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)

2015 ANNUAL REPORT

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

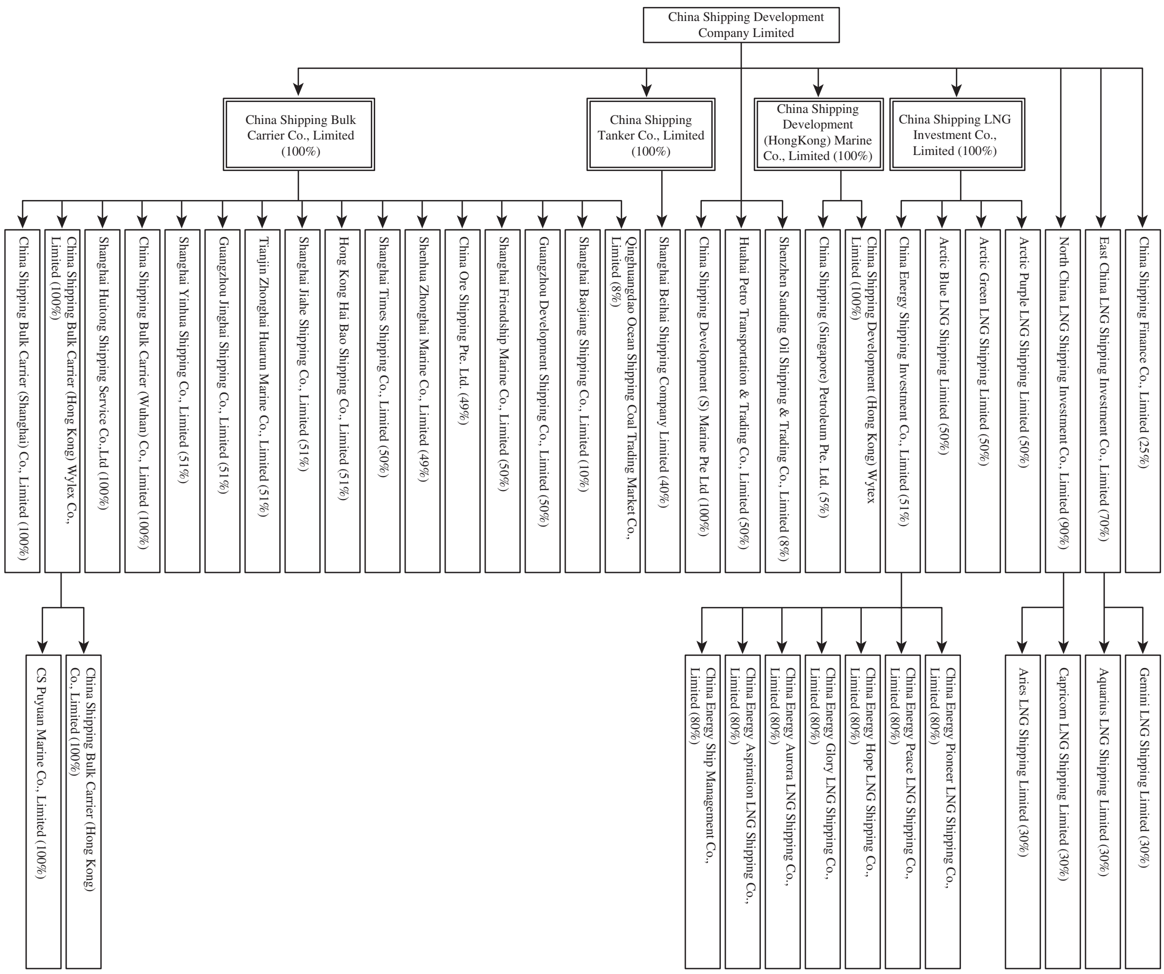
CONTENT

COMPANY PROFILE

China Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group") is a major shipping company having its business across the coastal region of the PRC and internationally. The Company was established on 3 May 1994, and the registered capital of the Company now is 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 in November 1994 and Shanghai Stock Exchange in May 2002, 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 2015, the Group has the total assets of approximately RMB68.38 billion, of which the shareholders' equity is approximately RMB25.70 billion, and the Group has a fleet of 166 vessels with approximately 16.85 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				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**12,212,973**	12,273,849	11,344,152	11,053,628	12,157,458
Profit/(loss) before tax	**592,006**	321,993	(2,229,350)	(331,375)	1,244,073
Profit/(loss) for the year attributable to equity holders of the parent	**416,992**	309,413	(2,234,106)	73,741	1,062,214
Total assets	**68,378,653**	65,750,403	58,842,479	57,860,523	51,747,288
Non-controlling interest and Total liabilities	**42,681,447**	43,921,403	37,615,108	34,343,386	27,988,983
Equity attributable to equity holders of the parent	**25,697,206**	21,829,000	21,227,371	23,517,137	23,758,305
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.370**	6.270	6.235	6.908	6.978
Earning/(loss) per share	**0.1049**	0.0909	(0.6562)	0.0217	0.312
Dividend per share	**0.100**	0.030	0.000	0.000	0.100

MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) International oil shipping market

In 2015, the global tanker market remained in good shape in general. Affected by the low prices of international crude oil, the demand for tunker in relation to active global oil trade saw demand for tanker capacity increased by 4.3%, while the global tanker capacity increased by merely 1.5%, the lowest since the global financial crisis in 2008. Due to the interaction of multiple factors, the international tanker market experienced a upward trend in general. Average tariff level of all major routes increased over the same period of last year, resulting in significant improvement in earnings of ship owners. The annual average value of freight index for three typical routes in the very large crude oil carrier ("VLCC") market (Middle East - Far East TD3, Middle East - the US and the Gulf TD1, West Africa - China TD15) rose by over 25% year-on-year, while the annual average value of freight index for three typical routes (Middle East - Japan TC1, Middle East - Japan TC5, Singapore - Japan TC4) for three types of vessels (Long Range 1, Long Range 2 and Medium.Range) in the international clean oil market rose by 6.63%, 4.04% and 15.56% year-on-year respectively.

(2) Domestic oil shipping market

