014)	1/1
Mr. Zhang Jun		3/3
Mr. Lin Junlai	(Resigned on 16 October 2014)	3/3
Mr. Ruan Yongpong	(Appointed on 31 March 2014)	1/1

9. Accountability and Audit

FINANCIAL REPORTING

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

The management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the financial position of the Group in a true and fair way for each financial year. When submitting quarterly results, interim and annual financial statements and announcement to Shareholders, Directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group.

The Board is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the accounts.

The Board has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2014. Baker Tilly China and Baker Tilly Hong Kong Limited, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2014.

EXTERNAL AUDITORS AND THEIR REMUNERATION

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

In 2014, the Group paid an audit fee of RMB1,350,000 to Baker Tilly China Certified Public Accountants LLP and RMB1,650,000 to Baker Tilly Hong Kong Limited, respectively.

Also, the Group paid Baker Tilly China Certified Public Accountants LLP RMB800,000 for internal control audit service.

INTERNAL CONTROLS

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

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

INTERNAL AUDIT

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

INSIDE/PRICE-SENSITIVE INFORMATION

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

10. Delegation by the Board of Directors

The management is authorised to carry out daily management of the Company. Department heads are responsible for various aspects of the operations. The major corporate matters delegated by the Board to the management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

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

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

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

During the Reporting Year, the Company has also organised two briefing sessions conducted by Jun He Law Offices Shanghai Office and Baker Tilly China Certified Public Accountants LLP respectively for the Directors of the Company. The briefing sessions covered topics including the "SSE Stock Listing Rules (Amendment in 2013)" and Accounting Standards for Business Enterprise of P.R.C..

A summary of training received by the Directors since 1 January 2014 up to 31 December 2014 is as follows:

Directors		**Programme**
Executive Directors:		
Mr. Xu Lirong (許立榮) (Chairman)		A, B
Mr. Zhang Guofa (張國發) (Vice Chairman)		A, B
Mr. Wang Daxiong (王大雄)	(Resigned on 18 March 2014)	
Ms. Su Min (蘇敏)		A, B
Mr. Huang Xiaowen (黃小文)		A, B
Mr. Ding Nong (丁農)		A, B
Mr. Liu Xihan (劉錫漢)	(Appointed on 6 June 2014)	A, B
Mr. Yu Zenggang (俞曾港)	(Appointed on 6 June 2014)	A, B
Mr. Han Jun (韓駿) (Chief Executive Officer)		A, B
Mr. Qiu Guoxuan (邱國宣)		A, B
Independent non-executive Directors:		
Mr. Zhu Yongguang (朱永光)	(Resigned on 17 January 2014)	
Mr. Zhang Jun (張軍)		A, B
Mr. Lu Wenbin (盧文彬)	(Resigned on 31 March 2014)	
Mr. Wang Wusheng (王武生)		A, B
Mr. Lin Junlai (林俊來)	(Resigned on 16 October 2014)	A, B
Mr. Ruan Yongping (阮永平)	(Appointed on 31 March 2014)	A, B
Mr. Ip Sing Chi (葉承智)	(Appointed on 6 June 2014)	A, B, C
Mr. Wang Guoliang (王國樑)	(Appointed on 16 October 2014)	B, C

Notes:

A: attending briefing sessions

B: reading materials relating to the latest development of the Listing Rules and other applicable regulatory requirements including review of recent changes to the Corporate Governance Code and associated Listing Rules provided by the Company's Hong Kong legal adviser and the Environmental, Social and Governance Reporting Guide.

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

In 2014, the Company Secretary took no less than 15 hours of relevant professional training and complied with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

The supervisory committee consists of 4 members, of which two supervisors are elected from the staff as representatives of the employees of the Company. The supervisors of the Company during 2014 were:

Mr. Xu Wenrong (Chairman)
Mr. Chen Jihong
Mr. Zhang Rongbiao (Resigned on 29 January 2014)
Ms. Chen Xiuling (Representatives of the employees)
Mr. Luo Yuming (Representatives of the employees)

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2014, the Supervisory Committee convened 8 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2014,the Supervisory Committee has complied with the principle of creditability to proactively perform their functions. For the details, please refer to the section headed "Report of the Supervisory Committee" in this annual report.

13. Investor Relations

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

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

REPORT OF THE DIRECTORS

The board (the "Board") of directors ("Directors") of the Company hereby presents their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014 ("Reporting Period" or "Year under Review").

PRINCIPAL ACTIVITIES

The Company's principal activities consist of investment holding, and the shipment of oil and cargoes along the coast of PRC and internationally.

The principal activities of the Company's principal subsidiaries and joint ventures are oil and cargo shipment, vessel chartering and financial services. There have been no significant changes in the nature of the Group's principal activities during the year.

SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

Results	Year ended 31 December 2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**12,273,849**	11,344,152	11,053,628	12,157,458	11,283,594
Operating costs	**(10,885,620)**	(11,524,839)	(11,252,251)	(10,636,688)	(8,930,842)
Gross profit/(loss)	**1,388,229**	(180,687)	(198,623)	1,520,770	2,352,752
Other income and gains	**385,883**	(612,389)	663,340	250,613	201,883
Marketing expenses	**(57,470)**	(49,309)	(50,256)	(51,735)	(42,887)
Administrative expenses	**(441,583)**	(489,151)	(418,976)	(368,237)	(315,759)
Other expenses	**(45,349)**	(44,933)	(27,401)	(61,539)	(36,007)
Share of profits of associates	**91,083**	—	—	—	—
Share of profits of joint ventures	**205,902**	111,581	293,701	368,775	216,596
Finance costs	**(1,204,702)**	(964,462)	(593,160)	(414,574)	(205,170)
Profit/(loss) before tax	**321,993**	(2,229,350)	(331,375)	1,244,073	2,171,408
Tax credit/(charge)	**79,834**	11,903	469,144	(150,410)	(449,445)
Profit/(loss) for the year	**401,827**	(2,217,447)	137,769	1,093,663	1,721,963
Attributable to:					
Owners of the Company	**309,413**	(2,234,106)	73,741	1,062,214	1,716,522
Non-controlling interests	**92,414**	16,659	64,028	31,449	5,441
	401,827	(2,217,447)	137,769	1,093,663	1,721,963
Basic earnings/(loss) per share	**RMB9.09 cents**	RMB(65.62) cents	RMB2.17 cents	RMB31.20cents	RMB50.42 cents
Diluted earnings/(loss) per share	**RMB9.09 cents**	RMB(65.62) cents	RMB2.17 cents	RMB29.73cents	RMB50.42 cents
Assets, liabilities and non-controlling interests					
Total assets	**65,750,403**	58,842,479	57,860,523	51,747,288	40,710,175
Total liabilities and non-controlling interests	**(43,921,403)**	(37,615,108)	(34,343,386)	(27,988,983)	(18,131,630)
	21,829,000	21,227,371	23,517,137	23,758,305	22,578,545

This summary does not form part of the audited consolidated financial statements.

Notes:

1. The consolidated results, total assets, total liabilities and non-controlling interests of the Group for the three years ended 31 December 2012 are extracted from the Company's 2013 annual report dated 17 April 2014, while those for the two years ended 31 December 2014 were prepared based on the consolidated statement of comprehensive income and consolidated statement of financial position as set out on pages 87 and 89, respectively, of the financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit attributable to owners of the Company for the year ended 31 December 2014 of RMB309,413,000 and 3,404,556,339 ordinary shares. Basic earnings per share for the year ended 31 December 2014 is RMB9.09 cents.

   In 2014, the calculation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in profit per share from continuing operations. Diluted earnings per share is the same as basic earnings per share.

   The calculation of basic loss per share for the year ended 31 December 2013 is based on the loss attributable to owners of the Company for the year ended 31 December 2013 of RMB2,234,106,000 and 3,404,555,984 ordinary shares. Basic loss per share for the year ended 31 December 2013 is RMB65.62 cents.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 87 to 90 and 93 to 94.

No net profit has been transferred to the statutory surplus reserve as the Company incurred loss after tax for 2014. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under accounting principles generally accepted in the PRC ("PRC GAAP") and the amount determined under HK GAAP.

The Board recommend the payment of a final dividend of RMB3.00 cents per share in respect of the year to shareholders of the Company ("Shareholders") on the register of members at the close of business on 2 July, 2015. There was no arrangement under which a Shareholder has waived or agreed to waive any dividends. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the Report Period.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB Nil (2013: RMB14,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 37 to the financial statements.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company ("Articles"), the existing shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP, amounted to RMB9,262,927,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB4,414,124,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

NOTES AND BANK BORROWINGS

Details of the notes, interest-bearing bank and other borrowings of the Company and the Group are set out in note 33 to the financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for 29.1% (2013: 31.8%) of the Group's total revenue. The largest customer is UNIPEC Asia Co., Ltd. "聯合石化(亞洲)有限公司" and the sales to it accounted for 9.3% of the Group's total sales in the year. None of the Directors, supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 54.2 (2013: 38%) of the Group's total purchases. The largest supplier is China Shipping Container Line Co., Ltd., which is a subsidiary of China Shipping (Group) Company ("China Shipping", the Company's holding company), and the purchases from it accounted for 20.6% (2013: 18.9% purchased from China Shipping & Sinopec Suppliers CO., LTD.) of the Group's total purchases in the year. Three subsidiaries or joint ventures of China Shipping constituted three of the remaining four largest suppliers of the Group.

Except as mentioned above, none of the Directors, supervisors, their close associates of any Shareholders, who, to the best knowledge of the directors and supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive Directors:

Mr. Xu Lirong	
Mr. Zhang Guofa	
Mr. Wang Daxiong	(resigned on 18 March 2014)
Ms. Su Min	
Mr. Huang Xiaowen	
Mr. Ding Nong	
Mr. Liu Xihan	(appointed on 6 June 2014)
Mr. Yu Zenggang	(appointed on 6 June 2014)
Mr. Han Jun	
Mr. Qiu Guoxuan	

Independent non-executive Directors:

Mr. Zhang Jun	
Mr Wang Wusheng	
Mr. Lin Junlai	(resigned on 16 October 2014)
Mr. Zhu Yongguang	(resigned on 17 January 2014)
Mr. Lu Wenbin	(resigned on 31 March 2014)
Mr. Ip Sing Chi	(appointed on 6 June 2014)
Mr. Ruan Yongping	(appointed on 31 March 2014)
Mr. Wang Guoliang	(appointed on 16 October 2014)

Supervisors:

Mr. Xu Wenrong	
Mr. Chen Jihong	
Mr. Luo Yuming	
Ms. Chen Xiuling	
Mr. Zhang Rongbiao	(resigned on 29 January 2014)

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

The Company has received annual confirmations of independence from Mr. Zhang Jun, Mr. Wang Wusheng, Mr. Ip Sing Chi, Mr. Ruan Yongping and Mr. Wang Guoliang as at the date of this report still considers them to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and supervisors of the Company and the senior management of the Group are set out pages 211 to 220 of the annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors has entered into a service contract with the Company, which will expire on 19 June 2015 (or the date of the Company's annual general meeting in 2015, whichever is earlier) and is subject to termination by either party giving not less than three months' written notice.

No Director or supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee is headed by Mr. Ip Sing Chi, an independent non-executive Director. The other three members of the Remuneration and Appraisal Committee are Mr. Zhang Jun, Mr. Wang Wusheng and Mr. Ruan Yongping, all being independent non-executive Directors. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 44(1) to the financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB34,779,000 (2013: RMB36,594,000). Each of Mr. Xu Lirong, Mr. Zhang Guofa and Mr. Wang Daxiong (resigned on 18 March 2014) was interested in such services agreement to the extent they were senior management of China Shipping and were Directors of the Company at the time and they have abstained from voting in respect of the relevant Board resolutions.

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

As at 31 December 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 Securities and Futures Ordinance (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company(3)	A	1,436,608,100 (L)	65.74%	41.27%
Wuhan Iron and Steel (Group) Corp.	A	141,891,900 (L)	6.49%	4.08%
JPMorgan Chase & Co.(4)	H	181,702,455 (L)	14.02%	5.22%
		34,624,000 (S)	2.67%	0.99%
		66,263,500 (P)	5.11%	1.90%
GIC Private Limited(5)	H	157,520,900 (L)	12.15%	4.52%
Templeton Asset Management Ltd.(6)	H	100,704,218 (L)	7.77%	2.89%
Schroders Plc(7)	H	76,944,000 (L)	5.94%	2.21%
Citigroup Inc.(8)	H	65,671,522(L)	5.07%	1.89%
		51,613,001(P)	3.98%	1.45%

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

Note 2: Percentage shown on that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2014, the total issued share capital of the Company was 3,481,405,286 Shares of which 1,296,000,000 were H Shares and 2,185,405,286 were A Shares.

Note 3: As at 31 December 2014, Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan, Mr. Yu Zenggang and Mr. Xu Wenrong were directors or employees of China Shipping (Group) Company which was the controlling shareholder of the Company.

Note 4: As at 31 December 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, JPMorgan Chase & Co. was beneficially interested in 142,580,955 Shares. In addition, JPMorgan Chase & Co. was interested in 7,482,000 Shares as an investment manager and 66,263,500 Shares (lending pool) through JPMorgan Chase Bank, N.A., its indirectly wholly-owned subsidiary, as a custodian corporation or approved lending agent. In respect of the above shareholding interests, the long position of 33,888,822 Shares and the short position of 1,124,000 Shares were cash settled derivative interests.

Note 5: As at 31 December 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above Shares as an investment manager.

Note 6: As at 31 December 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Templeton Asset Management Limited held the above Shares as an investment manager.

Note 7: As at 31 December 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Schroders Plc held the above Shares as an investment manager.

Note 8: As at 31 December 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Citigroup Inc. held 1,179,097 Shares through its controlled corporation(s). In addition, Citigroup Inc. held 51,613,001 Shares as a custodian corporation or approved lending agent and was an entity having a security interest in 12,879,424 Shares.

Save as disclosed above, as at 31 December 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2014 or during the Reporting Period, none of the Directors or supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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 SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or supervisors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2014, none of our Directors had any interest in any business which competes or may compete with the business of our Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2014 are set out in note 41 to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company and the Group had connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the connected transactions and continuing connected transactions are set out in notes 44(1), 44(2), 44(3)(i)(ii)(iii)(iv), 44(4) and 44(5) to the financial statements, respectively.

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

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 44 to the financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

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

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

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

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

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

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

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

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

d. with respect to the aggregate amount of the continuing connected transactions set out in notes 44(1), 44(2), 44(3)(i)(ii)(iii)(iv), 44(4) and 44(5) to the consolidated financial statement, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 16 October 2012, 21 November 2013 and 29 April 2014 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2014, the Company had approximately 8,805 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results of the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry knowhow and policies and laws. These training maybe in different forms, such as seminars, site visits and study tours.

In 2014, the total staff costs was RMB1,843,502,000 (2013: RMB1,901,438,000).

EMPLOYEE HOUSING

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

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

MEDICAL INSURANCE SCHEME

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

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Company are set out in note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER REPORTING PERIOD

The following are the significant events after Reporting Period.

1. As the closing price of the A Shares had been equal to or higher than 130% of the conversion price of the convertible bonds (being RMB6.24 per share) for at least 15 trading days out of the 30 consecutive trading days between 26 November 2014 and 8 January 2015, the Board had on 8 January 2015 resolved to redeem all outstanding convertible bonds in accordance with the specified redemption procedures. On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

2. At 2015 second and third board meeting on 15 January 2015 and 29 January 2015 respectively, the Company resolved to early retire 33 old dry bulk vessels of average age 21.9 years with a total capacity of 1,257,000 deadweight tonnes which is approximately 7.1% and 12.4% of the Group total shipping capacity and its own fleet of dry bulk vessels respectively.

3. On 11 February 2015, CSDHK entered into agreements with the China Shipbuilding & Offshore International Company Limited and Dalian Shipbuilding Industry Company Limited for the construction of the VLCCs. The total consideration for the construction of four VLCCs is approximately USD375,920,000 (approximately RMB2,300,254,000).

4. After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 14.

DUTY PERFORMANCE REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

To the Board:

We, as independent non-executive Directors of China Shipping Development Company Limited (hereinafter refer to as "the Company" or "Company"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2014 in accordance with the format and requirement provided in the Memorandum for Periodic Work Report of Listed Companies (No.5) – Guidance on Independent Non-executive Directors' Work during Annual Duty Report Period (《上市公司定期報告工作備忘錄 (第五號) — 獨立董事年度報告期間工作指引》) as below, and will report the same to shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

In 2014, the Board comprises 14 directors, including 7 shareholding directors, 2 management directors and 5 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The independent non-executive Directors are professionals with work experience in the fields of economics, shipping, accounting and law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions. The three independent non-executive Directors, Mr. Wang Wusheng, Mr. Ruan Yongping and Mr. IP Sing Chi, act as Chairman of the relevant committee (as the case may be), in three Professional Committees, i.e., the Nomination Committee, the Audit Committee, the Remuneration and Appraisal Committee under the Board. For further information of the biographical details of the five independent non-executive Directors, please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

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

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

1. Attendance of Board Meetings and General Meetings

In 2014, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2014, the Company convened 10 Board meetings (8 meetings of which were held by way of correspondence) and 4 general meeting. We have reported our duty performance report in the Annual General Meeting and the Report is published in the Company's website and the website of Shanghai Stock Exchange.

The following table shows the attendance of independent non-executive Directors at the above meetings in 2014:

Name of Independent non-executive Director	Number of Board meetings/ general meetings required to attend this year	Attend Board meeting and general meetings in person (times)	Attend Board meetings and general meetings by proxies (times)	Absence (times)
Mr. Zhang Jun	10/4	9/0	1/0	0/4
Mr. Wang Wusheng	10/4	10/4	0/0	0/0
Mr. Ruan Yongping	7/4	7/4	0/0	0/0
Mr. IP Sing Chi	5/3	4/0	1/0	0/3
Mr. Wang Guoliang	1/1	1/1	0/0	0/0
Mr. Lin Junlai	9/4	9/3	0/0	0/1
Mr. Zhu Yongguang	1/0	0/0	0/0	1/0
Mr. Lu Wenbin	3/1	3/0	0/0	0/1

Note: The independent non-executive Directors Mr. Zhu Yongguang, Mr. Lu Wenbin and Mr. Lin Junlai resigned the posts as independent non-executive Directors of the Company on 17 January 2014, 31 March 2014 and 16 October 2014, respectively.

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

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) the Strategy Committee of the Board of the Company consisted of 12 Directors, including 9 executive Directors and 3 independent non-executive Directors. Mr. Xu Lirong was the Chairman. Independent non-executive Directors Mr. Zhang Jun, Mr. IP Sing Chi and Mr. Wang Guoliang , with extensive professional knowledge and work experience in economics, shipping and accounting, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers. During 2014, the Strategy Committee held three meetings, advising on the project of Yamal LNG transportation, the downward adjustment to the conversion price of A share convertible bonds, the acquisition of 40% equity interest in Shanghai Beihai Shipping Company Limited (上海北海船务股份有限公司) and the provision of guarantee to the Company's subsidiaries for their financing.

(2) the Audit Committee comprised 4 members, all being independent non-executive Directors, and Mr. Ruan Yongping became the Chairman when Mr. Lu Wenbin resigned on 31 March 2014. During 2014, the Audit Committee held 4 meetings , considered the proposals in respect of the annual financial report of the Company for 2013, status report of the Company's continuing connected transactions for 2013, appraisal report of the Company's internal control for 2013, the appointment of the Company's PRC and overseas auditors for 2014 and the interim financial report of the Company for 2014, reviewed the accounting policies adopted by the Company, the effectiveness of internal control system and the relevant financial issues. Relevant opinions were issued for the reference of the Board to ensure the completeness, fairness and accuracy of the Company's financial statements and the relevant information.

The Audit Committee holds at least one meeting with the external auditor each year to discuss any issues in the course of the auditing and the management is not allowed to attend the meeting. In 2014, the Audit Committee held 3 meetings with the external auditor. The Audit Committee will first review the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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

2. Work of Professional Committees of the Board (Continued)

(3) the Remuneration and Appraisal Committee comprised 4 members, all being independent non-executive Directors. Mr. Mr. IP Sing Chi became the Chairman when Mr. Lin Junlai resigned on 16 October 2014. In 2014, the Remuneration and Appraisal Committee held two meetings. In the meeting, the Remuneration and Appraisal Committee reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2013. The Company's remuneration policy for 2014 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors and senior management.

(4) the Nomination Committee of the Company consisted of consisted of 4 Directors, including 1 executive Directors and 3 independent non-executive Directors, and independent non-executive Director Mr. Wang Wusheng was the Chairman of the committee. In 2014, the committee convened 3 meetings to consider relevant issues such as the appointment of executive Directors and independent non-executive Directors of the Company, and relevant proposals were submitted to the Board for approval.

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

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

1. Connected Transactions

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

2. External Guarantee and Funds Embezzlement

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

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

3. Use of the Raised Funds

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

4. Nomination of Senior Managerial Staff and their Remuneration

In 2014, the Nomination Committee held 3 meetings. At the meetings, the proposal in respect of advising on the appointment of Mr. Ruan Yongping as an independent non-executive Director of the Company (《關於建議聘任阮永平先生為公司獨立非執行董事的議案》), the proposal on advising the appointment of Mr. Liu Xihan as an executive Director of the Company (《關於建議聘任劉錫漢先生為公司執行董事的議案》), the proposal on advising the appointment of Mr. Yu Zenggang as an executive Director of the Company (《關於建議聘任俞曾港先生為公司執行董事的議案》), the proposal on advising the appointment of Mr. Ip Sing Chi as an independent non-executive Director of the Company (《關於建議聘任葉承智先生為公司獨立非執行董事的議案》) and the proposal on advising the appointment of Mr. Wang Guoliang as an independent non-executive Director of the Company (《關於建議聘任王國樑先生為公司獨立非執行董事的議案》) were considered respectively, and the same were submitted to the Board for its approval. The nomination procedure is in line with the relevant laws and regulations as well as the requirements of the Articles of Association of the Company.

Whilst the Company, as a listed company controlled by the state-owned enterprise, has currently not established a share incentive mechanism. However, in order to motivate the operational personnel of the Company to implement refined management, strive to discover talents and increase revenue, several incentive mechanisms were in place which can fully arouse enthusiasm of the core management personnel and technical staff for work.

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

5. Results Forecast and Preliminary Financial Data

In 2014, the increase in freight rates in the international oil transportation market resulted in the relatively significant increase in revenue achieved by the Company from international oil transportation; on the other hand, the Company made efforts to further strengthen its control over costs, resulting in notable achievement particularly over fuel costs and labor costs. As a result, the Company recorded a sharp increase in operating profit as compared to 2013. As at the end of January 2015, the Company has released the relevant announcements on the positive alert of results increase and making profits forecast and explanation for the reasons thereof according strictly to the requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

6. Appointment or Replacement of Certified Public Accountants

During the year, we did not change any external auditors.

7. Cash Dividends and Other Returns for Investors

The Company has distributed cash dividends for consecutive twelve financial years since 2000, the amount of dividends totaling RMB7.607 billion (tax inclusive).

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

In 2013, the shipping market suffered continuous downturn with a slump in freight rate due to the sluggish demand and oversupply of shipping capacity in the domestic and overseas shipping markets. As a result, the Company achieved a net loss attributable to the parent of RMB2.234 billion for the full year. The Board of the Company does not recommend the distribution of profit for 2013. Such proposal was approved by the 2014 annual general meeting of the Company held on 6 June 2014 by the Company.

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

8. Fulfilment of Undertakings by the Company and Shareholders

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

9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, appetite of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the mainland China and Hong Kong. In the meantime, the Company has promoted the investor relations management and the exchange and communication with investors at home and abroad, and has disclosed information according to laws and regulations to improve the transparency of the Company, in order to ensure the informed right of the investors from domestic and abroad.

10. Implementation of Internal Controls

In accordance with the Notice Regarding the Trial of Regulation on Internal Control of Listed Companies (關於做好上市公司內部控制規範試點有關工作的通知) issued by the CSRC in 2012, the Company was designated as a pilot entity for establishing internal controls among listed companies and strived to advance the establishment of internal controls within the Company in an all-round manner.

The Company further the establishment of its system for internal control standard in 2012-2013. Firstly, by expanding the scope of the internal control system with the inclusion into the scope of establishment of the system of four domestic shareholding subsidiaries under the Company in 2012; secondly, based on the changes to the internal structure and operational flow and taking into account of the establishment of CS Tanker (中海油運), a wholly-owned subsidiary of the Company, made corresponding adjustments to the design of the internal control and timely update on the system and procedures, and thirdly, implemented self-evaluation on internal control by the management to evaluate and test the effectiveness of the internal control system and based on the result of such evaluation and test, further improve the content of the manuals for internal control. Achievements of the Company in respect of facilitating the establishment of the system for internal control standard were demonstrated in 2012 version of the Internal Control Manual of China Shipping Development (《中海發展內部控制手冊》), 2013 version ofthe Internal Control Manual of China Shipping Development (《中海發展內部控制手冊》) and Risk Management Manual of China Shipping Development (《中海發展風險管理手冊》)。

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

10. Implementation of Internal Controls (Continued)

Building on the experiences from and achievements of our efforts on internal control three years ago in 2014, the Company has continued to perfecting the establishment of internal control, further reinforced supervision and examination of the internal control system, and developed on an going basis evaluation of internal control on its effectiveness to ensure an effective operation of the standard of internal control, whereby major risks of the Company shall remain under our control and steady development along the requirements of the Company's standard of internal control be facilitated. Currently, update for the internal control manual 2014 is basically accomplished.

11. Operation of the Board and its Professional Committees

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

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

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

We, the 5 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2014, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

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

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2014, we maintained regular contact with the management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board of the Company, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2015, we will continue to comply with the laws and regulations and the provisions of the Articles of Association of the Company in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

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

Independent Non-executive Directors:
Zhang Jun,
Wang Wusheng,
Ruan Yongping,
Ip Sing Chi,
Wang Guoliang

27 March 2015

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2014, the Supervisory Committee held eight meetings, details of which are set out below:

	Date	Resolutions
1	29-Jan-14	1. Motion on signing the framework agreement entered into between China Shipping (HK) Holdings and CS Bulk as lessee in respect of the leasing of the Dry Bulk Vessels 2. Motion about China Shipping Development Hong Kong buying two 82000dwt bulk vessels from China Shipping PuYuan 3. Motion on the provision for impairment losses on vessels to be early retired and disposed of 4. Motion on the provision for liability in respect of eatimated loss on long-term chartering contracts 5. Motions of provision of guarantee to China Shipping Development Hong Kong 6. Accept the resignation of Mr. Zhang Rongbiao as a supervisor
2	18-Mar-14	1. 2013 Supervisor Committee's report of the Company 2. 2013 general manager's report of the Company 3. 2013 financial report of the Company 4. Profit distribution plan of the Company for 2013 5. 2013 Board of directors' report of the Company 6. 2013 annual report, annual report summary and announcement of annual results of the Company 7. 2013 internal control self evaluation report of the Company 8. 2013 society responsibility report of the Company 9. Report on the storage and use of the raised funds of the Company in 2013 10. 2014 compensation plan for directors, supervisors and senior management of the Company 11. Motion on change of accounting estimates for ships
3	29-Apr-14	1. 2014 first quarterly report of the Company 2. Motion on signing the sea crew management agreement with China Shipping International 3. Motion of bareboat charter of four 64000dwt vessels 4. Motion on early disposal of four ships
4	10-Jun-14	1. Motion on downward adjustment to the conversion price of the convertible bond 2. Motion of acquisition of 20% equity interests in Shanghai Beihai Shipping from Sinochem International Corporation

	Date	Resolutions
5	27-Jun-14	1. Motions for signing the package of agreements for the Yamal LNG project and to guarantees for shipping contracts and time charters 2. Motion on providing guarantee to China Shipping Tanker 3. Motion on providing guarantee of RMB200 million respectively to China Shipping Tanker and China Shipping Bulk 4. Motion on providing guarantee to China Shipping Development Hong Kong for not more than USD500 million
6	24-Jul-14	1. Motion of acquisition of 20% equity interests in Shanghai Beihai Shipping from Shanghai Shipping
7	29-Aug-14	1. 2014 interim financial report of the Company 2. 2014 interim report and 2014 interim results announcement of the Company 3. General manager's report on 2014 interim results
8	29-Oct-14	1. Motion on implementing new or revised relevant accounting standards released by the ministry of finance in 2014 2. 2014 third quarterly report of the Company 3. Motion about China Shipping Bulk buying one 48000dwt bulk vessels from Guangzhou Shipping

(2) During the Reporting Period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations of the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, and senior managerial staff.

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2014. The following were presented to the supervisors: the 2013 audited financial report of the Company, the proposed profit distribution plan of the Company for 2013, the 2013 annual report and annual report summary of the Company, motion on downward adjustment to the conversion price of the convertible bond and the motion on providing guarantee to China Shipping Tanker. Through attending these Board meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.

(4) Members of the Supervisory Committee were present at the 2014 AGM, at which the Supervisory Committee gave an account of the 2013 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2014:

(1) The Company has established a comparatively complete internal controlling system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalised process for listed companies. As far as the Supervisory Committee is aware, the directors and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties.

(2) During the Reporting Period, the Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2014 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2014. The audited financial reports audited by Baker Tilly China and Baker Tilly Hong Kong Limited respectively are objective and fair.

(3) During the Reporting Period, the scrapping of old vessels was negotiated on an arm's length basis and was conducted on normal commercial terms. We have not found any insider trading in such transactions. As far as the Supervisory Committee is aware, connected transactions entered into with the controlling shareholder and its subsidiaries during the reporting period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.

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

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

(6) The Company issued RMB3.95 billion convertible bond publicly in 2011 and issued 5.0 billion corporate bonds. The storage, use and management of the raised funds of the Company is strictly complied with "Management system for raised funds of the Company" since the issue of the bonds. The Company stored and used the raised funds specifically, and did not change the use of raised funds in any other forms or damage the shareholders' interests. The Company did not use the raised funds unlawfully. For the convertible bond issued by the Company, the Company made downward adjustment to the conversion price of the convertible bond in 2014 in accordance with legal procedures, which could accelerate the conversion of the convertible bond and which in turn could improve the Company's debt-asset ratio, optimize capital structure and reduce financial expenses, and is in the interests of the company and the shareholders as a whole. For the corporate bonds issued by the Company, the Company has paid pre-determined annual interests on time in accordance with the terms of the issue.

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

Shanghai, People's Republic of China
27 March 2015

BAKER TILLY
HONG KONG | 天職香港

TO THE SHAREHOLDERS OF CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

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

We have audited the consolidated financial statements of China Shipping Development Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 87 to 208, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 27 March 2015
Tong Wai Hang
Practising Certificate Number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	6	**12,273,849**	11,344,152
Operating costs		**(10,885,620)**	(11,524,839)
Gross profit/(loss)		**1,388,229**	(180,687)
Other income and gains	7	**385,883**	(612,389)
Marketing expenses		**(57,470)**	(49,309)
Administrative expenses		**(441,583)**	(489,151)
Other expenses		**(45,349)**	(44,933)
Share of profits of associates		**91,083**	—
Share of profits of joint ventures		**205,902**	111,581
Finance costs	8	**(1,204,702)**	(964,462)
Profit/(loss) before tax	9	**321,993**	(2,229,350)
Tax credit	12	**79,834**	11,903
Profit/(loss) after tax		**401,827**	(2,217,447)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		**27,750**	(128,401)
Net (loss)/profit on cash flow hedges		**(434,784)**	157,491
Share of other comprehensive income of joint ventures		**4,613**	—
Other comprehensive (expense)/income for the year		**(402,421)**	29,090
Total comprehensive expense for the year		**(594)**	(2,188,357)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**309,413**	(2,234,106)
Non-controlling interests		**92,414**	16,659
		401,827	(2,217,447)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**166,444**	(2,289,269)
Non-controlling interests		**(167,038)**	100,912
		(594)	(2,188,357)
Earnings/(loss) per share – basic	15	**9.09 cents**	(65.62) cents
Earnings/(loss) per share – diluted	15	**9.09 cents**	(65.62) cents

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**1,032,239**	1,076,280
Property, plant and equipment	17	**50,530,575**	47,467,664
Investments in associates	19	**1,711,702**	—
Investments in joint ventures	20	**4,790,637**	4,552,714
Loan receivables	21	**786,540**	219,289
Available-for-sale investments	22	**35,284**	5,825
Derivative financial instruments	23	**—**	151,027
Deferred tax assets	24	**408,052**	297,590
		59,295,029	53,770,389
CURRENT ASSETS			
Inventories	25	**835,304**	888,287
Trade and bills receivables	26	**1,746,263**	1,750,285
Prepayments, deposits and other receivables	27	**812,667**	486,174
Pledged bank deposits	28	**611,900**	—
Cash and cash equivalents	28	**2,449,240**	1,919,204
		6,455,374	5,043,950
Assets classified as held for sale	29	**—**	28,140
		6,455,374	5,072,090
CURRENT LIABILITIES			
Trade and bills payables	30	**990,669**	1,542,733
Current portion of derivative financial instruments	23	**—**	1,940
Other payables and accruals	31	**104,696**	917,101
Current portion of provision for onerous contracts	32	**142,287**	175,287
Current portion of notes, interest-bearing bank and other borrowings	33	**8,243,090**	8,565,055
Current portion of other loans	34	**44,714**	29,874
Current portion of obligations under finance leases	35	**43,979**	41,479
Current portion of bonds payables	36	**4,143,383**	—
Tax payable	12	**5,024**	12,072
		13,717,842	11,285,541
NET CURRENT LIABILITIES		**(7,262,468)**	(6,213,451)
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,032,561**	47,556,938

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	37	**3,481,405**	3,404,556
Reserves	38	**18,347,595**	17,822,815
		21,829,000	21,227,371
Non-controlling interests		**818,729**	984,506
TOTAL EQUITY		**22,647,729**	22,211,877
NON-CURRENT LIABILITIES			
Provision for onerous contracts	32	**139,528**	174,407
Derivative financial instruments	23	**291,553**	4,689
Notes, interest-bearing bank and other borrowings	33	**23,425,343**	15,412,552
Other loans	34	**930,946**	714,234
Obligations under finance leases	35	**404,481**	448,456
Bonds payable	36	**3,975,124**	8,391,928
Deferred tax liabilities	24	**217,857**	198,795
		29,384,832	25,345,061
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**52,032,561**	47,556,938

Xu Lirong
Director

Han Jun
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
	ATTRIBUTABLE TO OWNERS OF THE COMPANY													
At 1 January 2013	3,404,553	3,947,216	273,418	2,877,435	5,157	93,158	(14,533)	1,019	(904,848)	873,042	12,961,520	23,517,137	868,426	24,385,563
Loss for the year	–	–	–	–	–	–	–	–	–	–	(2,234,106)	(2,234,106)	16,659	(2,217,447)
Net gain on cash flow hedges	–	–	–	–	–	–	67,713	–	–	–	–	67,713	89,778	157,491
Exchange realignment	–	–	–	–	–	–	–	–	(122,876)	–	–	(122,876)	(5,525)	(128,401)
Total comprehensive expense for the year	–	–	–	–	–	–	67,713	–	(122,876)	–	(2,234,106)	(2,289,269)	100,912	(2,188,357)
Conversion of convertible bonds	3	25	–	–	–	–	–	–	–	(6)	–	22	–	22
Accrual of safety fund reserve	–	–	–	–	90,672	–	–	–	–	–	(91,269)	(597)	597	–
Utilisation of safety fund reserve	–	–	–	–	(26,896)	–	–	–	–	–	26,974	78	(78)	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(59)	(59)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	14,708	14,708
At 31 December 2013 and 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 year	–	–	–	–	–	–	–	–	–	–	309,413	309,413	92,414	401,827
Net loss on cash flow hedges	–	–	–	–	–	–	(176,288)	–	–	–	–	(176,288)	(260,127)	(436,415)
Reclassification to profit or loss	–	–	–	–	–	–	1,631	–	–	–	–	1,631	–	1,631
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	4,613	–	–	–	4,613	–	4,613
Exchange realignment	–	–	–	–	–	–	–	–	27,075	–	–	27,075	675	27,750
Total comprehensive expense for the year	–	–	–	–	–	–	(174,657)	4,613	27,075	–	309,413	166,444	(167,038)	(594)
Conversion of convertible bonds	76,849	466,607	–	–	–	–	–	–	–	(107,011)	–	436,445	–	436,445
Accrual of safety fund reserve	–	–	–	–	99,790	–	–	–	–	–	(103,521)	(3,731)	3,731	–
Utilisation of safety fund reserve	–	–	–	–	(102,603)	–	–	–	–	–	105,074	2,471	(2,471)	–
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	1	1
At 31 December 2014	3,481,405	4,413,848	273,418	2,877,435	66,120	93,158	(121,477)	5,632	(1,000,649)	766,025	10,974,085	21,829,000	818,729	22,647,729

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash inflow from operating activities	39	**3,157,049**	1,429,279
INVESTING ACTIVITIES			
Interest received		**45,799**	44,337
Payments for construction in progress		**(6,638,604)**	(3,740,322)
Purchases of property, plant and equipment		**(95,766)**	(122,277)
Proceeds from disposal of property, plant and equipment		**372,663**	243,621
Proceeds from held-to-maturity investments		**20,000**	212,000
Loan to associates		**(68,857)**	(106,774)
Loan to joint ventures		**(482,729)**	—
Dividends received from joint ventures		**19,100**	16,800
Dividends received from available-for-sale investments		**298**	1,772
Investments in held-to-maturity investments		**(20,000)**	(212,000)
Investments in available-for-sale investments		**(29,455)**	—
Investments in associates		**(1,620,619)**	—
Investments in joint ventures		**(53,621)**	(437,564)
Increase in pledged bank deposits		**(611,900)**	—
Net cash used in investing activities		**(9,163,691)**	(4,100,407)
FINANCING ACTIVITIES			
Interest paid		**(1,269,966)**	(993,795)
Increase in other loans		**235,028**	232,903
Repayment of other loans		**(14,965)**	—
Increase in bank and other borrowings		**22,978,703**	9,230,106
Repayment of notes, bank and other borrowings		**(15,405,582)**	(7,160,918)
Contribution from non-controlling shareholders of subsidiaries		**1**	14,708
Distribution to non-controlling shareholders of subsidiaries		**—**	(59)
Net cash inflow from financing activities		**6,523,219**	1,322,945
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**516,577**	(1,348,183)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,919,204**	3,285,745
Effect of foreign exchange rate changes, net		**13,459**	(18,358)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,449,240**	1,919,204
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,449,240**	1,919,204

The accompanying notes form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**1,156,841**	1,206,609
Property, plant and equipment	17	**78,145**	82,321
Interests in subsidiaries	18	**13,485,303**	13,485,303
Investments in joint ventures	20	**3,126,663**	3,073,463
Loan receivables	21	**7,000,000**	10,000,000
Available-for-sale investments	22	**29,455**	—
		24,876,407	27,847,696
CURRENT ASSETS			
Inventories	25	**3,424**	4,512
Trade and bills receivables	26	**2,553**	1,312
Prepayments, deposits and other receivables	27	**10,383,507**	5,240,479
Loan receivables	21	**1,000,000**	5,687,752
Pledged bank deposits	28	**611,900**	—
Cash and cash equivalents	28	**517,755**	487,558
		12,519,139	11,421,613
CURRENT LIABILITIES			
Trade and bills payables	30	**11,791**	20,155
Other payables and accruals	31	**176,274**	203,637
Current portion of provision for onerous contracts	32	**32,317**	17,158
Current portion of notes, interest-bearing bank and other borrowings	33	**1,911,900**	4,486,701
Current portion of bonds payables	36	**4,143,383**	—
		6,275,665	4,727,651
NET CURRENT ASSETS		**6,243,474**	6,693,962
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,119,881**	34,541,658

STATEMENT OF FINANCIAL POSITION (Continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Issued capital	37	**3,481,405**	3,404,556
Reserves	38	**17,684,322**	17,570,819
TOTAL EQUITY		**21,165,727**	20,975,375
NON-CURRENT LIABILITIES			
Provision for onerous contracts	32	**29,558**	16,278
Notes, interest-bearing bank and other borrowings	33	**5,800,000**	5,000,000
Bonds payable	36	**3,975,124**	8,391,928
Deferred tax liabilities	24	**149,472**	158,077
		9,954,154	13,566,283
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**31,119,881**	34,541,658

Xu Lirong
Director

Han Jun
Director

The accompanying notes form part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

(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 consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group, and all values are rounded to the nearest thousand except where otherwise indicated.

The consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in Section 76 to 87 of schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are measured at fair values, as explained in the accounting policies set out below.

– Investment properties (see note 2.7)

– Derivative financial instruments (see note 2.16)

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

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

The HKICPA has issued certain revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 5 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior periods reflected in these consolidated financial statements.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Investments in associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Investments in associate and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the periods of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	5 - 10 years
Vessels	25 years (Note)
Machinery and equipment	5 - 15 years
Motor vehicles	5 - 10 years
Buildings	10 - 50 years

Note: Used vessels acquired are depreciated over its estimated remaining useful life.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment and depreciation (Continued)

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the periods of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 Non-current assets held for sale

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

2.6 Leasehold land and land use rights

Leasehold land and land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

2.7 Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from change in fair value of investment properties are included in profit or loss in the period in which they arise.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

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

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

2.8 Impairment of non-financial assets other than goodwill

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

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial asset classified as fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment, or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis, and other valuation models.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original transaction. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the consolidated statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through profit or loss.

2.11 Derecognition of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derecognition of financial assets (Continued)

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

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

2.12 Inventories

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

2.13 Cash and cash equivalents

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial liabilities include trade and bills payables, other payables and accruals, bonds payable, interest-bearing notes, bank and other borrowings are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, except when the effect of discounting would be insignificant in which case, they are carried at cost.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

2.15 Derecognition of financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as interest rate swap agreements to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

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

Embedded derivatives

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging (Continued)

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

Cash flow hedges

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

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.17 Convertible bonds

Convertible bonds issued by the Group contain liability, conversion option, callable option and early redemption option. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. Callable option and early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component are not separated from the liability component.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

2.18 Revenue recognition

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

2.20 Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements. In which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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

2.22 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Translation for foreign operations

For the foreign operations, the Company translated all items into reporting currency - RMB. All the assets and liabilities at the end of the reporting period are translated into RMB at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profits" are translated into RMB at the exchange rate on the date of occurrence. Income and expenses are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as a separate item behind "undistributed profits". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Dividend

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

2.24 Government subsidies

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

Subsidies relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

2.25 Contingent liabilities and contingent assets

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

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

2.26 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Provisions (Continued)

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

2.27 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Bonus entitlements

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

Housing funds

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

Retirement benefit costs

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

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

Enterprise annuity

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

Termination benefits

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

Housing subsidies

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of investment properties

Messrs. China Tong Cheng Assets Appraisal Co., Ltd. ("China Tong Cheng"), an independent property valuer, was engaged to carry out a valuation of the Group's investment properties as at 31 December 2014 and 2013. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment properties is reasonable.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation of vessels

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations and scrap value of vessels in future. The carrying value of the Group's vessels as at 31 December 2014 was RMB45,161,379,000 (2013: RMB43,698,601,000).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimated impairment of oil tankers and dry bulk vessels

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

The recoverable amounts of oil tankers and dry bulk vessels have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the end of the reporting period. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of oil tankers and dry bulk vessels (including the amount to be received for the disposal of oil tankers and dry bulk vessels) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was impairment loss for oil tankers and dry bulk vessels recognised amounted to RMBNil during the year (2013: RMB341,657,000).

Estimated net realisable value of inventories

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

Estimated provision for impairment of trade and bills receivables

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Provision for losses incurred in accidents

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

Voyages in progress

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

Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at the end of the reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Income taxes

As at 31 December 2014, a deferred tax asset of RMB408,052,000 (2013: RMB297,590,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Provision for onerous contracts

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

Management conducted an assessment of the non-cancellable chartered-in oil tankers and dry bulk vessel contracts and had a provision of RMB281,815,000 (2013: RMB349,694,000) for onerous contracts as at 31 December 2014 (note 32). Those contracts under assessment relate to leases (i) with lease term expiring within 24 months from the end of the reporting period; and (ii) with lease term expiring over 24 months from the end of the reporting period in respect of the period being covered by the chartered-out oil tankers and dry bulk vessel contracts.

The market is currently highly volatile and freight rates longer than 24 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in contracts with lease terms expiring over 24 months after the end of the reporting period, and with period not being covered by chartered-out contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (note 32).

Had the estimated freight rates for the onerous contracts as at 31 December 2014, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB53,597,000 (2013: RMB52,622,000).

4. CHANGE IN ACCOUNTING ESTIMATES

Effective from 1 January 2014, the Group adjusted the residual values of assets 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 RMB56,866,000 for the year ended 31 December 2014, and that would have increased by approximately RMB1,032,330,000 for the future periods.

5. APPLICATION OF NEW AND REVISED HKFRSS

Impact of new/revised HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA that are effective and relevant to the Group's financial year beginning 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
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
HK (IFRIC) 21	Levies

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

New and revised HKFRSs issued but not yet effective

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

Improvement to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Improvement to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Improvement to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation[2]
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions[1]
HKAS 27 (Amendment)	Equity method in separate financial statements[2]
HKFRS 9	Financial Instruments[4]
HKFRS 11 (Amendment)	Accounting for acquisition of interests in joint operation[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKFRS 15	Revenue from contracts with customers[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning in or after 1 January 2018.

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.

6. REVENUE AND SEGMENT INFORMATION

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

During the year, in order to improve the ability to grasp the market opportunity and rhythm, the Group developed a more sound market research mechanism. This mechanism not only promotes vessel chartering business but also improves the ability to stablise the market risk. Accordingly, the Group has changed the composition of its reportable segments to the following reportable segments:

(i) oil shipment

- oil shipment
- vessel chartering

(ii) dry bulk shipment

- coal shipment
- iron ore shipment
- other dry bulk shipment
- vessel chartering

Following the change in composition of the reportable segments, the corresponding segmental information for the year ended 31 December 2013 restated to conform with the current year's presentation.

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

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

	2014		2013	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By principal activity :				
Oil shipment				
– Oil Shipment	**5,164,370**	**805,289**	5,203,327	(364,874)
– Vessel chartering	**335,205**	**19,557**	185,478	(16,755)
	5,499,575	**824,846**	5,388,805	(381,629)
Dry bulk shipment				
– Coal shipment	**2,374,115**	**(14,503)**	2,698,142	(9,904)
– Iron ore shipment	**2,883,053**	**654,877**	2,455,750	329,820
– Other dry bulk shipment	**465,255**	**(43,618)**	467,528	(27,800)
– Vessel chartering	**1,051,851**	**(33,373)**	333,927	(91,174)
	6,774,274	**563,383**	5,955,347	200,942
	12,273,849	**1,388,229**	11,344,152	(180,687)
Other income and gains		**385,883**		(190,444)
Impairment losses on assets classified as held for sale		—		(80,288)
Impairment losses on property, plant and equipment		—		(341,657)
Marketing expenses		**(57,470)**		(49,309)
Administrative expenses		**(441,583)**		(489,151)
Other expenses		**(45,349)**		(44,933)
Share of profits of associates		**91,083**		—
Share of profits of joint ventures		**205,902**		111,581
Finance costs		**(1,204,702)**		(964,462)
Profit/(loss) before tax		**321,993**		(2,229,350)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2014		2013	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
Total segment assets				
Oil shipment		**23,033,979**		21,855,835
Dry bulk shipment		**31,157,194**		27,751,581
Unallocated corporate assets		**11,559,230**		9,235,063
		65,750,403		58,842,479
Total segment liabilities				
Oil shipment		**15,823,911**		15,612,587
Dry bulk shipment		**17,113,795**		19,613,258
Unallocated corporate liabilities		**10,164,968**		1,404,757
		43,102,674		36,630,602

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment contribution represents the gross profit/(loss) incurred by each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of profits of associates, share of profits of joint ventures, other income and gains and finance costs. This is the measure reported to chief operating decision makers for the purposes of resource allocation and performance assessment.

The carrying values of oil tankers and dry bulk vessels as at 31 December 2014 amounted to RMB19,836,740,000 and RMB25,324,639,000 respectively (2013: RMB23,802,813,000 and RMB19,895,788,000 respectively).

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	2014		2013	
	Turnover	**Contribution**	Turnover	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area :				
Domestic	**4,607,060**	**657,358**	4,899,067	305,696
International	**7,666,789**	**730,871**	6,445,085	(486,383)
	12,273,849	**1,388,229**	11,344,152	(180,687)
Other income and gains		**385,883**		(190,444)
Impairment losses on assets classified as held for sale		**—**		(80,288)
Impairment losses on property, plant and equipment		**—**		(341,657)
Marketing expenses		**(57,470)**		(49,309)
Administrative expenses		**(441,583)**		(489,151)
Other expenses		**(45,349)**		(44,933)
Share of profits of associates		**91,083**		—
Share of profits of joint ventures		**205,902**		111,581
Finance costs		**(1,204,702)**		(964,462)
Profit/(loss) before tax		**321,993**		(2,229,350)
Turnover				
Total segment turnover		**12,273,849**		11,344,152
Less: inter-segment transactions		**—**		—
Total consolidated turnover		**12,273,849**		11,344,152

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	2014			
	Oil shipment RMB'000	**Dry bulk shipment RMB'000**	**Others RMB'000**	**Total RMB'000**
Additions to segment non-current assets	**880,726**	**2,094,679**	**2,450,997**	**5,426,402**
Depreciation	**866,185**	**1,000,859**	**780**	**1,867,824**
Provision for onerous contract	**61,811**	**45,547**	**—**	**107,358**
Loss on disposal of property, plant and equipment	**(117,004)**	**(114,208)**	**(14)**	**(231,226)**
Interest income	**6,301**	**5,336**	**34,162**	**45,799**

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

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

No revenue from customers contributing over 10% of the total turnover of the Group for both years.

7. OTHER INCOME AND GAINS

	Group	
	2014	2013
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	**516,389**	23,138
Bank interest income	**31,183**	33,255
Rental income from investment properties	**21,239**	20,446
Interest income from loan receivables	**14,356**	7,376
Interest income from held to maturity investment	**260**	3,706
Others	**15,410**	17,682
	598,837	105,603
Other losses		
Exchange gain/(loss), net	**17,092**	(95,216)
Dividends received from available-for-sale investments	**298**	1,772
Written off of inventories	**(4,512)**	—
(Loss)/gain on revaluation of investment properties	**(44,041)**	11,637
Loss on disposal of property, plant and equipment, net	**(231,226)**	(235,475)
Impairment loss on assets classified as held for sale	**—**	(80,288)
Impairment loss on property, plant and equipment	**—**	(341,657)
Others	**49,435**	21,235
	(212,954)	(717,992)
Other income and gains	**385,883**	(612,389)

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

8. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Total finance costs		
Interest expenses in :		
– Bank loans and other borrowings repayable within five years	**651,562**	253,265
– Bank loans and other borrowings repayable over five years	**256,548**	385,102
– Corporate bonds	**222,247**	250,397
– Convertible bonds	**192,486**	184,541
– Notes	**70,289**	118,738
– Finance leases	**27,501**	25,304
– Hedge loan	**3,386**	6,216
Other loan or borrowings costs and charges	**2,581**	10,348
Net fair value loss on cash flow hedges reclassified from equity	**1,631**	—
	1,428,231	1,233,911
Less: Interest capitalised	**(223,529)**	(269,449)
Finance costs	**1,204,702**	964,462

9. PROFIT/(LOSS) BEFORE TAX

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

	Group	
	2014	2013
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**5,663,120**	6,121,659
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**5,222,500**	5,403,180
	10,885,620	11,524,839
Operating lease rentals:		
Land and buildings	**43,858**	53,088
Vessels	**516,664**	612,076
Total operating lease rentals	**560,522**	665,164
Staff costs (including directors' remuneration (note 10)):		
Wages, salaries, crew expenses and related expenses	**1,776,311**	1,732,761
Pension scheme contributions	**67,191**	168,677
Total staff costs	**1,843,502**	1,901,438
Depreciation	**1,867,824**	1,668,703
Auditor's remuneration	**3,529**	3,879
Provision for loss on onerous contracts	**107,358**	349,694
Dry-docking and repairs	**351,382**	289,137

10. DIRECTORS' AND SUPERVISORS' REMUNERATION

The details of directors' remuneration are disclosed as follows:

	Directors		Supervisors	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**575**	458	—	—
Salaries, allowances and benefits in kind	**2,426**	1,311	—	791
Discretionary bonuses	**40**	40	—	274
Pension scheme contributions	**74**	61	—	72
Total	**3,115**	1,870	—	1,137

(a) Independent non-executive directors

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

		2014	2013
		RMB'000	RMB'000
Mr. Zhang Jun		**100**	100
Mr. Ip Sing Chi	(appointed on 6 June 2014)	**175**	—
Mr. Lin Junlai	(resigned on 16 October 2014)	**75**	58
Mr. Lu Wenbin	(resigned on 31 March 2014)	**25**	100
Mr. Ruan Yongping	(appointed on 31 March 2014)	**75**	—
Mr. Wang Guoliang	(appointed on 16 October 2014)	**25**	—
Mr. Wang Wusheng		**100**	100
Mr. Zhu Yongguang	(resigned on 17 January 2014)	—	100
		575	458

There were no other emoluments payable to the independent non-executive directors during the year (2013: RMBNil).

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

2014	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Xu Lirong	—	—	—	—	—
Mr. Zhang Guofa	—	—	—	—	—
Mr. Wang Daxiong (resigned on 18 March 2014)	—	—	—	—	—
Ms. Su Min	—	—	—	—	—
Mr. Huang Xiaowen	—	—	—	—	—
Mr. Ding Nong	—	—	—	—	—
Mr. Liu Xihan (appointed on 6 June 2014)	—	—	—	—	—
Mr. Yu Zenggang (appointed on 6 June 2014)	—	—	—	—	—
Mr. Han Jun	—	1,783	—	37	1,820
Mr. Qiu Guoxuan	—	643	40	37	720
	—	2,426	40	74	2,540
Supervisors:					
Mr. Xu Wenrong	—	—	—	—	—
Mr. Zhang Rongbiao (resigned on 29 January 2014)	—	—	—	—	—
Mr. Chen Jihong	—	—	—	—	—
Mr. Luo Yuming	—	—	—	—	—
Ms. Chen Xiuling	—	—	—	—	—
	—	—	—	—	—

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

2013	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Xu Lirong	—	—	—	—	—
Mr. Zhang Guofa	—	—	—	—	—
Mr. Wang Daxiong (resigned on 18 March 2014)	—	—	—	—	—
Ms. Su Min (appointed on 29 May 2013)	—	—	—	—	—
Ms. Huang Xiaowen (appointed on 29 May 2013)	—	—	—	—	—
Mr. Ding Nong	—	—	—	—	—
Mr. Han Jun (appointed on 29 May 2013)	—	468	—	19	487
Mr. Qiu Guoxuan	—	676	40	36	752
Mr. Li Shaode (resigned on 2 December 2013)	—	—	—	—	—
Mr. Yan Zhichong (resigned on 19 March 2013)	—	167	—	6	173
	—	1,311	40	61	1,412

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

2013	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Supervisors:					
Mr. Xu Wenrong	—	—	—	—	—
Mr. Zhang Rongbiao (resigned on 29 January 2014)	—	—	—	—	—
Mr. Xu Hui (resigned on 19 March 2013)	—	—	—	—	—
Mr. Chen Jihong (appointed on 29 May 2013)	—	—	—	—	—
Mr. Luo Yuming	—	623	—	36	659
Ms. Chen Xiuling	—	168	274	36	478
	—	791	274	72	1,137

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2013: RMBNil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one director (2013: one director and one supervisor), details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2013: three) non-director, non-supervisor, highest paid employee for the year are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,127**	2,127
Pension scheme contributions	**150**	108
	3,277	2,235

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

	Number of employees	
	2014	2013
	RMB'000	RMB'000
Below HKD1,000,000	**4**	3

No emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: RMBNil).

12. TAX

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2014 (2013: 16.5%).

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%.

Pursuant to the PRC CIT Law and its related regulations, non-PRC resident enterprises are subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group has assessed the impact of CIT Law regarding this withholding tax and considered that it would not have a significant impact on the results of operations and financial position of the Group.

12. TAX (Continued)

	Group	
	2014	2013
	RMB'000	RMB'000
Current:		
Hong Kong		
– Charge for the year	**(396)**	(535)
– Over/(under) provision in prior years	**70**	(348)
PRC		
– Charge for the year	**(10,706)**	(17,697)
– Under provision in prior years	**(534)**	(1,680)
Deferred tax (note 24)	**91,400**	32,163
Total tax credit for the year	**79,834**	11,903

Income tax for the year of joint ventures and associates attributable to the Group amounted to RMB51,550,000 and RMB22,869,000 respectively (2013: RMB43,596,000 and RMBNil respectively).