In 2015, the domestic crude oil shipping market underwent changes in policy as the Ministry of Transport opened up the supply allocation scheme in March 2015. The offshore crude oil output reached its peak during the 12th Five-Year Plan. For transshipment of import crude oil market, the demand for water transport remained strong, and the annual transshipment volume of import crude oil amounted to over 20 million tonnes. In general, the shipping volume of the coastal crude oil by water was approximately 65.7 million tonnes, representing an increase by 11.26 million tonnes or of 20.7% year-on-year.

(3) International dry bulk shipping market

In 2015, the international dry bulk shipping market was in serious recession and performed far worse than the expectation in the beginning of the year. The market remained at the bottom during the whole year with an annual average value of Baltic Dry Index ("BDI") 719 points, representing a decrease of 34.9% as compared to the same period of last year. On 11 February 2016, the value even dropped to 290 points to a new historic low, representing a decrease of 97.5% compared to the peak 11,793 points in 2008. The slump was due to three reasons: first, global economic growth slowed down, China's demand grew negatively and the global climate change dragged down the market; second, the demand for global dry bulk shipping dropped 0.3% year-on-year; third, many new ships were delivered and the supply of global shipping capacity increased by 2.6%, further intensifying over supply of shipping capacity.

(4) Domestic dry bulk shipping market

The domestic coastal dry bulk shipping market also showed downturn performance in 2015. Coastal Bulk Freight Index ("CCBFI"), an integrated freight rate index for coastal dry bulk shipment remained at low side with an annual average index of 853 points, down 13.8% as compared to last year. This was due to the slowdown of the country's economic growth, industrial restructuring and declining of production, the a structural downsize in a large scale of destocking, domestic coals and iron ore, market and such structural downsizing trend was irreversible, posing unprecedented challenges to the domestic dry bulk shipping market.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

Facing the complicated market environment, the Group adhered to the "strategic guidance and innovation-driven" general keynotes of work and to continue to deepen the strategy of "major clients, great co-operation and comprehensive services". The Company actively innovated its business ideas and modes, pushed forward a transformation in an orderly manner and obtained breakthroughs in all aspects including marketing, cost control, safety management, management upgrade and capital operation, maintaining an overall stable development trend.

In 2015, the volume of cargo shipped by the Company accumulated to approximately 184 million tonnes, up 1.1% year-on-year; transport turnover were approximately 470.9 billion tonne-nactical miles, increased by 9.5% year-on-year; revenue derived from operations (after business tax and surcharge) was approximately RMB12,213 million, decreased by 0.5% year-on-year; operating costs were approximately RMB9,867 million, decreased by 9.4% year-on-year. The profit for the year attributable to owners of the Company was RMB417 million, and the basic earnings per share was RMB10.49 cents.

(1) Revenue from Principal Operations

In 2015, 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 to 2014	Increase/ (decrease) in operating costs as compared to 2014	Increase/ (decrease) in gross profit margin as compared to 2014
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(%)
Oil shipment	5,187,777	3,062,161	41.0	0.5	-29.8	25.4
Coal shipment	1,562,249	1,520,620	2.7	-34.2	-36.3	3.3
Iron ore shipment	2,260,133	2,074,486	8.2	-21.6	-6.9	-14.5
Other dry bulk shipment	809,473	890,112	-10.0	74.0	74.9	-0.6
Vessel chartering	2,393,341	2,319,820	3.1	72.5	65.6	4.1
Total	12,212,973	9,867,199	19.2	-0.5	-9.4	7.9

Principal Operations by Geographical Regions

Regions	Revenue	Increase/ (decrease) in revenue as compared to 2014
	(RMB'000)	(%)
Domestic shipment	4,821,465	4.7
International shipment	7,391,508	-3.6

(2) Shipping business - Oil shipment

In 2015, the oil shipping market was better than in 2014 in general. Affected by beneficial factors such as the higher shipping prices, significant decrease in fuel prices and gradual realisation of results from various innovative measures of the Company, oil shipping business obtained a good result.

For domestic oil shipment, due to the opening up of the domestic crude oil market, the Company further established the operating strategy and goal of "**leading the innovation of the operating mode of the domestic crude oil market, becoming the leading force to safeguard the market order and continuously consolidating and enhancing its leading position in the market**". Centered on this strategy objective, the Company strengthened strategic layout, strategically exited the refined oil market, innovated the integrated logistical service modes and seized the opportunities of capital injection into Beihai Shipping to establish a close partnership with China National Offshore Oil Corporation. The Company actively promoted the new "competition and cooperation" mode to undergo cooperation of various kinds with the domestic shipping companies, such as exchanging the anchors, the routes, the cargo and short-and-long term rental. They not only brought a win-win solution to the shipping companies, but also increased protection for the shipping customers, realising a win-win situation for both the shipment owner and the shipping company. In 2015, the Company's domestic oil transport turnover was 15.54 billion tonne-nautical miles, increased by 5.1% year-on-year; revenue derived from operations was RMB2,158 million, increased by 8.6% year-on-year; gross profit rate was 40.5%, increased by 6.5% year-on-year. The Company's market share in the domestic shipping market remained at around 54%. In particular, with the year-on-year decrease by 2.9% of the freight rates for coastal crude oil, the Company's domestic crude shipping business continued to maintain a relatively high profitability level with a gross profit rate of 43.7%, realising gross profit of RMB860 million, increased by 31.0% year-on-year.

In the international oil shipment market, the Company actively carried out the strategies of "globalisation", "following" and "diversification", which greatly enhanced the Company's ability to study the market, to bargain, to resist market fluctuation and its profitability. In aspects of client diversification, market diversification, route diversification and business diversification combining self-operation and term lease, or long-term lease and short-term lease, comprehensive breakthrough has been achieved to significantly lower dependency on single clients, single markets and single routes. Profitability is further strengthened. In 2015, the Company completed exported oil shipment turnover of 152.2 billion tonne-nautical miles, decreased by 13.4% year-on-year (mainly because part of the self-operating vessels changed to vessels for lease); transport income was RMB3,921 million, increased by 11.6% year-on-year; gross profit rate was 32.8% and gross profit was RMB1,284 million, increased by RMB1,140 million year-on-year, representing an increase of 786.6%.