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

	Group	
	2014	2013
	RMB'000	RMB'000
Profit/(loss) before tax	**321,993**	(2,229,350)
Tax at the statutory tax rate	**(80,498)**	557,338
Tax effect of share of profits of joint ventures	**51,550**	43,596
Tax effect of share of profits of associates	**22,869**	—
Expenses not deductible for tax	**(80,505)**	(281,829)
Income not subject to tax	**33,096**	26,569
Adjustments in respect of current tax of previous periods	**(464)**	(2,028)
Unused tax losses not recognised	**(111,076)**	(15,688)
Temporary differences not recognised	**108**	24
Different tax rate of subsidiaries operating in other jurisdiction	**271,807**	(147,876)
Reversal of deferred tax assets on tax losses	—	(152,852)
Charged to deferred tax liabilities on unremitted earnings	**(27,053)**	(15,351)
Tax credit	**79,834**	11,903

12. TAX (Continued)

Tax payable in the consolidated statement of financial position represented by:

	Group	
	2014	2013
	RMB'000	RMB'000
Income tax payable at the beginning of the year	**12,072**	3,206
Provision for income tax	**11,102**	18,232
Under provision in prior years	**464**	2,028
Income tax paid	**(18,616)**	(11,381)
Exchange realignment	**2**	(13)
Income tax payable at the end of the year	**5,024**	12,072

13. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit/(loss) attributable to owners of the Company for the year ended 31 December 2014 includes a loss of RMB246,093,000 (2013: RMB753,448,000) which has been dealt with in the financial statements of the Company (note 38).

14. DIVIDEND

At the board meeting held on 27 March 2015, the Directors proposed a final dividend of RMB104,442,000, representing RMB3.00 cents per share in respect of the year ended 31 December 2014. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognised as a liability at the end of the reporting period.

No dividend was paid or proposed during 2013.

15. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of RMB309,413,000 (2013: loss of RMB2,234,106,000) and the weighted average of 3,404,556,000 shares (2013: 3,404,554,000 shares) in issue during the year, calculated as follows:

	2014	2013
Profit/(Loss) attributable to owners of the Company (RMB'000)	**309,413**	(2,234,106)
Weighted average number of shares in issue (thousands)	**3,404,556**	3,404,554
Basic earnings/(loss) per share (RMB cents per share)	**9.09**	(65.62)

(b) Diluted earnings/(loss) per share

In 2014 and 2013, the calculation of diluted earnings/(loss) per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in increase/decrease in profit/(loss) per share from continuing operations. Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

16. INVESTMENT PROPERTIES

	Group	
	2014	2013
	RMB'000	RMB'000
Fair value		
Completed investment properties	**1,032,239**	1,076,280
At 1 January	**1,076,280**	1,193,458
Transfer to property, plant and equipment	—	(128,815)
Net (decrease)/increase in fair value recognised in profit or loss	**(44,041)**	11,637
At 31 December	**1,032,239**	1,076,280

16. INVESTMENT PROPERTIES (Continued)

	Company	
	2014	2013
	RMB'000	RMB'000
Fair value		
Completed investment properties	**1,156,841**	1,206,609
At 1 January	**1,206,609**	1,193,458
Net (decrease)/increase in fair value recognised in profit or loss	**(49,768)**	13,151
At 31 December	**1,156,841**	1,206,609

The fair value of the Group's and the Company's investment properties as at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out on the respective dates by China Tong Cheng, independent qualified professional valuers not related to the Group. China Tong Cheng is a Certified Public Valuer in the PRC. The fair value was determined based on the market comparable approach that reflects recent of transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change from the valuation technique used in the prior.

As at 31 December 2014, the fair values of the Group's and the Company's investment properties of RMB1,032,239,000 (2013: RMB1,076,280,000) and RMB1,156,841,000 (2013: RMB1,206,609,000) respectively, are based on Level 2 measurement.

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2014	112,947	54,594,537	90,917	18,758	204,931	3,489,045	58,511,135
Additions	3,111	86,200	3,412	3,043	—	5,330,636	5,426,402
Disposals	(46,047)	(1,979,192)	(985)	(744)	(72)	—	(2,027,040)
Transfers	—	3,681,450	647	—	—	(3,682,097)	—
Exchange realignment	—	70,263	10	—	—	1,829	72,102
At 31 December 2014	**70,011**	**56,453,258**	**94,001**	**21,057**	**204,859**	**5,139,413**	**61,982,599**
Accumulated depreciation							
At 1 January 2014	63,562	10,518,341	63,515	12,027	8,431	—	10,665,876
Charge for the year	7,294	1,842,959	10,305	2,009	5,257	—	1,867,824
Disposals	(10,882)	(1,098,795)	(694)	(686)	—	—	(1,111,057)
Exchange realignment	—	8,240	7	—	—	—	8,247
At 31 December 2014	**59,974**	**11,270,745**	**73,133**	**13,350**	**13,688**	—	**11,430,890**
Impairment losses							
At 1 January 2014	—	377,595	—	—	—	—	377,595
Disposals	—	(356,461)	—	—	—	—	(356,461)
At 31 December 2014	—	**21,134**	—	—	—	—	**21,134**
Accumulated depreciation and impairment losses							
At 31 December 2014	**59,974**	**11,291,879**	**73,133**	**13,350**	**13,688**	—	**11,452,024**
At 31 December 2013	63,562	10,895,936	63,515	12,027	8,431	—	11,043,471
Net carrying value							
At 31 December 2014	**10,037**	**45,161,379**	**20,868**	**7,707**	**191,171**	**5,139,413**	**50,530,575**
At 31 December 2013	49,385	43,698,601	27,402	6,731	196,500	3,489,045	47,467,664

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						
	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2013	132,885	49,493,069	81,672	17,914	76,116	5,902,873	55,704,529
Additions	—	118,721	2,140	1,416	—	4,534,791	4,657,068
Disposals	(19,938)	(1,024,066)	(5,561)	(572)	—	(83,077)	(1,133,214)
Transfers	—	6,795,673	12,745	—	—	(6,808,418)	—
Transfer from investment properties (note 16)	—	—	—	—	128,815	—	128,815
Reclassified as held for sale	—	(231,570)	—	—	—	—	(231,570)
Exchange realignment	—	(557,290)	(79)	—	—	(57,124)	(614,493)
At 31 December 2013	112,947	54,594,537	90,917	18,758	204,931	3,489,045	58,511,135
Accumulated depreciation							
At 1 January 2013	56,489	9,805,960	56,358	11,427	4,292	—	9,934,526
Charge for the year	9,656	1,641,216	12,545	1,147	4,139	—	1,668,703
Disposals	(2,583)	(745,293)	(5,339)	(547)	—	—	(753,762)
Reclassified as held for sale	—	(124,379)	—	—	—	—	(124,379)
Exchange realignment	—	(59,163)	(49)	—	—	—	(59,212)
At 31 December 2013	63,562	10,518,341	63,515	12,027	8,431	—	10,665,876
Impairment losses							
At 1 January 2013	—	35,938	—	—	—	—	35,938
Impairment loss for the year	—	341,657	—	—	—	—	341,657
At 31 December 2013	—	377,595	—	—	—	—	377,595
Accumulated depreciation and impairment losses							
At 31 December 2013	63,562	10,895,936	63,515	12,027	8,431	—	11,043,471
At 31 December 2012	56,489	9,841,898	56,358	11,427	4,292	—	9,970,464
Net carrying value							
At 31 December 2013	49,385	43,698,601	27,402	6,731	196,500	3,489,045	47,467,664
At 31 December 2012	76,396	39,651,171	25,314	6,487	71,824	5,902,873	45,734,065

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Total RMB'000
Cost or valuation				
At 1 January 2014	17,066	2,567	76,116	95,749
Additions	70	786	—	856
Disposals	(61)	(414)	(72)	(547)
At 31 December 2014	**17,075**	**2,939**	**76,044**	**96,058**
Accumulated depreciation				
At 1 January 2014	5,582	1,650	6,196	13,428
Charge for the year	2,814	222	1,903	4,939
Disposals	(56)	(398)	—	(454)
At 31 December 2014	**8,340**	**1,474**	**8,099**	**17,913**
Net carrying value				
At 31 December 2014	**8,735**	**1,465**	**67,945**	**78,145**
At 31 December 2013	11,484	917	69,920	82,321

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company						
	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2013	21,300	16,505,238	50,806	9,825	76,116	1,062,042	17,725,327
Transfers	—	1,220,237	12,745	—	—	(1,232,982)	—
Additions	—	—	407	395	—	280,192	280,994
Disposals	—	(126,064)	(5,286)	(572)	—	—	(131,922)
Transfers to subsidiaries	(21,300)	(17,599,411)	(41,606)	(7,081)	—	(109,252)	(17,778,650)
At 31 December 2013	—	—	17,066	2,567	76,116	—	95,749
Accumulated depreciation							
At 1 January 2013	5,326	3,338,587	34,919	6,909	4,292	—	3,390,033
Charge for the year	3,550	473,209	7,388	677	1,904	—	486,728
Disposals	—	(15,793)	(5,085)	(547)	—	—	(21,425)
Transfers to subsidiaries	(8,876)	(3,796,003)	(31,640)	(5,389)	—	—	(3,841,908)
At 31 December 2013	—	—	5,582	1,650	6,196	—	13,428
Net carrying value							
At 31 December 2013	—	—	11,484	917	69,920	—	82,321
At 31 December 2012	15,974	13,166,651	15,887	2,916	71,824	1,062,042	14,335,294

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain of the Group's property, plant and equipment are leased to other parties under operating leases. Further details of the assets under operating lease arrangements are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Vessels		
Cost at 31 December	**5,230,526**	2,170,757
Accumulated depreciation and impairment losses at 31 December	**255,426**	397,971

Further details of the operating leases are included in note 42(a) to the consolidated financial statements.

As at 31 December 2014, the net carrying value of the Group's vessels held under finance leases amounted to RMB613,969,000 (2013: RMB638,363,000) (note 35).

As at 31 December 2014, certain of the Group's vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (note 33).

18. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**13,485,303**	13,485,303

As at 31 December 2014 and 2013, particulars of principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Nominal value of issued/ registered capital	Class of share in issue	Proportion of ownership interest Directly		Indirectly		Principal activity
				2014	2013	**2014**	2013	
China Shipping Tanker Co., Limited ("CS Tanker")	PRC Limited liability company	RMB1,666,666,600	Ordinary	**100%**	100%	**0%**	0%	Provision of shipping services
China Shipping Bulk Carrier Co., Limited ("Bulk Carrier")	PRC Limited liability company	RMB4,300,000,000	Ordinary	**100%**	100%	**0%**	0%	Provision of shipping services
China Shipping Bulk Carrier (Shanghai) Co., Limited ("Bulk Carrier Shanghai")	PRC Limited liability company	RMB1,000,000,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Development (Hong Kong) Marine Co., Limited ("CSDHK")	Hong Kong Limited liability company	USD100,000,000	Ordinary	**100%**	100%	**0%**	0%	Investment holding
China Shipping Development (S) Marine Pte Ltd	Singapore Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**0%**	0%	Provision of shipping services
China Shipping Bulk Carrier (Hong Kong) Co., Limited ("CS Bulk Carrier (HK)")	Hong Kong Limited liability company	HKD100,000 and USD3,000,000 (2013: HKD100,000)	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Bulk Carrier (Hong Kong) Wylex Co., Limited (Incorporated in 2014)	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	0%	Provision of shipping services
China Shipping Development (Hong Kong) Wytex Limited	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping LNG Investment Co., Ltd (Formerly known as China Shipping Group Liquefied Natural Gas Investment Co., Limited)	PRC Limited liability company	RMB100,000,000	Ordinary	**100%**	100%	**0%**	0%	Investment holding
China Energy Shipping Investment Co., Limited ("China Energy")	Hong Kong Limited liability company	USD5,000,000	Ordinary	**0%**	0%	**51%**	51%	Investment holding
CS Puyuan Marine Co., Limited ("CS Puyuan")	Hong Kong Limited liability company	USD19,000,000	Ordinary	**0%**	0%	**51%**	51%	Investment holding
East China LNG Shipping Investment Co., Limited ("ELNG")	Hong Kong Limited liability company	USD5,000,000	Ordinary	**70%**	70%	**0%**	0%	Investment Holding

18. INTERESTS IN SUBSIDIARIES (Continued)

As at 31 December 2014 and 2013, particulars of principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and operations/legal status	Nominal value of issued/ registered capital	Class of share in issue	Proportion of ownership interest Directly		Indirectly		Principal activity
				2014	2013	2014	2013	
Guangzhou Jinghai Shipping Co., Limited ("Guangzhou Jinghai")	PRC Limited liability company	RMB130,000,000	Ordinary	**0%**	0%	**51%**	51%	Provision of shipping services
Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao")	Hong Kong Limited liability company	USD8,000,000	Ordinary	**51%**	51%	**0%**	0%	Investment holding
North China LNG Shipping Investment Co., Limited ("NLNG")	Hong Kong Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**0%**	0%	Investment holding
Shanghai Jiahe Shipping Co., Limited ("Shanghai Jiahe")	PRC Limited liability company	RMB240,000,000	Ordinary	**0%**	0%	**51%**	51%	Provision of shipping services
Shanghai Yinhua Shipping Co., Limited ("Shanghai Yinhua")	PRC Limited liability company	RMB200,000,000	Ordinary	**0%**	0%	**51%**	51%	Provision of shipping services
Tianjin Zhonghai Huarun Marine Co., Limited ("Tianjin Zhonghai")	PRC Limited liability company	RMB768,000,000	Ordinary	**0%**	0%	**51%**	51%	Provision of shipping services
China Energy Aspiration LNG Shipping Co., Limited ("Aspiration LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Hope LNG Shipping Co., Limited ("Hope LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Aurora LNG Shipping Co., Limited ("Aurora LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Glory LNG Shipping Co., Limited ("Glory LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Pioneer LNG Shipping Co., Limited ("Pioneer LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Peace LNG Shipping Co., Limited ("Peace LNG")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Inactive
China Energy Ship Management Co., Limited ("Ship Management")	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**80%**	80%	Provision of vessels management

18. INTERESTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014			
	China Energy RMB'000	Hai Bao RMB'000	Shanghai Jiahe RMB'000	Tianjin Zhonghai RMB'000
NCI percentage	49%	49%	49%	49%
Current assets	63,248	170,949	170,363	276,656
Non-current assets	3,431,572	3,387,198	426,907	1,683,264
Current liabilities	(14,308)	(547,042)	(39,260)	(137,351)
Non-current liabilities	(3,743,030)	(2,470,572)	(254,000)	(1,089,865)
Net assets/(liabilities)	(262,518)	540,533	304,010	732,704
Carrying amount of NCI	(128,634)	264,861	148,965	359,025
Revenue	—	808,137	267,240	411,045
Profit/(loss) for the year	(1,265)	208,831	28,371	(50,188)
Total comprehensive income/(expense)	(440,668)	208,831	28,371	(50,188)
Profit/(loss) allocated to NCI	(620)	102,327	13,902	(24,592)
Net cash flows from operating activities	13,551	432,700	51,904	141,222
Net cash flows from investing activities	(577,851)	(113,491)	(45,550)	(39,070)
Net cash flows from financial activities	554,687	(326,270)	(29,723)	(105,239)

18. INTERESTS IN SUBSIDIARIES (Continued)

	2013			
	China Energy RMB'000	Hai Bao RMB'000	Shanghai Jiahe RMB'000	Tianjin Zhonghai RMB'000
NCI percentage	49%	49%	49%	49%
Current assets	71,922	169,048	171,969	289,146
Non-current assets	1,133,206	3,434,354	396,450	1,756,653
Current liabilities	(1,379)	(528,275)	(25,190)	(97,067)
Non-current liabilities	(1,025,452)	(2,744,904)	(270,000)	(1,165,840)
Net assets	178,297	330,223	273,229	782,892
Carrying amount of NCI	87,366	161,809	133,882	383,617
Revenue	—	529,941	257,167	306,133
Profit/(loss) for the year	(3,014)	118,048	21,749	(6,122)
Total comprehensive income/(expense)	150,091	118,048	21,749	(6,122)
Profit/(loss) allocated to NCI	(1,477)	57,844	10,657	(3,000)
Net cash flows from operating activities	(103)	244,770	76,669	40,744
Net cash flows from investing activities	(369,400)	(534,865)	(1,709)	(523,457)
Net cash flows from financial activities	410,936	281,338	(59,696)	282,850

19. INVESTMENTS IN ASSOCIATES

	Group	
	2014 RMB'000	2013 RMB'000
Share of net assets	**876,597**	—
Goodwill	**835,105**	—
	1,711,702	—

19. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2014 and 2013, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
			2014	2013	**2014**	2013	
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong Limited liability company	Ordinary	**27%**	27%	**30%**	30%	Inactive
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong Limited liability company	Ordinary	**21%**	21%	**30%**	30%	Inactive
Shanghai Beihai Shipping Company Limited ("Shanghai Beihai") (note)	PRC Limited liability company	Ordinary	**40%**	0%	**40%**	0%	Transportation of petroleum product

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

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

On 30 July 2014, CS Tanker entered into another equity transfer agreement with Shanghai Shipping (Group) Company, a wholly-owned subsidiary of China Shipping, to acquire further 20% equity interests of Shanghai Beihai at a consideration of RMB830,000,000 plus 20% of profit of Shanghai Beihai for the period from 1 January 2014 to the date of completion of the registration of transfer in the relevant authority.

19. INVESTMENTS IN ASSOCIATES (Continued)

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

	Shanghai Beihai 2014 RMB'000
Revenue	**1,217,924**
Profit and total comprehensive income	**425,434**
Group's share of profit and total comprehensive income	**91,083**
Non-current assets	**1,885,481**
Current assets	**472,775**
Current liabilities	**(166,765)**
Net assets	**2,191,491**
Group's share of net assets	**876,597**

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

	2014 RMB'000	2013 RMB'000
Total assets	**5,052,468**	3,657,831
Total liabilities	**(5,515,810)**	(3,837,032)
Net liabilities	**(463,342)**	(179,201)
Group's share of net assets of associates	—	—

	2014 RMB'000	2013 RMB'000
Revenue	—	—
Profit for the year	—	—
Other comprehensive (expense)/income	**(282,982)**	257,197
Group's share of total comprehensive income of associates for the year	—	—

20. INVESTMENTS IN JOINT VENTURES

	Group 2014 RMB'000	Group 2013 RMB'000
Equity method	**4,790,637**	4,552,714

	Company 2014 RMB'000	Company 2013 RMB'000
Unlisted shares, at cost	**3,126,663**	3,073,463

As at 31 December 2014 and 2013, particulars of the joint ventures are as follows:

Name of joint ventures	Nominal value of issued/registered capital	Place of incorporation and operations/ legal status	Percentage of ownership interest, voting power and profit sharing attributable to the Group: Group's effective interest	Directly	Indirectly	Principal activity
Shanghai Friendship Marine Co., Limited ("Shanghai Friendship")	Registered Capital of RMB1 each (RMB300,000,000)	PRC Limited liability company	50%	0%	50%	Provision of shipping services
Shanghai Times Shipping Co., Limited ("Shanghai Times")	Registered Capital of RMB1 each (RMB1,200,000,000)	PRC Limited liability company	50%	50%	0%	Provision of shipping services
China Shipping Finance Co., Limited ("CS Finance")	Registered Capital of RMB1 each (RMB600,000,000)	PRC Limited liability company	25%#	25%#	0%	Financial services
Huahai Petrol Transportation & Trading Co., Limited ("Huahai")	Registered Capital of RMB1 each (RMB56,879,168)	PRC Limited liability company	50%	50%	0%	Provision of shipping services
Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping")	Registered Capital of RMB1 each (RMB626,497,080)	PRC Limited liability company	50%	0%	50%	Provision of shipping services
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	Registered Capital of RMB1 each (RMB4,100,000,000)	PRC Limited liability company	49%##	49%##	0%	Provision of shipping services
Arctic Blue LNG Shipping Limited ("Arctic Blue") (Incorporated in 2014)	USD1,000	Hong Kong Limited liability company	50%	0%	50%	Inactive

20. INVESTMENTS IN JOINT VENTURES

Name of joint ventures	Nominal value of issued/registered capital	Place of incorporation and operations/ legal status	Percentage of ownership interest, voting power and profit sharing attributable to the Group			Principal activity
			Group's effective interest	Directly	Indirectly	
Arctic Green LNG Shipping Limited ("Arctic Green") (Incorporated in 2014)	USD1,000	Hong Kong Limited liability company	50%	0%	50%	Inactive
Arctic Purple LNG Shipping Limited ("Arctic Purple") (Incorporated in 2014)	USD1,000	Hong Kong Limited liability company	50%	0%	50%	Inactive

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

Except as disclosed elsewhere in the consolidated financial statements, there are no contingent liabilities relating to the Group's and the Company's investments in joint ventures, and no contingent liabilities of the joint ventures themselves.