In 2015, the Group achieved a shipping volume of approximately 167.7 billion tonne-nautical miles of oil, representing a decrease of approximately 12.0% year-on-year; revenue derived from oil transportation was approximately RMB6,079 million, representing an increase of 10.5% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by product types

	In 2015 (billion tonne-nautical miles)	In 2014 (billion tonne-nautical miles)	**Increase/ (decrease)** (%)
Domestic	**15.54**	14.78	5.1
Crude oil	**14.93**	13.39	11.5
Refined oil	**0.61**	1.39	-56.1
International	**152.19**	175.72	-13.4
Crude oil	**121.33**	141.78	-14.4
Refined oil	**30.86**	33.94	-9.1
Total	**167.73**	190.50	-12.0

Revenue by shipment types

	In 2015 (RMB million)	In 2014 (RMB million)	**Increase/ (decrease)** (%)
Domestic	**2,158**	1,988	8.6
Crude oil	**1,960**	1,720	14.0
Refined oil	**109**	212	-48.6
Vessel charting	**89**	56	58.9
International	**3,921**	3,512	11.6
Crude oil	**2,178**	2,020	7.8
Refined oil	**941**	1,213	-22.4
Vessel chartering	**802**	279	187.5
Total	**6,079**	5,500	10.5

(3) Shipping business - Dry bulk shipment

For domestic bulk cargo shipment, in 2015, China Shipping Bulk Carrier Co., Limited ("CS Bulk") strengthened marketing on domestic big customers by advanced arrangement of Contract of Affreightment ("COA Contract") contract negotiations early in the year, and strived to increase the fulfilment rate of the contracts. In 2015, CS Bulk signed COA contracts for domestic dry bulk cargoes with a shipping volume of 50.95 million tonnes. Through early disposal and seal of its coastal transport capacity, the Company decreased its loss by RMB168 million during the whole year.

For international dry bulk shipment, the Company actively adjusted the market structure to transform it from the traditional coastal shipping market to ocean cargo market; strengthened the cooperation with Baosteel Group Corporation ("Baosteel") and Wuhan Iron And Steel (Group) Corporation ("Wugang"), actively pushed forward the cooperation with Valley in Brazil. Foreign trading capacity took up 77%, with a foreign turnover of 82%. Foreign transport income took up 75% of the total income. Meanwhile, the Company adjusted the supply structure to transform it from traditional thermal coal shipment to non-coal shipment of high added-value including grain and chemical fertiliser. Non-coal shipping capacity took up 75%, while the non-coal shipping volume reached 58%. For strengthening of international cargo shipment, the Company strived to improve very large ore carriers ("VLOC") operation and completed 56 routes, turnover of 14.17 million tonnes during the whole year and achieved operating income of RMB1,252 million. Meanwhile, the Company enhanced its ability to study the market for better cargo capacity layout. The Company increased capacity to the third country, and its capacity input in the third countries during the whole year increased by 7.9% year-on-year and the third countries' turnover increased by 11.6% year-on-year. In addition, the Company developed cargo rental business, achieving cargo rental income of RMB186 million during the whole year.

In 2015, the Group achieved a shipping volume of approximately 303.2 billion tonne-nautical miles of dry bulk cargo, representing an increase of approximately 26.6% year-on-year; operating revenue derived from dry bulk cargo transportation was approximately RMB6,134 million, representing a decrease of 9.5% year-on-year. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2015 (billion tonne-nautical miles)	In 2014 (billion tonne-nautical miles)	**Increase/ (decrease) (%)**
Domestic	**72.11**	72.37	-0.4
Coal	**53.10**	56.73	-6.4
Iron ore	**7.72**	7.10	8.7
Other dry bulk (note)	**11.29**	8.54	32.2
International	**231.09**	167.21	38.2
Coal	**20.08**	12.17	65.0
Iron ore	**176.75**	147.54	19.8
Other dry bulk (note)	**34.26**	7.50	356.8
Total	**303.20**	239.58	26.6

Revenue by shipment types

	In 2015 (RMB million)	In 2014 (RMB million)	**Increase/ (decrease) (%)**
Domestic	**2,664**	2,619	1.7
Coal	**1,311**	1,933	-32.2
Iron ore	**150**	277	-45.8
Other dry bulk (note)	**264**	258	2.3
Vessel chartering	**939**	151	521.9
International	**3,470**	4,155	-16.5
Coal	**251**	441	-43.1
Iron ore	**2,110**	2,606	-19.0
Other dry bulk (note)	**545**	207	163.3
Vessel chartering	**564**	901	-37.4
Total	**6,134**	6,774	-9.4

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

(4) **Progress made in Liquefied natural gas ("LNG") shipment**

In 2015, the Company steadily pushed forward the phase 1 vessel construction of the Mobil DES project and the APLNG project, and actively worked better on the negotiation and development of the relevant projects. The Company strengthened coordination with its business partners, accelerated the construction of a team of talents. As of December 2015, there were 13 vessels in total owned by the Mobile DES project, APLNG project and YAMAL project which the Company participated or directed.

In 2015, the Company's LNG business entered the stage of garnering profits. The 3 LNG vessels of the Mobile DES project were put into operation and completed 13 voyages with shipment of 990,000 tonnes, turnover of 4,300 million tonne-nautical miles. The Company achieved net profits of approximately USD7.13 million, and investment profits of RMB13.33 million under the equity method.

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 2015, transportation cost of RMB9.87 billion was incurred, representing a decrease of 9.4% 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 2015 (RMB'000)**	In 2014 (RMB'000)	**Increase/ (decrease) (%)**	**Composition ratio in 2015 (%)**
Fuel costs	**2,735,705**	4,555,800	-40.0	27.7
Port costs	**1,144,577**	1,107,320	3.4	11.6
Sea crew cost	**1,304,625**	1,499,667	-13.0	13.2
Lubricants expenses	**214,099**	223,797	-4.3	2.2
Depreciation	**1,880,065**	1,842,974	2.0	19.1
Insurance expenses	**212,597**	238,527	-10.9	2.2
Repair expenses	**321,003**	351,382	-8.6	3.2
Charter cost	**1,595,540**	516,664	208.8	16.2
Provision for onerous contracts	**127,828**	107,358	19.1	1.3
Others	**331,160**	442,131	-25.1	3.3
Total	**9,867,199**	10,885,620	-9.4	100.0

Fuel costs were the major expense for the Company. Affected by the significant slump of international oil price and the Company's active efforts to control costs, the lower fuel costs was the highlight of the cost-controlling work. In 2015, while the transportation turnover volume of the Company increased by 9.5% year-on-year, the fuel consumption volume was 1,124,300 tonnes, representing a decrease of 4.0% year-on-year; and average fuel consumption decreased from 2.72kg/1,000 nautical miles in 2014 to 2.39 kg/1,000 nautical miles, decreasing by 12.1% year-on-year, the utilisation efficiency of fuel has been improved significantly. In 2015, the Company incurred fuel costs of RMB2,736 million, representing a decrease of 40.0% year-on-year and accounting for 27.7% of the costs of transportation costs.

Regarding sea crew costs, the Group implemented reform of its crew management system, which enabled the Group to reduce crew costs of approximately RMB195 million in 2015.

In addition, the Group further strengthened communication and coordination with insurance companies and P&I Clubs. As a result, actual expenditures on insurance fees of the Group decreased by RMB25.93 million respectively in 2015.

In 2015, the Group incurred charter cost of RMB1.596 billion, representing an increase of 208.8% year-on-year. Such increases were because in 2015, the Group disposed 36 vessels with an aggregate capacity of 1,329,000 deadweight tonnes and the Company chartered in some vessels to replace the disposed old vessels so as to ensure the normal operation of the Company.

4. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

In 2015, the Group has recognised its share of profits in its joint ventures of approximately RMB72 million, representing a decrease of 64.9% as compared to that of the same period in 2014. In 2015, the 5 joint ventures achieved a shipping volume of 115.2 billion tonne-nautical miles, representing a decrease of 12.4% as compared to the same period in 2014. The operating revenue achieved by the 5 joint ventures in 2015 was approximately RMB5.786 billion, representing a decrease of 31.9% as compared to that of the same period in 2014, and the net profit realised by the 5 joint ventures in 2015 was approximately RMB55 million, representing a decrease of 83.2% as compared to that of the same period in 2014.

As at 31 December 2015, the 5 joint ventures owned 88 dry bulk vessels with a total capacity of 4.84 million deadweight tonnes and 3 vessels under construction with a total capacity of 143,000 deadweight tonnes.

The operating results achieved by the 5 joint ventures in 2015 are as follows:

Company name	Interest held by the Group	2015 Shipping volume (billion tonne-nautical miles)	2015 Operating revenue (RMB'000)	2015 Net profit/(loss) (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	50.85	2,002,173	32,548
Shanghai Times Shipping Co., Limited	50%	53.24	3,071,262	1,361
Shanghai Friendship Marine Co., Limited	50%	1.67	85,666	-13,846
Huahai Petrol Transportation & Trading Co., Limited	50%	2.49	178,130	20,668
Guangzhou Development Shipping Co., Limited	50%	6.96	448,487	13,929

In 2015, 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 RMB208 million.