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

The Group holds 49% of the issued share capital of Shenhua Zhonghai and controls 44% of vote in the general meeting of Shenhua Zhonghai. Since Shenhua Zhoughai is jointly controlled by the Group and the other significant shareholder by virtue of contractual arrangements among shareholders, Shenhua Zhonghai is regarded as a joint ventures of the Group.

20. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised unaudited financial information adjusted for any differences in accounting policies is disclosed below:

	2014					
	Shanghai Friendship RMB'000	Guangzhou Shipping RMB'000	Shanghai Times RMB'000	Huahai RMB'000	CS Finance RMB'000	Shenhua Zhonghai RMB'000
Current assets	35,514	29,520	752,334	46,310	6,260,419	1,314,812
Non-current assets	510,930	1,475,220	6,010,052	332,411	4,937,960	7,065,705
Current liabilities	(98,937)	(168,939)	(2,841,375)	(47,430)	(10,110,105)	(1,964,304)
Non-current liabilities	(151,830)	(682,240)	(1,939,297)	(155,500)	(6,150)	(500,000)
Equity	295,677	653,561	1,981,714	175,791	1,082,124	5,916,213
Revenue	113,616	539,367	4,270,631	188,382	408,508	3,380,687
Profit for the year	1,056	20,467	22,698	14,485	212,942	267,198
Other comprehensive income	—	—	—	—	18,450	—
Total comprehensive income	1,056	20,467	22,698	14,485	231,392	267,198
Dividend received from joint ventures	—	—	—	—	19,100	—
Included in the above profit:						
Depreciation and amortisation	11,370	48,982	337,535	18,335	1,779	249,742
Interest income	(225)	(246)	(1,844)	(91)	—	3,114
Interest expense	10,906	50,071	210,461	11,645	—	56,305
Income tax expense	—	6,438	7,797	5,893	71,061	89,913

20. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised unaudited financial information adjusted for any differences in accounting policies is disclosed below: (Continued)

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

20. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2014					
	Shanghai Friendship RMB'000	**Guangzhou Shipping RMB'000**	**Shanghai Times RMB'000**	**Huahai RMB'000**	**CS Finance RMB'000**	**Shenhua Zhonghai RMB'000**
Net assets of the joint ventures	**295,677**	**653,561**	**1,981,714**	**175,791**	**1,082,124**	**5,916,213**
Proportion of the group's ownership interest	**50%**	**50%**	**50%**	**50%**	**25%**	**49%**
Group's share of net assets	**147,839**	**326,781**	**990,857**	**87,895**	**270,531**	**2,898,943**
Add: Fair value adjustment of property, plant and equipment when acquired	**—**	**—**	**—**	**67,782**	**—**	**—**
Carrying amount of the Group's interest in joint ventures	**147,839**	**326,781**	**990,857**	**155,677**	**270,531**	**2,898,943**

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

21. LOAN RECEIVABLES

Loan receivables of the Group represent loans to associates of RMB303,016,000 (2013: RMB219,289,000) denominated in USD, are unsecured, bear interests at 3.3% to 5.0% (2013: 3.3% to 4.9%) over 3 month Libor per annum, and repayable in year 2030 to year 2031; and loans to joint ventures of RMB483,524,000 (2013: RMBNil) denominated in USD, are unsecured, bear interest at 0.8% (2013: Nil) over 3 months Libor per annum prior to delivery of vessel and 1.3% (2013: Nil) over 3 months Libor per annum after delivery of vessel, and repayable in year 2038 to 2039.

Loan receivables of the Company represent loans to subsidiaries denominated in RMB, are unsecured, bear interests at 3.90% to 6.51% (2013: 3.90% to 6.51%) per annum, and repayable in year 2015 to year 2022.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investments, at cost	**35,284**	5,825	**29,455**	—

The above investments consist of investments in unlisted equity securities which were designated as available-for-sale financial assets. The unlisted equity investments are stated at cost less impairment as the directors are of the opinion that their fair value cannot be measured reliably.

As at 31 December 2014, the Group and the Company does not provide impairments on available-for-sale financial assets (2013: RMBNil).

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**1,529**	1,525	**—**	—

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Carried at fair value		
Cash flow hedges:		
– Interest rate swap agreements		
Assets		
Non-current portion	**—**	151,027
Liabilities		
Current portion	**—**	(1,940)
Non-current portion	**(291,553)**	(4,689)
	(291,553)	(6,629)

As at 31 December 2014, the Group held thirty-one (2013: thirty-two) interest rate swap agreements, the total notional principal amount of the outstanding interest rate swaps agreements was USD609,800,282 (approximately RMB3,731,368,000) (2013: USD651,133,615 (approximately RMB3,969,869,893)). The interest rate swaps agreements, with maturity in 2016, 2031 and 2032 are designated as cash flow hedges in respect of the bank borrowings with a floating interest rate.

During the year ended 31 December 2014, the floating rates of the bank loan were Libor plus 0.42%, 0.45% or 2.2% (2013: Libor plus 0.42%, 0.45% or 2.2%).

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

	2014	2013
	RMB'000	RMB'000
Net (loss)/gain included in the hedging reserve	**(436,415)**	157,491
Hedge loan interest included in finance costs	**(3,386)**	(6,216)
Total (loss)/gain on cash flow hedges interest rate swap agreements	**(439,801)**	151,275

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

24. DEFERRED TAXATION

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**408,052**	297,590	—	—
Deferred tax liabilities	**(217,857)**	(198,795)	**(149,472)**	(158,077)
	190,195	98,795	**(149,472)**	(158,077)

Group

	Tax losses RMB'000	Unremitted earnings RMB'000	Revaluation of investment properties RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Total RMB'000
At 1 January 2013	241,801	(26,303)	(148,866)	—	66,632
Credited/(charged) to profit or loss during the year (note 12)	55,789	(15,351)	(8,275)	—	32,163
At 31 December 2013	297,590	(41,654)	(157,141)	—	98,795
Credited/(charged) to profit or loss during the year (note 12)	110,462	(27,053)	8,012	(21)	91,400
At 31 December 2014	**408,052**	**(68,707)**	**(149,129)**	**(21)**	**190,195**

24. DEFERRED TAXATION (Continued)

Company

	Tax losses RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2013	152,852	(148,866)	3,986
Charged to profit or loss during the year	(152,852)	(9,211)	(162,063)
At 31 December 2013	—	(158,077)	(158,077)
Credited to profit or loss during the year	—	8,605	8,605
At 31 December 2014	—	**(149,472)**	**(149,472)**

A deferred tax asset in respect of tax losses of RMB613,035,000 (2013: RMB182,833,000) has not been recognised in these consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB507,686,000 (2013: RMB114,299,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

25. INVENTORIES

The Group's inventories represent the bunker oil inventories and ship stores and spare parts of RMB597,055,000 and RMB238,249,000 respectively (2013: RMB654,947,000 and RMB233,340,000 respectively). The Company's inventories represent the ship stores and spare parts.

26. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivables	**1,735,214**	1,647,728	**2,553**	1,312
Trade receivables from associates, joint ventures and fellow subsidiaries	**11,049**	102,557	**—**	—
Trade and bills receivables	**1,746,263**	1,750,285	**2,553**	1,312

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

The trade receivables due from associates, joint ventures and fellow subsidiaries are unsecured, non-interest bearing and under normal credit period as other trade receivables.

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

	Group			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**1,503,619**	**86**	1,559,506	89
4 - 6 months	**131,929**	**8**	108,813	6
7 - 9 months	**58,604**	**3**	47,208	3
10 - 12 months	**47,443**	**3**	33,251	2
1 - 2 years	**4,668**	**—**	1,507	—
	1,746,263	**100**	1,750,285	100

	Company			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**2,495**	**98**	1,255	96
1 - 2 years	**58**	**2**	57	4
	2,553	**100**	1,312	100

26. TRADE AND BILLS RECEIVABLES (Continued)

No impairment loss is provided for the trade and bills receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

In determining the recoverability of a trade and bills receivables, the Group considers any change in credit quality of the trade and bills receivables from the date credit was initially granted up to the end of the reporting period. In view of the good settlement history of those receivables of the Group which are past due but not impaired for the year, the directors of the Company consider that no allowance is required.

Included in trade and bills receivables are debtors with carrying amount of approximately RMB242,644,000 (2013: RMB190,779,000) which are past due as at the end of the reporting period for which the Group had not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable (2013: RMBNil).

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 – 6 months	**190,533**	156,021	—	—
7 – 12 months	**47,443**	34,758	—	57
Over 1 year	**4,668**	—	**58**	—
	242,644	190,779	**58**	57

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

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

26. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**968,211**	822,395	**1,893**	—
AUD	**2**	—	—	—

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**139,850**	67,484	**6,350**	4,611
Deposits and other receivables	**316,039**	164,515	**38,081**	49,984
Due from fellow subsidiaries	**185,662**	125,294	—	—
Due from joint ventures	**74,565**	65,000	**50,000**	50,217
Due from associates	**3,427**	—	—	—
Due from related parties				
– Due from joint ventures of ultimate holding company	**16,971**	24,275	—	—
– Due from joint venture of a fellow subsidiary	**76,153**	39,606	—	—
Due from subsidiaries	—	—	**10,289,076**	5,135,667
	812,667	486,174	**10,383,507**	5,240,479

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

Included in amounts due from subsidiaries amount to RMB3,500,000,000 are unsecured and interest bearing at fixed rate of 3.60% to 4.50% or at variable rate 5% to 20% discount to the People's Bank of China ("PBC") Benchmark interest rate.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The carrying amounts of the prepayments, deposits and other receivables are denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**483,041**	318,021	**16,975**	1,889,812
AUD	**22,820**	64,040	—	65
JPY	**1,914**	2,390	—	—
Others	**36,638**	38,049	**86**	—

28. CASH AND CASH EQUIVALENTS

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

Included in cash and cash equivalents is an amount of RMB696,892,000 (2013: RMB792,008,000) of bank balance deposited with CS Finance, a joint venture of the Group.

Pledged bank deposits represent the deposits pledged to bank to secure banking facilities granted to the Group, deposits amounting to RMB611,900,000 (2013: RMBNil) have been pledged to secure short term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

Cash and cash equivalents are denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**1,579,382**	1,043,235	**16,489**	79,898
SGD	**910**	1,866	—	—
HKD	**11,182**	1,722	**70**	73
Others	**746**	841	**745**	841

28. CASH AND CASH EQUIVALENTS (Continued)

Pledged bank deposits are denominated in the following foreign currency:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**611,900**	—	**611,900**	—

29. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**28,140**	93,828	—	93,828
Reclassified as held for sales	—	107,191	—	—
Impairment losses	—	(80,288)	—	—
Disposals	**(28,140)**	(93,828)	—	(93,828)
Exchange realignment	—	1,237	—	—
At 31 December	—	28,140	—	—

30. TRADE AND BILLS PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payables	**472,700**	548,149	**2,824**	1,614
Due to ultimate holding company	**147**	—	—	—
Due to joint ventures	**860**	1,125	—	—
Due to fellow subsidiaries	**377,627**	920,966	**247**	9,853
Due to related parties				
– Due to joint ventures of fellow subsidiaries	**129,759**	47,173	—	—
– Due to joint ventures of ultimate holding company	**9,576**	25,320	—	—
Due to subsidiaries	—	—	**8,720**	8,688
	990,669	1,542,733	**11,791**	20,155

30. TRADE AND BILLS PAYABLES (Continued)

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

The trade payables to ultimate holding company, joint ventures, fellow subsidiaries, related parties and subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**619,246**	577,249	**8,675**	93
HKD	**36,944**	1,969	—	—
JPY	**2,283**	1,885	—	—
EUR	**6,161**	48	—	—
Others	**9,458**	9,514	—	—

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

	Group			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**710,078**	**72**	1,388,738	90
4 - 6 months	**129,070**	**13**	71,612	5
7 - 9 months	**51,795**	**5**	49,090	3
10 - 12 months	**66,103**	**7**	17,928	1
1 - 2 years	**24,436**	**2**	5,889	—
Over 2 years	**9,187**	**1**	9,476	1
	990,669	**100**	1,542,733	100

30. TRADE AND BILLS PAYABLES (Continued)

	Company			
	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	RMB'000	**%**	RMB'000	%
1 - 3 months	**2,377**	**20**	9,653	48
4 - 6 months	—	—	344	2
7 - 9 months	**220**	**2**	705	3
10 - 12 months	—	—	6,541	33
1 - 2 years	**6,707**	**57**	2,818	14
Over 2 years	**2,487**	**21**	94	—
	11,791	**100**	20,155	100

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

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**41,906**	53,067	**3,676**	5,631
Other payables	**(57,484)**	139,616	**73,250**	(131,164)
Due to ultimate holding company	**17,647**	88,207	**17,135**	88,207
Due to fellow subsidiaries	**97,665**	633,767	**41**	2,398
Due to joint ventures	**4,962**	2,444	**489**	733
Due to subsidiaries	—	—	**81,683**	237,832
	104,696	917,101	**176,274**	203,637

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

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

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

31. OTHER PAYABLES AND ACCRUALS (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**314,656**	337,323	**2,400**	41,726
HKD	**3,412**	25,333	**—**	4,327
Others	**1,937**	56,364	**—**	3,553

32. PROVISION FOR ONEROUS CONTRACTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**349,694**	—	**33,436**	—
Utilised during the year	**(175,850)**	—	**(17,158)**	—
Provision for the year	**107,358**	349,694	**45,547**	33,436
Exchange realignment	**613**	—	**50**	—
As at 31 December	**281,815**	349,694	**61,875**	33,436
Current portion of provision for onerous contracts	**142,287**	175,287	**32,317**	17,158
Non-current portion of provision for onerous contracts	**139,528**	174,407	**29,558**	16,278
	281,815	349,694	**61,875**	33,436

As at 31 December 2014, the Group has a provision of RMB281,815,000 (2013: RMB349,694,000) for onerous contracts relating to the non-cancellable chartered-in oil tankers and dry bulk vessel contracts.

As at 31 December 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 RMB2,709,313,000 (2013: RMB3,031,793,000).

33. NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	Annual effective interest (%)	Maturity	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Current liabilities						
(i) Bank loans						
Secured	5% to 10% discount to the PBC Benchmark interest rate, 3 months Libor, 3 months Libor + 1.30%, Libor + 0.38% to 2.15%, 3.50% to 4.73%	2015	**1,926,196**	1,627,229	**611,900**	—
Unsecured	Libor + 0.60% to 4.00%, 9% to 10% discount to the PBC Benchmark Interest rate, PBC Benchmark interest rate, 3 months Libor, 3 months Libor + 1.30% to 2.20%, 4.50%	2015	**4,030,944**	1,575,940	**200,000**	487,752
			5,957,140	3,203,169	**811,900**	487,752

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

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

		Annual effective interest (%)	Maturity	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
(ii)	**Notes**						
	Unsecured	3.90%	2014	—	2,998,949	—	2,998,949
(iii)	**Other borrowings**						
	Secured	6.00%, 5% discount to the PBC Benchmark interest rate	2015	**253,160**	6,630	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 2.50% to 6.00%, Libor + 1.60% to 2.90%	2015	**2,032,790**	2,356,307	**1,100,000**	1,000,000
				2,285,950	2,362,937	**1,100,000**	1,000,000
Notes, interest-bearing bank and other borrowings – current portion				**8,243,090**	8,565,055	**1,911,900**	4,486,701

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

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

			Group		Company	
	Annual effective interest (%)	Maturity	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Non-current liabilities						
(i) **Bank loans**						
Secured	5% to 10% discount to the PBC Benchmark interest rate, 3 months Libor + 2.20%, Libor + 0.38% to 2.15%, 4.27% to 4.73%	2016-2037	**11,295,416**	8,109,880	—	—
Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.45% to 1.85%, 3 months Libor + 2.40%, 1.68% to 6.00%	2019-2026	**7,388,464**	2,092,182	**1,800,000**	—
			18,683,880	10,202,062	**1,800,000**	—

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

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

				Group		Company	
		Annual effective interest (%)	Maturity	**2014** **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
(ii)	**Other borrowings**						
	Secured	5% discount to the PBC Benchmark interest rate	2023	**129,540**	137,700	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.60% to 6.51%, 6 months Libor + 2.50%	2017-2018	**4,611,923**	5,072,790	**4,000,000**	5,000,000
				4,741,463	5,210,490	**4,000,000**	5,000,000
Notes, interest-bearing bank and other borrowings – non-current portion				**23,425,343**	15,412,552	**5,800,000**	5,000,000

The Group's bank and other borrowings are secured by pledges or mortgages of the Group's 48 vessels (2013: 34 vessels) and 13 vessels under construction (2013: 4 vessels under construction) with total net carrying value of RMB24,149,221,000 (2013: RMB16,299,120,000) as at 31 December 2014. Collateralised borrowings are secured by trade receivables of RMBNil (2013: RMB504,705,000).

Bank deposits of RMB611,900,000 (2013: RMBNil) have been pledged to secure short-term bank loan. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

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

Except for secured bank loans of RMB12,470,966,000 (2013: RMB9,598,438,000), unsecured bank loans of RMB6,978,985,000 (2013: RMB2,947,739,000) and unsecured other borrowings of RMB611,923,000 (2013: RMB426,767,000) which are denominated in USD, all borrowings are denominated in RMB.

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

(b) **As at 31 December 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:**

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
(i) Bank loans:				
Within one year or on demand	**5,957,140**	3,203,169	**811,900**	487,752
In the second year	**2,689,239**	1,675,888	**—**	—
In the third to fifth year, inclusive	**10,204,923**	3,886,845	**1,800,000**	—
Over five years	**5,789,718**	4,639,329	**—**	—
	24,641,020	13,405,231	**2,611,900**	487,752
(ii) Notes:				
Within one year or on demand	**—**	2,998,949	**—**	2,998,949
(iii) Other borrowings:				
Within one year or on demand	**2,285,950**	2,362,937	**1,100,000**	1,000,000
In the second year	**8,670**	2,079,420	**—**	2,000,000
In the third to fifth year, inclusive	**4,640,993**	3,026,010	**4,000,000**	3,000,000
Over five years	**91,800**	105,060	**—**	—
	7,027,413	7,573,427	**5,100,000**	6,000,000
	31,668,433	23,977,607	**7,711,900**	9,486,701

Included in other borrowings represent an amount of RMB1,421,790,000 (2013: RMB1,658,930,000) were borrowed from CS Finance, a joint venture of the Group. As at 31 December 2014, the current and non-current portion of this borrowing amounted to RMB1,370,990,000 (2013: RMB1,532,140,000) and RMB50,800,000 (2013: RMB126,790,000) respectively.

Included in other borrowings represent an amount of RMB5,411,923,000 (2013: RMB5,400,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2014, the current and non-current portion of this borrowing amounted to RMB800,000,000 (2013: RMB400,000,000) and RMB4,611,923,000 (2013: RMB5,000,000,000) respectively.

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

(b) **As at 31 December 2014, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:** (Continued)

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

(c) **Details of the notes as at 31 December 2014 are as follows:**

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Principal amount	**3,000,000**	3,000,000
Notes issuance cost	**(8,245)**	(8,245)
Proceeds received	**2,991,755**	2,991,755
Accumulated amortisation	**8,245**	7,194
Redemption of notes	**(3,000,000)**	—
	—	2,998,949

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

34. OTHER LOANS

	Group	
	2014	2013
	RMB'000	RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**410,784**	424,206
Kantons International Investment Limited ("Kantons International")	**306,769**	142,453
Shanghai Puyuan Shipping Co., Limited	**107,681**	104,297
Mitsui O.S.K. Lines, Limited ("MOL")	**138,140**	63,132
Petrochina International Co., Limited	**12,286**	10,020
	975,660	744,108
Less: current portion of other loans	**(44,714)**	(29,874)
Non-current portion of other loans	**930,946**	714,234

Included in loan from Baosteel Resources International represents an amount of USD67,130,000 (approximately RMB410,784,000) (2013:USD69,580,000 (approximately RMB424,206,000)) was provided to Hai Bao to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3.5% (2013: 3.5%) per annum and repayable in 2018.

According to the contract signed between ELNG and its non-controlling shareholder, Kantons International, USD5,885,854 (approximately RMB36,015,000) (2013: USD3,069,517 (approximately RMB18,714,000)) was provided to ELNG to finance the vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, bearing interest at approximately 3.3% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between China Energy and its non-controlling shareholder, Kantons International, USD44,248,019 (approximately RMB270,754,000) (2013: USD20,295,349 (approximately RMB123,739,000)) were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between CS Puyuan and its non-controlling shareholder, Shanghai Puyuan Shipping Co., Limited, USD17,597,200 (approximately RMB107,681,000) (2013: USD17,107,200 (approximately RMB104,297,000)) was provided to CS Puyuan to finance the daily operation. The loans are unsecured, non-interest bearing and repayable in 2015 and 2016.

34. OTHER LOANS (Continued)

According to the contracts signed between China Energy and its non-controlling shareholder of subsidiaries, MOL, USD22,575,542 (approximately RMB138,140,000) (2013: USD10,354,792 (approximately RMB63,132,000)) were provided to China Energy to finance the vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, bearing interest at approximately 2.2% over 3 months Libor and have to repay within 15 years after such vessels construction projects completed.

According to the contract signed between NLNG and its non-controlling shareholder, Petrochina International Co., Limited, USD2,007,839 (approximately RMB12,286,000) (2013: USD1,643,393 (approximately RMB10,020,000)) was provided to NLNG to finance the vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, bearing interest at approximately 4.9% over 3 months Libor and have to repay within 20 years after such vessels construction projects completed.

35. OBLIGATIONS UNDER FINANCE LEASES

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

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	**68,977**	68,977	**43,979**	41,479
– In more than one year but not more than two years	**68,977**	68,977	**46,630**	43,979
– In more than two years but not more than five years	**206,931**	206,931	**158,273**	149,543
– More than five years	**219,910**	288,886	**199,578**	254,934
	564,795	633,771	**448,460**	489,935
Less: future finance charges	**(116,335)**	(143,836)		
Present value of lease obligations	**448,460**	489,935		
Less: Amount due within one year shown under current liabilities			**(43,979)**	(41,479)
Amount due after one year			**404,481**	448,456

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

36. BONDS PAYABLE

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Convertible bonds	**3,145,147**	3,424,692
Corporate bonds	**4,973,360**	4,967,236
	8,118,507	8,391,928
Less: current portion of bonds payable	**(4,143,383)**	—
Non-current portion of bonds payable	**3,975,124**	8,391,928

(a) Convertible bonds

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

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.1 per share (before tax). According to the terms of issuance of the convertible bonds and relevant regulations by China Securities Regulatory Commission, the Company changed the conversion price from RMB8.70 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% for the sixth year. The interests are payable annually in arrears on 1 August of each year starting from 2012.

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

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

36. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

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

On 12 August 2014, the Company passed a special resolution to approve the downward adjustment to the conversion price from RMB8.60 per share to RMB6.24 per share in accordance with the terms of issuance of the convertible bonds, when adjustment became effective on 14 August 2014.

As the closing price of the A Shares had been equal to or higher than 130% of the conversion price of the convertible bonds (being RMB6.24 per share) for at least 15 trading days out of the 30 consecutive trading days between 26 November 2014 and 8 January 2015, the Board had on 8 January 2015 resolved to redeem all outstanding convertible bonds in accordance with the specified redemption procedures. On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

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

	RMB'000
Carrying amount as at 1 January 2013	3,267,823
Interest charge	184,541
Interest paid	(27,650)
Conversion during the year	(22)
Carrying amount as at 31 December 2013	3,424,692
Interest charge	192,486
Interest paid	(35,586)
Conversion during the year	(436,445)
Carrying amount as at 31 December 2014 (Current portion)	**3,145,147**

The fair value and effective interest rate of the liability component of the convertible bonds as at 31 December 2014 is RMB3,145,147,000 (2013: RMB3,424,692,000) and 5.6% (2013: 5.6%) per annum respectively.

Interest expense of RMB192,486,000 (2013: RMB184,541,000) has been recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2014.

36. BONDS PAYABLE (Continued)

(b) Corporate bonds

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

	RMB'000
Carrying amount at initial recognition	4,961,395
Interest charge	5,841
Balance as at 31 December 2013	4,967,236
Interest charge	6,124
Balance as at 31 December 2014	**4,973,360**
Current portion of corporate bonds	998,236
Non-current portion of corporate bonds	3,975,124
	4,973,360

As at 31 December 2014, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond	At 31 December 2013	Interest charge	At 31 December 2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 August 2012	3 years	1,000,000	991,400	995,319	2,917	**998,236**
3 August 2012	10 years	1,500,000	1,487,100	1,488,561	1,095	**1,489,656**
29 October 2012	7 years	1,500,000	1,488,600	1,490,249	1,478	**1,491,727**
29 October 2012	10 years	1,000,000	992,400	993,107	634	**993,741**
		5,000,000	4,959,500	4,967,236	6,124	**4,973,360**

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

36. BONDS PAYABLE (Continued)

(b) Corporate bonds (Continued)

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

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

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

37. ISSUED CAPITAL

	2014		2013	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1.00 each				
At 1 January and 31 December	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A-Shares of RMB1.00 each				
At 1 January	**2,108,555,984**	**2,108,556**	2,108,552,613	2,108,553
Conversion of convertible bonds	**76,849,302**	**76,849**	3,371	3
At 31 December	**2,185,405,286**	**2,185,405**	2,108,555,984	2,108,556
Total capital	**3,481,405,286**	**3,481,405**	3,404,555,984	3,404,556

During the year, convertible bonds with principal amount of RMB2,000 (2013: RMB29,000) were converted into 232 (2013: 3,371) shares at a conversion price of RMB8.60 (2013: RMB8.60) per share, and convertible bonds with principal amount of RMB479,542,000 were converted into 76,849,070 shares at a conversion price of RMB6.24 per share.

38. RESERVES

	Group										
	Share premium RMB'000	Revaluation reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	3,947,216	273,418	2,877,435	5,157	93,158	(14,533)	1,019	(904,848)	873,042	12,961,520	20,112,584
Loss for the year	–	–	–	–	–	–	–	–	–	(2,234,106)	(2,234,106)
Net gain on cash flow hedges	–	–	–	–	–	67,713	–	–	–	–	67,713
Exchange realignment	–	–	–	–	–	–	–	(122,876)	–	–	(122,876)
Total comprehensive expense for the year	–	–	–	–	–	67,713	–	(122,876)	–	(2,234,106)	(2,289,269)
Conversion of convertible bonds	25	–	–	–	–	–	–	–	(6)	–	19
Accrual of safety fund reserve	–	–	–	90,672	–	–	–	–	–	(91,269)	(597)
Utilisation of safety fund reserve	–	–	–	(26,896)	–	–	–	–	–	26,974	78
At 31 December 2013 and at 1 January 2014	3,947,241	273,418	2,877,435	68,933	93,158	53,180	1,019	(1,027,724)	873,036	10,663,119	17,822,815
Profit for the year	–	–	–	–	–	–	–	–	–	309,413	309,413
Net loss on cash flow hedges	–	–	–	–	–	(176,288)	–	–	–	–	(176,288)
Reclassification to profit or loss	–	–	–	–	–	1,631	–	–	–	–	1,631
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	4,613	–	–	–	4,613
Exchange realignment	–	–	–	–	–	–	–	27,075	–	–	27,075
Total comprehensive income for the year	–	–	–	–	–	(174,657)	4,613	27,075	–	309,413	166,444
Conversion of convertible bonds	466,607	–	–	–	–	–	–	–	(107,011)	–	359,596
Accrual of safety fund reserve	–	–	–	99,790	–	–	–	–	–	(103,521)	(3,731)
Utilisation of safety fund reserve	–	–	–	(102,603)	–	–	–	–	–	105,074	2,471
At 31 December 2014	**4,413,848**	**273,418**	**2,877,435**	**66,120**	**93,158**	**(121,477)**	**5,632**	**(1,000,649)**	**766,025**	**10,974,085**	**18,347,595**

38. RESERVES (Continued)

	Company									
	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund surplus reserve RMB'000	General surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	3,947,492	270,254	(1,796)	2,877,435	—	93,158	1,019	873,042	10,263,644	18,324,248
Loss for the year	—	—	—	—	—	—	—	—	(753,448)	(753,448)
Conversion of convertible Bonds	25	—	—	—	—	—	—	(6)	—	19
Accrual of safety fund reserve	—	—	—	—	49,162	—	—	—	(49,162)	—
Transfer to a subsidiary	—	—	—	—	(32,360)	—	—	—	32,360	—
Utilisation of safety fund reserve	—	—	—	—	(16,802)	—	—	—	16,802	—
At 31 December 2013 and 1 January 2014	3,947,517	270,254	(1,796)	2,877,435	—	93,158	1,019	873,036	9,510,196	17,570,819
Loss for the year	—	—	—	—	—	—	—	—	(246,093)	(246,093)
Conversion of convertible Bonds	466,607	—	—	—	—	—	—	(107,011)	—	359,596
Accrual of safety fund reserve	—	—	—	—	1,176	—	—	—	(1,176)	—
At 31 December 2014	4,414,124	270,254	(1,796)	2,877,435	1,176	93,158	1,019	766,025	9,262,927	17,684,322

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP and regulations applicable to the Company, to the Statutory Surplus Reserve (the "SSR").

No net profit has been transfer to SSR as the Company incurred loss after tax during the year 2014 and 2013.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. On this basis, as at 31 December 2014, before the proposed final dividend, the Company had reserve of RMB9,262,927,000 (2013: RMB9,510,196,000).

In addition, in accordance with the Company Laws of the PRC, an amount of approximately RMB4,414,124,000 (2013: RMB3,947,517,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

38. RESERVES (Continued)

Share premium

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

Revaluation reserve

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

Statutory surplus reserve

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

Safety fund reserve

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

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

General surplus reserve

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

Hedging reserve

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

38. RESERVES (Continued)

Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of reporting period.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Convertible bonds equity reserve

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

Other reserve

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

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2014 **RMB'000**	2013 RMB'000
Profit/(loss) before tax	**321,993**	(2,229,350)
Adjustments for:		
Interest income	**(45,799)**	(44,337)
Loss/(gain) on revaluation of investment properties	**44,041**	(11,637)
Loss on disposal of property, plant and equipment	**231,226**	235,475
Dividend income	**(298)**	(1,772)
Waive of other payables	**(24,355)**	—
Written off of inventories	**4,512**	—
Impairment losses on assets classified as held for sale	**—**	80,288
Impairment losses on property, plant and equipment	**—**	341,657
Depreciation	**1,867,824**	1,668,703
Provision for loss on onerous contracts	**107,358**	349,694
Share of profits of associates	**(91,083)**	—
Share of profits of joint ventures	**(205,902)**	(111,581)
Operating profit before working capital changes	**2,209,517**	277,140
Decrease/(increase) in trade and bills receivables	**4,022**	(265,419)
Decrease in inventories	**48,471**	45,872
(Increase)/decrease in prepayments	**(72,366)**	46,523
(Increase)/decrease in deposits and other receivables	**(163,694)**	273,437
(Increase)/decrease in amounts due from fellow subsidiaries	**(60,368)**	13,362
Increase in amounts due from joint ventures	**(2,452)**	—
Increase in amounts due from associates	**(3,427)**	—
Increase in amounts due from related parties	**(29,243)**	(63,335)
Decrease in trade and bills payables	**(148,294)**	(68,950)
Decrease in accruals	**(11,161)**	(17,444)
Increase/(decrease) in other payables	**979,952**	(378,711)
Decrease in provision for onerous contracts	**(175,850)**	—
(Decrease)/increase in amount due to ultimate holding company	**(70,560)**	24,733
Increase in amounts due to joint ventures	**2,518**	1,407
(Decrease)/increase in amounts due to fellow subsidiaries	**(536,102)**	587,583
Cash generated from operation	**1,970,963**	476,198
Finance costs	**1,204,702**	964,462
Income tax paid	**(18,616)**	(11,381)
Net cash inflow from operating activities	**3,157,049**	1,429,279

40. PENSION AND ENTERPRISE ANNUITY SCHEMES

(i) PRC (other than Hong Kong)

Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 18%-22% (2013: 18%-22%) of the basic salaries of the Group's employees. Contributions by the Group to the Scheme for the year ended 31 December 2014 amounted to RMB62,425,000 (2013: RMB153,675,000).

Enterprise annuity scheme

In the year 2008, after the resolution held between the representatives of the Group's Labour Union and the Board, a scheme on the enterprise annuity has been set up. The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be 5 times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2008. According to the scheme, actual amount incurred as labour cost in 2014 amounted to RMB12,197,000 (2013: RMB50,779,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the directors of the Group, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(ii) Hong Kong

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000 from 1 June 2012 to 31 May 2014 and HKD30,000 effective as on 1 June 2014 (2013: HKD25,000). Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2014 amounted to RMB4,766,000 (2013: RMB15,002,000).

41. CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" 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 compensations will be borne by the insurance company. As at 31 December 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 31 December 2014, claims on damage caused by the fuel leakage amounted to an aggregate of RMB19,370,000 plus court costs. Of which, RMB11,250,000 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 compensations will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(iii) ELNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG and Gemini LNG, and NLNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG and Aries LNG. Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. 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 RMB50 million).

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

41. CONTINGENT LIABILITIES (Continued)

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. In March 2014, the claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 31 December 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 plaintiffs 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 Casualty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(vi) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Company for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (approximately RMB2,998,310,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The toal aggregate liability of the Company under the owner's guarantees is lmited to USD6,400,000 (approximately RMB39,162,000).

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years (2013: 1 to 3 years).

As at 31 December 2014, the Group and the Company had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**224,248**	116,278	**24,534**	10,912
In the second to fifth year, inclusive	**25,834**	6,891	**25,592**	2,410
	250,082	123,169	**50,126**	13,322

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from 1 to 15 years (2013: 1 to 15 years).

As at 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**425,821**	464,118	**59,186**	60,339
In the second to fifth year, inclusive	**1,479,051**	1,239,959	**236,906**	235,889
Over five years	**2,121,233**	2,140,243	**24,972**	117,945
	4,026,105	3,844,320	**321,064**	414,173

43. CAPITAL COMMITMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	**5,430,061**	9,586,595	—	—
Equity Investments (Note 2)	**539,668**	592,868	**539,668**	592,868
	5,969,729	10,179,463	**539,668**	592,868

In addition to the operating lease commitments detailed in note 42 above, the Group and the Company had capital commitments as at 31 December 2014, of which RMB1,112,199,000 (2013: RMB5,980,812,000) from the Group and RMB539,668,000 (2013: RMB592,868,000) from the Company will be due within one year.

Note:

(1) According to the construction or purchase agreements entered into by the Group from January 2007 to December 2014, these capital commitments will fall due in 2015 to 2017.

(2) Included capital commitments in respect of equity investments is commitment to invest in joint ventures, Shenhua Zhonghai of RMB539,668,000 (2013: RMB592,868,000).

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB486,298,000 (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 RMB3,225,137,000 (2013: RMB1,296,397,000); which are authorised but not contracted for amounted to RMBNil (2013: RMB4,900,000).

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, business transactions between the Group and its holding company, fellow subsidiaries, joint ventures, associates, holding company's joint ventures as well as other related parties for the year ended 31 December 2014 and 2013, which are also considered by directors as related party transactions, are set out as below:

(1) A services agreement signed in October 2012 between the Company and China Shipping became effective subsequent to the approval by independent shareholders at an extraordinary general meeting hold on 18 December 2012. Pursuant to the services agreement, China Shipping, its subsidiaries or joint ventures will provide to the Group the necessary supporting shipping materials and services for the ongoing operating of the Group, including the provision of dry-docking and repairs services, lubricating oil, fresh water supplies, raw materials and bunker oil, as well as other services. The services agreement is effective for three years, from 1 January 2013 to 31 December 2015. The fees for the agreed supplies and services payable to China Shipping were determined with reference to, depending on applicability and availability, any one among the state-fixed price, market price or cost.

Further details of the principal amounts paid by the Group to China Shipping, its subsidiaries or joint ventures in respect of the services agreement for the year ended 31 December 2014 and 2013 are set out below:

	Pricing basis	2014 Total value RMB'000	2013 Total value RMB'000
Dry-docking, repairs, coating and vessels restructuring expenses	State-fixed prices or market prices	**283,609**	181,492
Supply of lubricating oil, fresh water supplies, raw materials, bunker oil, mechanical and electrical engineering, ship stores and repairs and maintenance services for life boats	Market prices	**3,507,214**	3,273,102
Greasiness treatment, maintenance of telecommunication and navigational services	State-fixed prices	**86,698**	56,466
Crew expenses	Market prices	**141,671**	119,699
Accommodation, lodging, medical services and transportation for employees	State-fixed prices or market prices	**5,228**	7,585
Miscellaneous management services	Market prices	**34,779**	36,594
Agency commissions	Market prices	**60,103**	112,600
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**4,182**	7,350

44. RELATED PARTY TRANSACTIONS (Continued)

(1) (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 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 year, the total crew management fee to CSISM is approximately RMB1,196,866,000 (2013: RMBNil).