In 2015, the Group has recognised its share of profits in its associates of approximately RMB216 million. In 2015, 2 associates achieved a shipping volume of 36.18 billion tonne-nautical miles. The operating revenue achieved by the 2 associates in 2015 was approximately RMB1.615 billion, and the net profit realised by the 2 associates in 2015 was approximately RMB503 million.

As at 31 December 2015, the 2 associates owned 11 vessels with a total capacity of 2.19 million deadweight tonnes.

The operating results achieved by the 2 associates in 2015 are as follows:

Company name	Interest held by the Group	2015 Shipping volume (billion tonne-nautical miles)	2015 Operating revenue (RMB'000)	2015 Net profit (RMB'000)
Shanghai Beihai Shipping Company Limited	40%	12.98	1,336,983	486,968
China Ore Shipping Pte Ltd.	49%	23.20	278,327	15,948

5. FINANCIAL ANALYSIS

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB5,084,984,000 compared to that for the year ended 31 December 2014 was approximately RMB3,157,049,000, representing an increase of approximately 61.1%.

(2) Capital commitments

	2015 RMB'000	2014 RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (note 1)	**5,764,137**	5,430,061
Equity investments (note 2)	**777,517**	539,668
	6,541,654	5,969,729

The Group had capital commitments as at 31 December 2015, of which RMB2,918,629,000 (2014: RMB1,112,199,000) from the Group will be due within one year.

Note:

(1) According to the construction or purchase agreements entered into by the Group from April 2013 to June 2015 (2014: January 2007 to December 2014), these capital commitments will fall due in 2016 to 2018 (2014: 2015 to 2017).

(2) Included capital commitments in respect of equity investments is commitment to invest in an associate, China Ore Shipping Pte Ltd., and a joint venture, Shenhua Zhonghai Marine Co., Limited, of the Group.

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 RMB121,975,000 (2014: RMB486,298,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB2,929,925,000 (2014: RMB3,225,137,000); which are authorised but not contracted for amounted to RMB382,200 (2014: RMBNil).

(3) Capital structure

The Group's net debt-to-equity ratio as at 31 December 2015 and 2014 was as follows:

	2015 RMB'000	2014 RMB'000
Total debts	**39,238,534**	41,211,060
Less: Cash and cash equivalents	**(2,085,889)**	(2,449,240)
Net debt	**37,152,645**	38,761,820
Total equity	**26,523,203**	22,647,729
Net debt-to-equity ratio	**140%**	171%

(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.

Included in cash and cash equivalents is an amount of RMB794,370,000 (2014: RMB696,892,000) of bank balance deposited with CS Finance, a joint venture of the Group.

As at 31 December 2015, none of bank deposits (2014: bank deposits of RMB611,900,000) has/had been pledged to secure short-term bank borrowings. The pledged bank deposits were released upon the settlement of relevant bank borrowings during the Reporting Period.

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

	2015 RMB'000	2014 RMB'000
USD	**1,292,096**	1,579,382
SGD	**487**	910
HKD	**12,324**	11,182
Others	**710**	746

The carrying amounts of pledged bank deposits were denominated in the following foreign currency:

	2015 RMB'000	2014 RMB'000
USD	**—**	611,900

(5) Trade and bills receivables

	2015	2014
	RMB'000	RMB'000
Trade and bills receivables	**2,233,434**	1,735,214
Due from associates	**—**	736
Due from joint ventures	**40,200**	9,627
Due from fellow subsidiaries	**477**	686
	2,274,111	1,746,263

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:

	2015	2014
	RMB'000	RMB'000
1 - 3 months	**1,577,830**	1,503,619
4 - 6 months	**604,399**	131,929
7 - 9 months	**48,784**	58,604
10 - 12 months	**40,055**	47,443
1 - 2 years	**3,043**	4,668
	2,274,111	1,746,263

No impairment losses (2014: RMBNil) was made 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 Reporting Period, the Directors of the Company consider that no allowance is required.

Included in trade and bills receivables are debtors with total carrying amount of approximately RMB377,530,000 (2014: RMB242,644,000) which are past due as at the end of the Reporting Period for which the Group had not provided for impairment losses (2014: RMBNil) as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

Ageing of trade and bills receivables which are past due but not impaired, is as follows:

	2015	2014
	RMB'000	RMB'000
1 - 6 months	**335,432**	190,533
7 - 12 months	**39,055**	47,443
Over 1 year	**3,043**	4,668
	377,530	242,644

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.