(3) Except for the related party transactions outlined in note 44(1) and 44(2) above, details of the Group's related party transactions with the holding company, fellow subsidiaries, joint ventures, associates and related companies are as follows:

	Notes	**2014** **RMB'000**	2013 RMB'000
Vessel chartering charges	(i)	**396,420**	59,318
Vessel chartering income		**58,493**	57,717
Sale of vessels	(ii)	—	20,470
Construction of vessels	(iii)	**1,175,048**	995,890
Rental income		**20,721**	19,471
Vessel management income		**1,822**	2,610
Shipment income		**224,160**	706,929
Interest income from associates		**12,170**	7,376
Interest income from joint ventures		**2,186**	—
Loan interest payment	(iv)	**462,319**	356,565
Technical service fees		**3,669**	440
Sales of materials		**276**	—

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note:

The Group has entered into the following agreements:

(i) In November 2012, CSHK and Xi Chuan Shipping S.A., an indirectly wholly-owned subsidiary of the Company, entered into a bare-boat charter contract where CSHK will lease the tanker "Song Lin Wan" to Xi Chuan Shipping S.A. for a term of one year commencing from 1 January 2013 to 31 December 2013. The aggregate payment is up to USD2,920,000.

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

On 23 December 2013, Bulk Carrier entered into the framework agreement with CSHK, whereby Bulk Carrier will lease the dry bulk vessels from CSHK for a term of six months commencing from 1 January 2014. The aggregate charter payment under the framework agreement shall be no more than USD70,000,000 and it has been automatically extended for six months to 31 December 2014.

On 15 April 2014, 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.

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

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note: (Continued)

(iii) 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 RMB2,553,600,000.

On 13 January 2012, 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, 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 RMB182,800,000.

On 23 December 2014, Bulk Carrier entered into the assignment agreement with the CS Industry, CS Industry (Jiangsu) and 廣州振興船務有限公司("廣州振興"), 廣州振興 is the wholly-owned subsidiary of China Shipping pursuant to which 廣州振興 conditionally agreed to assign and Bulk Carrier conditionally agreed to accept the assignment of all of the 廣州振興's rights and obligations under the agreement dated 28 September 2010 to engage the CS Industry and CS Industry (Jiangsu) to construct the vessel. The total consideration for construction of the vessel is RMB158,000,000.

During the year, the total consideration paid for the construction in progress of the vessels is approximately RMB1,175,048,000 (2013: RMB995,890,000).

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note: (Continued)

(iv) 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.

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 fixed 5.02% per annum. The entrusted loan was early and fully repaid in December 2014.

On 31 May 2012, the Company entered into two loan assignment agreements to assign the outstanding loan balances on that date of RMB436,560,000 and RMB109,140,000 to Bulk Carrier and Bulk Carrier Shanghai, wholly-owned subsidiaries of the Company, respectively. The loan for Bulk Carrier has been fully repaid on 24 July 2013 and the loan for Bulk Carrier Shanghai has been repaid for the amount of RMB14,540,000 during the year.

On 25 June 2012, 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 the preferential rate determined by applying a 5% discount to the benchmark interest rate as published by PBC per annum. In March 2013, a further RMB4,000,000 was withdrawn by Shanghai Jiahe from CS Finance. During the year, RMB2,600,000 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. This interest rate is at 3 months Libor plus 1.6% per annum. The loan was early and fully repaid in January 2014.

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note: (Continued)

(iv) (Continued)

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 and the USD100,000,000 loan are six months and three years respectively, and the interest rate are at 5.27% and 6 months Libor plus 2.50% per annum respectively. The loan for the Company has been fully repaid during the year.

At the 2014 eighth Board meeting held on 24 July 2014, the Company passed the resolution of entering into the entrusted loan agreement with China Shipping whereby China Shipping provide a six-months loan in the amount of RMB300,000,000 to the Company. The interest rate is 5.32% per annum. The loan was fully repaid in December 2014.

During the year, the related interest expenses RMB462,319,000 (2013: RMB356,565,000) have been included in the finance cost.

(4) In October 2012, the Company entered into a the financial services framework agreement with CS Finance and this became effective subsequent to the approval by the independent shareholders' at an extraordinary general meeting on 18 December 2012. Pursuant to 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 3 years from 1 January 2016 unless either party regards not to renew the financial services framework agreement.

(5) On 30 July 2014, CS Tanker, a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Shanghai Shipping (Group) Company, a wholly-owned subsidiary of China Shipping to acquire 20% equity interests of Shanghai Beihai at a consideration of RMB830,000,000 plus 20% of profit of Shanghai Beihai for the period from 1 January 2014 to the date of completion of the registration of transfer in the relevant authority.

44. RELATED PARTY TRANSACTIONS (Continued)

(6) Outstanding balances with related parties:

Details of the Group's current account balances with its related parties as at the end of reporting period are disclosed in notes 21, 26, 27, 28, 30, 31, 33 and 34 to the consolidated financial statements.

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

	2014 RMB'000	2013 RMB'000
Directors' fees	**575**	458
Other emoluments:		
Salaries, allowances and benefits in kind	**5,553**	5,023
Discretionary bonuses	**40**	314
Pension scheme contributions	**224**	286
	6,392	6,081

Details of directors' and supervisor's emoluments are included in note 10 to the consolidated financial statements.

The related party transactions as disclosed in paragraphs (1) to (6), also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2014, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2014 would have been RMB175,485,000 (2013: post-tax loss RMB154,289,000) higher/lower (2013: lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

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

(ii) Cash flow and fair value interest rate risk

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

Borrowings at floating rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Notes 33, 34 and 35. To minimize its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

As at 31 December 2014, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB165,076,000 (2013: Group's post-tax loss RMB100,108,000) lower/higher (2013: higher/lower), the Company's post-tax loss for the year would have been RMB15,000,000 (2013: RMB3,658,000) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

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

As at 31 December 2014 and 2013, all the cash and cash equivalents were deposited in the high quality financial institutions without significant credit risk.

The table below shows the bank balances of the 5 major banks at the end of reporting period. Management does not expect any losses from non-performance by these banks.

Counterparty	**Bank credit rating**	**2014 RMB'000**
Bank of America	A2/P-1/Stable	**665,471**
Ping An Bank Co., Ltd	Baa2/P-2/Stable	**612,146**
Industrial and Commercial Bank of China Limited	A1/P-1/Stable	**284,212**
Citibank	A2/P-1/Stable	**261,728**
Bank of Communications	A2/P-1/Stable	**173,651**

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

The Group does not have significant exposure to credit risk.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

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

Counterparty	**2014** **RMB'000**
Wisco Shipping Co., Ltd.	**223,758**
Wisco International Economic and Trading Corporation Limited	**123,510**
Ningbo China Offshore Oil Shipping Co., Ltd	**77,594**
Unipec Asia Co., Ltd.	**73,011**
Superior Ocean Shipping (Singapore)	**64,254**

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

The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities.

The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

The table below analyses the Group's financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Group

At 31 December 2014

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Bank and other borrowings	31,668,433	34,762,266	8,867,693	4,253,156	21,641,417
Derivative financial instruments	291,553	291,553	—	2,037	289,516
Obligations under finance leases	448,460	564,795	68,977	68,977	426,841
Trade and bills payables	990,669	990,669	990,669	—	—
Other payables and accruals	447,603	447,603	447,603	—	—
Interest payments on bank and other borrowings	147,195	147,195	147,195	—	—
Bonds payable	8,118,507	9,929,416	4,738,816	202,550	4,988,050
Other loan	975,660	1,136,507	59,092	95,686	981,729
	43,088,080	48,270,004	15,320,045	4,622,406	28,327,553

At 31 December 2013

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2014

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Bank and other borrowings	**7,711,900**	**8,804,755**	**2,258,077**	**319,838**	**6,226,840**
Trade and bills payables	**11,791**	**11,791**	**11,791**	—	—
Other payables and accruals	**179,611**	**179,611**	**179,611**	—	—
Bonds payable	**8,118,507**	**9,929,416**	**4,738,816**	**202,550**	**4,988,050**
	16,021,809	**18,925,573**	**7,188,295**	**522,388**	**11,214,890**

At 31 December 2013

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

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

	The Group and the Company			
	2014			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Derivative financial instruments	—	—	—	—
Financial liabilities:				
Derivative financial instruments	—	291,553	—	291,553

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

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

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

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

46. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debt which includes interest-bearing bank and other borrowings, notes, other loans, obligations under finance leases and bonds payable less cash and cash equivalents.

The Group's and Company's net debt-to-equity ratio at 31 December 2014 and 2013 was as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**41,211,060**	33,603,578	**15,830,407**	17,878,629
Less: Cash and cash equivalents	**(2,449,240)**	(1,919,204)	**(517,755)**	(487,558)
Net debt	**38,761,820**	31,684,374	**15,312,652**	17,391,071
Total equity	**22,647,729**	22,211,877	**21,165,727**	20,975,375
Debt to equity ratio	**171%**	143%	**72%**	83%

47. EVENTS AFTER REPORTING PERIOD

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

(i) As the closing price of the A Shares had been equal to or higher than 130% of the conversion price of the convertible bonds (being RMB6.24 per share) for at least 15 trading days out of the 30 consecutive trading days between 26 November 2014 and 8 January 2015, the Board had on 8 January 2015 resolved to redeem all outstanding convertible bonds in accordance with the specified redemption procedures. On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

(ii) At 2015 second and third board meeting on 15 January 2015 and 29 January 2015 respectively, the Company resolved to early retire 33 old dry bulk vessels of average age 21.9 years with a total capacity of 1,257,000 deadweight tonnes which is approximately 7.1% and 12.4% of the Group total shipping capacity and its own fleet of dry bulk vessels respectively.

(iii) On 11 February 2015, CSDHK entered into agreements with the China Shipbuilding & Offshore International Company Limited and Dalian Shipbuilding Industry Company Limited for the construction of the VLCCs. The total consideration for the construction of four VLCCs is approximately USD375,920,000 (approximately RMB2,300,254,000).

(iv) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 14.

48. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings secured by the assets of the Group are set out in note 33 to the consolidated financial statements.

CORPORATE INFORMATION

Legal name:	中海發展股份有限公司
English name:	China Shipping Development Company Limited
Registered office:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Postal Code:	201306
Tel:	(8621) 65966666
Fax:	(8621) 65966160
Place of business in Hong Kong:	20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Xu Lirong
Company secretary:	Ms. Yao Qiaohong
Business registration number:	310000400151546
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	Baker Tilly Hong Kong Limited 2th Floor, 625 King's Road North Point, Hong Kong
PRC auditor:	Baker Tilly China Certified Public Accountants LLP No.19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, PRC

Legal advisors:	Jun He Law Offices Shanghai Office Suite 2501, Kerry Centre 1515 Nanjing Road West, Shanghai, The People's Republic of China
	Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138
	A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Secretary's Office of the Board China Shipping Development Company Limited 7th Floor, 670 Dong Da Ming Road, Shanghai, The People's Republic of China
Company's website:	www.cnshippingdev.com

EXECUTIVE DIRECTORS

Mr. Xu Lirong, born in July 1957 and aged 57, is a senior engineer. He is currently the chairman and an executive Director of the Company, chairman of the strategy committee of the Company ("Strategy Committee"), the chairman and secretary of the Party Committee of China Shipping (Group) Company. Mr. Xu had been the marine captain of COSCO Shanghai Company, the general manager of COSCO Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai Company, the president of the Shanghai Shipping Exchange, the general manager of COSCO Container Lines Company Limited, the executive vice president, a member of the Party Committee and the chairman of the Labor Union of China Ocean Shipping (Group) Company from 2007 to 2011 and the chairman and a non-executive director of COSCO Pacific Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code 1199) from October 2010 to February 2012. He was a director, executive president and a member of the Party Committee of China Shipping (Group) Company from August 2011 to November 2013, and he was an executive director and vice chairman of China Shipping Container Lines Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code 601866) and its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 2866)) from November 2011 to December 2013. Mr. Xu joined the Company in January 2012 as an executive Director and was elected as the chairman of the Company in December 2013. Mr. Xu has over 30 years of experience in ocean shipping business management and extensive experience in corporate management. Mr. Xu obtained his Master of Business Administration degree from the Shanghai Maritime University and the Maastricht School of Management in the Netherlands.

Mr. Zhang Guofa, born in October 1956 and aged 58, is a Doctor of economics at Wuhan University. He is currently an executive Director and vice chairman of the Company, a member of each of the Strategy Committee and Nomination Committee respectively, a director and the general manager of China Shipping (Group) Company and an executive director and the chairman of China Shipping Container Lines Co., Ltd., Mr. Zhang was the deputy chief and chief of Transportation Regulation Department of Ministry of Communications since 1991, the deputy director of General Office and the director of International Shipping Management Division of the Water Transportation Department of Ministry of Communications since 1996, the assistant of director-general and the deputy director-general of the Water Transportation Department of Ministry of Communications since 2000. Mr. Zhang joined China Shipping (Group) Company as the vice president in November 2004 and joined the Company in May 2006 as an executive Director and was elected as the vice chairman of the Company in June 2012.

Ms. Su Min, born in February 1968, aged 47. She has a master's degree and is a senior accountant. She is currently an executive Director and a member of the Strategy Committee of the Company, the chief accountant and a Party Committee member of China Shipping (Group) Company and a non-executive director of China Shipping Container Lines Co., Ltd. ("CSCL") and a non-executive director of China Merchant Bank Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code: 600036) and its H shares are listed on the main board of the Stock Exchange (stock code: 3968)). She held the posts of Assistant to the Director – General of the Finance Bureau of the Xishi District of Hefei City, staff member of the Finance Division, section chief of the Office Finance Section, deputy director of the Internal Services Centre, office deputy director, deputy director of the Administration and Finance Division of Anhui Provincial Economic and Trade Commission, Deputy Director – General of the Intellectual Property Bureau of Anhui Provincial State-owned Assets Supervision and Administration Commission ("SASAC"), chief accountant of Anhui Province Energy Group Co., Ltd. and chairman and general manager of Anhui Hefei Wanneng Small Loan Company. Ms. Su joined the Company as an executive Director in May 2013.

Mr. Huang Xiaowen, born in May 1962 and aged 52, is a senior engineer. Mr. Huang is currently an executive Director and a member of the Strategy Committee of the Company, the deputy general manager and a member of the Party Committee of China Shipping (Group) Company and the Vice Chairman and Executive Director of CSCL and also the Chairman of China Shipping Haisheng Co.,Ltd. (being a company listed on the Shanghai Stock Exchange with stock codes 600896). Mr. Huang held the posts of the section chief of the Container Shipping Section of Guangzhou Ocean Shipping Company Limited, deputy general manager and general manager of Container Transportation Department of China Ocean Shipping (Group) Company, and the deputy general manager, Managing Director and the vice Party Secretary of CSCL. Mr. Huang graduated from Qingdao Ocean Shipping Mariners College with major in Vessel Piloting in 1981, graduated from China Europe International Business School in September 2010 and obtained an EMBA Degree. Mr. Huang joined the Company as an executive Director in May 2013.

Mr. Ding Nong, born in May 1961 and aged 53, has a master degree and is now an executive Director and a member of the Strategy Committee of the Company, the deputy general manager of China Shipping (Group) Company and a non-executive director of CSCL. Mr. Ding obtained his bachelor degree from Shanghai Maritime University with a professional qualification in marine engineering in 1982 and obtained his master degree from Shanghai Maritime University with a professional qualification in transportation planning and administration in 2003. Mr. Ding started his career in 1982 and was a ship chief engineer of Guangzhou Bureau of Maritime Transportation Administration ("BOMTA"), the deputy general manager of the technical department of Taihua Oil Shipping Company of Guangzhou BOMTA, the assistant to the general manager and the deputy general manager of Guangzhou Shipping (Group) Company, the deputy general manager of the Bulk Carrier Branch of the Company, the general manager of China Shipping and Sinopec Suppliers Co., Ltd., the assistant to the president of China Shipping (Group) Company and the general manager of China Shipping International Ship Management Co., Ltd. Mr. Ding joined the Company as an executive Director in December 2012.

Mr. Liu Xihan, born in December 1955, aged 59. He is a graduate of the Party School of the Central Committee of Communist Party of China ("CPC"(中央黨校)), an MBA holder and a senior economist. Mr. Liu is now an executive Director and a member of the Strategy Committee of the Company and a non-executive director of CSCL. Mr. Liu has served successively as secretary of Communist Youth League of China of tugging fleet of Changhang Wuhan Bureau, vice-secretary and secretary of Communist Youth League of China of Changjiang Ship Corporation, vice general manager of Changjiang Ship Corporation, and vice president, general manager, deputy secretary and secretary of the committee of CPC of China Changjiang National Shipping (Group) Corporation. Mr. Liu has served as party secretary of the Central Committee of CPC of Sinotrans & CSC Holdings Co., Ltd. and vice chairman of Sinotrans & CSC Holdings Co., Ltd. since December 2008, and as vice chairman, general manager and deputy secretary of the committee of CPC of Sinotrans & CSC Holdings Co., Ltd. since December 2010. In July 2013, Mr Liu was re-designated as vice general manager and party committee member of CPC of China Shipping (Group) Company. Mr. Liu joined the Company as an executive Director in June 2014.

Mr. Yu Zenggang, born in December 1963, aged 51. He is an MBA holder and a senior engineer. Mr. Yu is now an executive Director and a member of the Strategy Committee of the Company, the deputy general manager of China Shipping (Group) Company, a non-executive director of CSCL and a director of China Shipping Haisheng Co.,Ltd. Mr. Yu has served successively as staff member of the technical department of Shanghai Shipping Bureau, the chief representative of the Japan Representative Office of Shanghai Shipping Bureau, director and general manager of Shanghai Haixing Shipping (Japan) Co., Ltd., deputy general manager and general manager of the Development Division of China Shipping (Group) Company, vice president of China Shipping (North America) Holding Co., Ltd., general manager of China Shipping (North America) Agency Co , Inc., president of China Shipping (Europe) Holding GmbH, general manager of the President Office of China Shipping (Group) Company, director of Board Office and director of General Manager Officer of China Shipping (Group) Company. Mr. Yu served as secretary of the board, director of the Office of the Board of Directors, director of General Office of China Shipping (Group) Company since June 2012, and he served as vice general manager, party committee member and secretary of the board of China Shipping (Group) Company since March 2014. Mr. Yu joined the Company as an executive Director in June 2014.

Mr. Han Jun, born in March 1965 and aged 50, has an university education background and has a MBA degree and is also an engineer. He is currently an executive director, a member of the Strategy Committee and the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship’s chief officer of Dalian Shipping (Group) Company, and the general manager of Hainan Hailian Shipping Company Limited. He was the general manager of the Development Department of China Shipping (Group) Company (the controlling shareholder of the Company) when China Shipping (Group) Company was established in July 1997. He was also the vice president of China Shipping (H.K.) Holdings Co., Ltd. and the general manger and vice chairman of Universal Shipping Co. Ltd. He was the president of China Shipping (H.K.) Holdings Co., Ltd. from March 2007 to February 2013. Mr. Han joined the Company as the general manager in March 2013 and as an executive Director in May 2013.

Mr. Qiu Guoxuan, born in August 1957 and aged 57, is an MBA and is a senior engineer. He is currently the deputy general manager, an executive Director and a member of the Strategy Committee. Mr. Qiu joined Guangzhou BOMTA in 1974 as a ship pilot and later as a captain. Mr. Qiu was also a deputy chief of Sailing Department, a deputy chief of the Dispatching Centre, a deputy chief and the chief of Shipping Department of China Shipping Development Co., Ltd. Tramp Co. and an assistant to the general manager of China Shipping Development Co., Ltd. Tramp Co. Since January 2002, Mr. Qiu has been the deputy general manager of China Shipping Development Co., Ltd. Tramp Co. until March 2009. Since March 2009, Mr. Qiu has been the deputy general manager of the Company and the general manager of China Shipping Development Co., Ltd. Tramp Co., and has been an executive Director since May 2009.

Mr. Wang Daxiong, born in December 1960 and aged 53, is a senior accountant. He is currently the chairman of China Shipping (H.K.) Holdings Co., Ltd. Mr. Wang graduated in 1983 from Shanghai Maritime University with a professional qualification in finance and accounting and joined Guangzhou BOMTA in the same year, and was formerly a section chief, then assistant head of the Finance Division of Guangzhou BOMTA. Since 1996, he has been a director and the chief accountant of Guangzhou Shipping (Group) Company and was the chief accountant and then a deputy general manager of China Shipping (Group) Company since July 1997. Mr. Wang was a non-executive director of China Shipping Container Lines Co., Ltd., a non-executive director of China Merchant Bank Co., Ltd. and the chairman of China Shipping Haisheng Co., Ltd.. Mr. Wang joined the Company in 1997 as an executive Director and resigned the position in March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jun, born in January 1963 and aged 52, is professor and a doctoral supervisor. He is currently an independent non-executive Director and a member of each of the Strategy Committee, Remuneration and Appraisal Committee, Audit Committee and Nomination Committee of the Company. Previously, he was a tutor, lecturer, associate professor and professor in economics at Fudan University. Mr. Zhang has acted as a visiting professor and a visiting scholar at a number of universities and research institutes in the United States of America, the United Kingdom and Japan since 1994. He acted as a visiting research fellow in the "World Research Institute on Economic Development" of the United Nations University, Helsinki, Finland from June to September 2005 and a Changjiang special professor of "Modern Chinese Economy" at Fudan University in April 2006. Currently, he is the director of the "Research Center of Chinese Economy", a key research base of the Ministry of Education, and the chief editor of the "World Economic Papers", a major journal in economics. Mr. Zhang was an independent director of Tengda Construction Group Co., Ltd from October 2007 to October 2013, and an independent director of Deluxe Family Co., Ltd. From April 2008 to April 2014, both being companies listed on the Shanghai Stock Exchange (stock codes 600512 and 600503). Mr. Zhang joined the Company as an independent non-executive Director in May 2009.

Mr. Wang Wusheng, born in March 1951 and aged 64, is currently an independent non-executive Director, the chairman of the Company's Nomination Committee, a member of each of the Remuneration and Appraisal Committee and Audit Committee. He is also a lawyer and a senior partner of Jin Mao P.R.C. Lawyers. Mr. Wang had been a law consultant of Legal Affairs Center of Transportation of the Ministry of Transport of the PRC. Mr. Wang joined the Company as an independent non-executive Director in January 2012.

Mr. Ruan Yongping, born in September 1973 and aged 41, is a Doctor of Accountancy, a professor of accounting and a doctoral tutor. He is currently an independent non-executive Director of the Company, the chairman of the Company's Audit Committee, a member of each of the Nomination Committee and Remuneration and Appraisal Committee, the head of the Faculty of Accounting at East China University of Science and Technology, a member of The Chinese Institute of Certified Public Accountants, and a director of the Chinese Institute of Finance and Cost Research. From 1995 to 1998, Mr. Ruan studied in Jinan University, majoring in finance, and obtained a master degree in economics. Mr. Ruan worked in the securities headquarters of Guangdong Overseas Chinese Trust and Investment Company from 1998 to 2001 as a member of its management in the securities issue, research and development and sales departments, and was also the responsible person of its branch. Mr. Ruan studied in the School of Management, Shanghai Jiao Tong University from 2001 to 2005 majoring in corporate management (specialized in corporate finance), and graduated with the doctorate degree in management. Since 2005 up to the present, Mr. Ruan has been engaged in teaching and scientific research in the Faculty of Accounting of Business School at East China University of Science and Technology, and worked as the head of the Faculty of Accounting, a professor and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of each of Shanghai CIMIC Holdings Co., Ltd., Guangzhou Zhiguang Electric Co., Ltd. and Shanghai Yaoji Playing Card Co., Ltd. (all being companies listed on the Shenzhen Stock Exchange with stock codes 002162, 002169 and 002605 respectively). and was a independent director of and C&S Paper Co., Ltd. (being a company listed on the Shenzhen Stock Exchange with stock codes 002511) from December 2008 to January 2015. Mr. Ruan joined the Company as an independent non-executive Director in March 2014.

Mr. Ip Sing Chi, born in August 1953, aged 61, is currently an independent non-executive Director of the Company, the chairman of the Company's Remuneration and Appraisal Committee and a member of the Strategy Committee of the Company, the Group Managing Director of Hutchison Port Holdings Limited and the chairman of Yantian International Container Terminals Co., Ltd.. He is also an executive director of Hutchison Port Holdings Management Pte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore, stock code NS8U), an outside director of Hyundai Merchant Marine Co., Ltd. (listed in Korea, stock code 11200), an independent non-executive director of COSCO Pacific Limited (listed in Hong Kong, stock code 1199) and a non-independent non-executive director of Westports Holdings Berhad (listed in Malaysia, stock code 5246). Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. Mr. Ip was a non-executive director of Tradelink Electronic Commerce Limited (listed in Hong Kong, stock code 536). Mr. Ip has over 30 years of experience in the maritime industry, and holds a Bachelor of Arts degree. Mr. Ip joined the Company as an independent non-executive Director in June 2014.

Mr. Wang Guoliang, born in September 1952 and aged 62, is a professor-level senior accountant and holds a master's degree. Mr. Wang is now an independent non-executive Director and also a member of each of the Audit Committee and Strategy Committee of the Company. Mr. Wang has years of working experience in China's oil and gas industry and has extensive experience in financial and accounting. Mr. Wang worked as the vice president of China Petroleum Finance Company Limited from October 1995. From November 1997, he was the deputy general manager and general accountant of China National Oil & Gas Exploration and Development Corporation. Mr. Wang was appointed as the chief financial officer of the Petrochina Company Limited from November 1999. Mr. Wang was appointed as the chief accountant of CNPC from February 2007 to July 2013. Mr. Wang joined the Company as an independent non-executive Director in October 2014.

Mr. Zhu Yongguang, born in June 1945 and aged 68, is a senior economics engineer. Mr. Zhu graduated from Wuhan School of River Transportation in 1965 majoring in navigation. Since 1984, Mr. Zhu has been the director of Production Scheduling Division of Oceanic Administration Bureau under the Ministry of Communications, the director of Integrated Transport Division of the Transport Regulation Department under the Ministry of Communications, and from 1992 onwards, Mr. Zhu has been the deputy director general of Transport Regulation Department and the deputy director general of Water Transportation Department. From July 1998 to April 2007, Mr. Zhu served as the director general of the Department of Restructuring, Laws and Regulations. Mr. Zhu was an independent non-executive director of Hao Tian Resources Group Limited (a company listed on the main board of the Stock Exchange (Stock code 0474) from August 2010 to August 2012, Mr. Zhu was an independent non-executive Director of the Company from January 2008 to January 2014.

Mr. Lu Wenbin, born in September 1967 and aged 47, is a Ph.D. in Accountancy. Mr. Lu started his career in July 1992 as an assistant accountant in the Finance Department of Changzhou Wireless General Factory, Jiangsu Province. In March 1993, he served as a lecturer in the Department of Business Administration at Jiangsu Institute of Petrochemical Technology. From September 2000, he acted as the head and subsequently the director of the Office of Academic Affairs of Shanghai National Accounting Institute. Currently, he is a member of the Accounting Education Committee of the Accounting Society of China. He was an independent director of Yintai Resource Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000975)) from November 2008 to July 2013, an independent director of Shanghai Bestway Marine Engineering Design Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300008)) from March 2008 to April 2013, an independent director of Ningbo Shuanglin Auto Parts Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300100)) from May 2007 to May 2013. Mr. Lu was an independent non-executive Director of the Company from May 2009 to March 2014.

Mr. Lin Junlai, born in December 1952, aged 62, was graduated from Jilin University, majoring in economics, with postgraduate qualifications and a master's degree and is a economic engineer. He held the posts of deputy director of the Planning Division under the Planning Department of the Ministry of Commerce, director of the Planning Division under the Comprehensive Planning Department of the Ministry of Internal Trade, assistant to the commissioner of the State Council Compliance Inspectors' General Office, full-time supervisor of the Enterprise Work Committee of the CPC Central Committee, division chief-level and deputy director- general level full-time supervisor of SASAC, deputy director of 11th Offfice of the Board of Supervisors of All Large Key State-owned Enterprises of the State Council. Mr. Lin was an independent non-executive Director of the Company from as May 2013 to October 2014.

SUPERVISORS

Mr. Xu Wenrong, born in June 1961 and aged 53, is a professor-level senior engineer. Mr. Xu graduated from East China Petroleum Institute with a Bachelor degree. He is now the chairman of Supervisory Committee of the Company and a deputy general manager, a member of the Party Committee and Chief of Discipline & Inspection of China Shipping (Group) Company and the chairman of Supervisory Committee of China Shipping Container Lines Co., Ltd. Mr. Xu was appointed as deputy general Director of Petroleum Geophysical Exploration Bureau of China National Petroleum Corporation ("CNPC") in November 1997, and then general Director and Deputy Party Secretary of Petroleum Geophysical Exploration Bureau of CNPC in December 1999. He was appointed the vice chairman, the general manager and Deputy Party Secretary of Bureau of Geophysical Prospecting of CNPC in December 2002. Mr. Xu was appointed Assistant General Manager of CNPC in January 2004, and at the same time, he was the director of R&D department of CNPC and the chairman of CNPC Services & Engineering Co., Ltd. Mr. Xu was appointed the Chief of Discipline & Inspection of China Shipping (Group) Company in June 2011. Mr. Xu joined the Company as a supervisor in June 2012.

Mr. Chen Jihong, born in May 1957 and aged 57, has a university education background and has a MBA degree. He is currently a supervisor of the Company, the general manager of the Shanghai Shipping (Group) Company Limited and a non-executive director of China Shipping Container Lines Co., Ltd. Mr. Chen began his career in March 1975. He was formerly the Secretary of the Communist Party of China ("CPC") and Secretary of the Discipline Inspection Commission of Shanghai Ocean Ship Repair Factory, the vice director and director of Department of Organization of China Shipping (Group) Company (the controlling shareholder of the Company), the vice Mayor of Fang Cheng Gang City of Guangxi Autonomous Region (temporary post). From January 2006 to February 2013, he was the Secretary of the CPC and vice general manager of Tanker Branch of the Company. Mr. Chen was appointed as a supervisor of the Company in May 2013.

Mr. Luo Yuming, born in December, 1967 and aged 47, is a senior engineer. He is currently a supervisor of the Company as a representative of staff, deputy general manager of China Shipping Tanker Company Limited. Mr. Luo graduated from the Dalian Maritime University majoring in vessel driving. He joined the Company in August 1989 and was captain of oil tankers, head of maritime section, assistant to general manager and deputy general manager of China Shipping Development Company Limited Tanker Company – (Guangzhou Branch). He was appointed the director of the vessel administration department of China Shipping Development Co., Ltd. Tanker Company in September 2005 and the general manager of the shipping department in January 2007. Mr. Luo has served as a supervisor of the Company as a representative of staff since October 2007.

Ms. Chen Xiuling, born in May 1965 and aged 49, has a master degree. She is currently a supervisor of the Company as a representative of staff and the general manager of business department in China Shipping Bulk Carrier Co. Ltd. Ms. Chen graduated from Wuhan University of Technology in May 1990 majoring in transportation management. She was formerly an office clerk of the transportation department, then a director and assistant head of the container transportation department in Guangzhou BOMTA Southern Company. In 1998, she joined the Company and served as a deputy chief of business department, a section chief of shipping department and served as a part-time director of operation department, the section chief of business department in China Shipping Development Co., Ltd Tramp Co. She has served as a supervisor of the Company as a representative of staff since May 2006.

Mr. Zhang Rongbiao, born in October 1961 and aged 52, is an accountant, auditor and engineer. He is now the Party secretary of China Shipping Tanker Company Limited. He was the assistant director and deputy director of Supervision and Auditing Division of Guangzhou Shipping (Group) Company from January 1996 to July 1997, the executive vice director and director of Supervision and Auditing Division of China Shipping (Group) Company from July 1997 to March 2005, and the Party secretary and deputy general manager of China Shipping Development Company Limited Tramp Co. from March 2005 to March 2011. From April 2011 to January 2014, he was the general manager and Party secretary of Guangzhou Shipping (Group) Company. Mr. Zhang Rongbiao graduated from Wuhan River Transport College, majoring in Engine Management. He pursued his postgraduate study at Graduate School of Shanghai Academy of Social Sciences from January 1999 to December 2001. Mr. Zhang Rongbiao was a supervisor of the Company from May 2003 to May 2006 and from June 2012 to January 2014.

SENIOR EXECUTIVES

Mr. Han Jun, born in March 1965 and aged 50, has an university education background and has a MBA degree and is also an engineer. He is currently an executive director, a member of the Strategy Committee and the general manager of the Company. Mr. Han began his career in July 1987. He was formerly a ship's chief officer of Dalian Shipping (Group) Company, and the general manager of Hainan Hailian Shipping Company Limited. He was the general manager of the Development Department of China Shipping (Group) Company (the controlling shareholder of the Company) when China Shipping (Group) Company was established in July 1997. He was also the vice president of China Shipping (H.K.) Holdings Co., Ltd. and the general manger and vice chairman of Universal Shipping Co. Ltd. He was the president of China Shipping (H.K.) Holdings Co., Ltd. from March 2007 to February 2013. Mr. Han joined the Company as the general manager in March 2013 and as an executive Director in May 2013.

Mr. Qiu Guoxuan, born in August 1957 and aged 57, is an MBA and is a senior engineer. He is currently the deputy general manager, an executive Director and a member of the Strategy Committee. Mr. Qiu joined Guangzhou BOMTA in 1974 as a ship pilot and later as a captain. Mr. Qiu was also a deputy chief of Sailing Department, a deputy chief of the Dispatching Centre, a deputy chief and the chief of Shipping Department of China Shipping Development Co., Ltd. Tramp Co. and an assistant to the general manager of China Shipping Development Co., Ltd. Tramp Co. Since January 2002, Mr. Qiu has been the deputy general manager of China Shipping Development Co., Ltd. Tramp Co. until March 2009. Since March 2009, Mr. Qiu has been the deputy general manager of the Company and the general manager of China Shipping Development Co., Ltd. Tramp Co., and has been an executive Director since May 2009.

Mr. Wang Kangtian, born in March 1966 and aged 49, has a master's degree in economics. He is a deputy general manager and the Chief Financial Officer of the Company. Mr. Wang joined Guangzhou BOMTA in 1988, and was formerly a section chief, then assistant head of the financial and accounting department in Guangzhou Maritime Transport Group. Mr. Wang joined China Shipping (Group) Company in 1997, and joined the Company in 1999. Mr. Wang graduated from the Finance Department in Anhui Institute of Finance and Trade in 1988 and obtained a master's degree in economics in 2005 from Renmin University of China.

Mr. Tan Weixin, born in July 1958 and aged 56, has a master degree and an economic engineer. He is currently a deputy general manager of the Company. He was formerly the Company Secretary of the Shanghai Hai Xing Shipping Company Limited, the general manager of the China Shipping International Trading Co., Ltd., the deputy manager of the China Shipping Logistic Co., Ltd and the deputy manager and general manager of the development department of China Shipping (Group) Company. He joined the Company in February 2007 as a deputy general manager.

Mr. Zhuang Deping, born in December 1959 and aged 55, has a bachelor's degree and is a senior engineer. He is currently a deputy general manager of the Company. He was formerly a Captain of an oil shipping company of Guangzhou BOMTA, assistant general manager and deputy general manager of Guangzhou Maritime Transport (Group) Co., Ltd. Since July 1998, he has been the deputy general manager of China Shipping Development Co., Ltd. Oil Company and is now the general manager of China Shipping Group Gas Investment Co., Ltd. (a wholly owned subsidiary of the Company).

Ms. Yao Qiaohong, born in September 1969 and aged 45, is an economic engineer. She is the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao joined Shanghai HaiXing Shipping Company Limited in 1997. Ms. Yao joined the Company in 2002 and has been the Securities Affairs Representative of the Company, Vice Manager and Manager of the secretary office of the Board of the Company. Ms. Yao graduated from Shanghai Maritime University in 1997 with a master degree in literature.

INDEPENDENT NON-EXECUTIVE DIRECTOR TO BE ELECTED IN THE AGM

Mr. Rui Meng, born in November 1967 and aged 47, is a Ph.D. of Finance and a Professor of Finance and Accounting in China Europe International Business School ("CEIBS"). Dr. Rui obtained his Bachelor's Degree in International Economics from University of International Relations in Beijing in 1990, obtained his Master's Degree in Economics from Oklahoma State University in U.S.A. in 1993 and obtained his Master's Degree in Business Administration and his Ph.D's Degree in Finance from University of Houston in 1995 and 1997 respectively. Dr. Rui is now a Professor of Finance and Accounting in CEIBS and his teaching and research areas are mainly concentrated in terms of finance. Dr. Rui has published more than 60 articles in the international famous journals and and is a member of think-tankers for many prominent media. Dr Rui Meng is a Chartered Financial Analyst (CFA) and a Financial Risk Manager (FRM). Before joining CEIBS, Dr Rui Meng worked in finance and accounting departments at the Chinese University of Hong Kong and the Hong Kong Polytechnic University and was a tenured professor of the Chinese University of Hong Kong. He served as the deputy director of the China Accounting and Finance Center of the Hong Kong Polytechnic University, a senior researcher of Economic and Financial Research Center of the Chinese University of Hong Kong, the deputy director of Corporate Governance Research Center of the Chinese University of Hong Kong, director of the master of accounting (MACC) program at the Chinese University of Hong Kong and director of the program of Executive Master of Accounting (EMPACC).Dr Rui Meng has won many prizes in teaching and research areas, such as won outstanding teaching award of the Chinese University of Hong Kong from 2004 to 2009 for six consecutive years and won outstanding research award of CEBIS in 2013. Dr Rui Meng was a member of examination committee of The Stock Exchange of Hong Kong Limited. He is a member of American Finance Association, International Financial Management Association, the American Accounting Association, and The Hong Kong Securities and Investment Institute. He is also a member of Advisory Committee of the Association of Hong Kong Business Valuation, a senior financial expert of the Shanghai Stock Exchange, a visiting scholar of Hong Kong Financial Research Centre and the Asian Development Bank, and the deputy chairman of the Hong Kong Association of Financial Engineers.

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