Certain trade and bills receivables are denominated in the following foreign currencies:

	2015	2014
	RMB'000	RMB'000
USD	**1,105,388**	968,211
AUD	**—**	2

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

	2015	2014
	RMB'000	RMB'000
Prepayments	**149,853**	139,850
Deposits and other receivables	**836,779**	316,039
Due from associates	**—**	3,427
Due from joint ventures	**333,929**	74,565
Due from fellow subsidiaries	**185,917**	185,662
Due from related companies		
– Due from joint ventures of ultimate holding company	**16,971**	16,971
– Due from a joint venture of a fellow subsidiary	**25**	76,153
	1,523,474	812,667

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

Certain prepayments, deposits and other receivables are denominated in the following foreign currencies:

	2015	2014
	RMB'000	RMB'000
USD	**304,046**	483,041
HKD	**81,117**	23,011
AUD	**34,019**	22,820
JPY	**4,735**	1,914
Others	**20,317**	13,629

(7) Trade and bills payables

	2015 RMB'000	2014 RMB'000
Trade and bills payables	**619,700**	472,700
Due to ultimate holding company	**729**	147
Due to joint ventures	**3,260**	860
Due to fellow subsidiaries	**236,523**	377,627
Due to related companies		
– Due to joint ventures of ultimate holding company	**12,844**	9,576
– Due to joint ventures of fellow subsidiaries	**31,382**	129,759
	904,438	990,669

Trade payables due to ultimate holding company, joint ventures, fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit period as other trade payables.

Certain trade and bills payables are denominated in the following foreign currencies:

	2015 RMB'000	2014 RMB'000
USD	**515,293**	619,246
HKD	**12,384**	36,944
JPY	**5,664**	2,283
EUR	**4,919**	6,161
Others	**1,494**	9,458

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

	2015 RMB'000	2014 RMB'000
1 - 3 months	**612,959**	710,078
4 - 6 months	**118,197**	129,070
7 - 9 months	**47,088**	51,795
10 - 12 months	**80,573**	66,103
1 - 2 years	**37,122**	24,436
Over 2 years	**8,499**	9,187
	904,438	990,669

Trade and bills payables are non-interest-bearing and are normally settled in one to three months.

(8) Other payables and accruals

	2015 RMB'000	2014 RMB'000
Other payables	**594,645**	(57,484)
Accruals	**42,344**	41,906
Due to ultimate holding company	**6,422**	17,647
Due to joint ventures	**74,816**	4,962
Due to fellow subsidiaries	**12,519**	97,665
Due to related companies		
– Due to joint ventures of fellow subsidiaries	**185**	—
	730,931	104,696

Other payables and accruals are non-interest-bearing and are normally settled in one to three months.

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

Certain other payables and accruals are denominated in the following foreign currencies:

	2015 RMB'000	2014 RMB'000
USD	**375,682**	314,656
HKD	**11,978**	3,412
Others	**5,651**	1,937

(9) Provision for onerous contracts

	2015 RMB'000	2014 RMB'000
At 1 January	**281,815**	349,694
Provision during the year	**127,828**	107,358
Utilised during the year	**(142,287)**	(175,850)
Exchange realignment	**(594)**	613
At 31 December	**266,762**	281,815
Current portion of provision for onerous contracts	**107,623**	142,287
Non-current portion of provision for onerous contracts	**159,139**	139,528
	266,762	281,815

As at 31 December 2015, the Group has a provision of RMB266,762,000 (2014: RMB281,815,000) for onerous contracts relating to the non-cancellable chartered-in oil tanker and dry bulk vessel contracts.

As at 31 December 2015, the committed charterhire expenses of non-cancellable chartered-in oil tanker and dry bulk vessel contracts with lease term expiring over twenty-four months from the end of the Reporting Period and with period not being covered by chartered-out oil tanker and dry bulk vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB2,556,989,000 (2014: RMB2,709,313,000).

(10) Derivative financial instruments

	2015	2014
	RMB'000	RMB'000
Liabilities		
Current portion	**508**	—
Non-current portion	**411,385**	291,553

As at 31 December 2015, the Group held thirty-one (2014: thirty-one) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was USD609,800,282 (approximately RMB3,959,799,000) (2014: USD609,800,282 (approximately RMB3,731,368,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032, are designated as cash flow hedges in respect of the bank borrowings of the Group with a floating interest rate.

During the Reporting Period, the floating rates of the bank borrowings were 3 month London Inter-Bank Offered Rate ("Libor") plus 0.42% or 2.20% (2014: 3 month Libor plus 0.42%, 0.45% or 2.20%).

Loss for the interest rate swap agreements during the Reporting Period is as follows:

	2015	2014
	RMB'000	RMB'000
Total fair value loss included in the hedging reserve	**104,840**	436,415
Hedge loan interest included in finance costs	**1,807**	3,386
Total loss on cash flow hedges of the interest rate swap agreements	**106,647**	439,801

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

(11) Interest-bearing bank and other borrowings

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

		Annual effective interest rate (%)	Maturity	2015 RMB'000	2014 RMB'000
Current liabilities					
(i)	**Bank borrowings**				
	Secured	5% to 10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 2.15%, 3 month Libor, 3 month Libor + 0.42% to 2.15%, 6 month Libor + 0.40% to 1.70%, fixed rate of 3.50% to 4.80%	2016	**1,487,272**	1,926,196
	Unsecured	9% to 10% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.60% to 4%, 3 month Libor, 3 month Libor + 0.70% to 2.20%, fixed rate of 1.70% to 4.80%	2016	**4,529,070**	4,030,944
				6,016,342	5,957,140
(ii)	**Other borrowings**				
	Secured	5% discount to the PBC Benchmark interest rate, fixed rate of 6%	2016	**8,670**	253,160
	Unsecured	10% discount to the PBC Benchmark interest rate, Libor + 1.60% to 2.90%, 6 month Libor + 2.10%, fixed rate of 1.50% to 6%	2016	**2,179,360**	2,032,790
				2,188,030	2,285,950
Interest-bearing bank and other borrowings – current portion				**8,204,372**	8,243,090

		Annual effective interest rate (%)	Maturity	2015 RMB'000	2014 RMB'000
Non-current liabilities					
(i)	**Bank borrowings**				
	Secured	5% to 10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 2.15%, 3 month Libor + 0.42% to 2.20%, 6 month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2018 to 2037	**13,264,504**	11,295,416
	Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.45% to 1.85%, 3 month Libor + 1.20% to 2.40%, fixed rate of 2.91% to 6%	2017 to 2024	**6,789,686**	7,388,464
				20,054,190	18,683,880
(ii)	**Other borrowings**				
	Secured	5% discount to the PBC Benchmark interest rate	2023	**100,470**	129,540
	Unsecured	6 month Libor + 2% to 2.50%, fixed rate of 3.60% to 6.51%	2017 to 2018	**5,298,721**	4,611,923
				5,399,191	4,741,463
Interest-bearing bank and other borrowings – Non-current portion				**25,453,381**	23,425,343

The Group's bank and other borrowings are secured by pledges of the Group's 53 vessels (2014: 48 vessels) and 6 vessels under construction (2014: 13 vessels under construction) with total net carrying amount of RMB20,639,356,000 (2014: RMB19,154,098,000) and RMB6,004,226,000 (2014: RMB4,995,123,000) respectively as at 31 December 2015.

As at 31 December 2015, no bank deposits (2014: bank deposits of RMB611,900,000) has/had been pledged to secure short-term bank borrowings. The pledged bank deposits were released upon the settlement of relevant bank borrowings during the Reporting Period.

Except for secured bank borrowings of RMB13,326,897,000 (2014: RMB12,470,966,000), unsecured bank borrowings of RMB7,437,128,000 (2014: RMB6,978,985,000) and unsecured other borrowings of RMB1,948,080,000 (2014: RMB611,923,000) which are denominated in USD, all interest-bearing bank and other borrowings are denominated in RMB.

(b) As at 31 December 2015, the Group's interest-bearing bank and other borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Analysed into:		
(i) Bank borrowings:		
Within one year or on demand	**6,016,342**	5,957,140
In the second year	**4,577,413**	2,689,239
In the third to fifth year, inclusive	**8,131,904**	10,204,923
Over five years	**7,344,873**	5,789,718
	26,070,532	24,641,020
(ii) Other borrowings:		
Within one year or on demand	**2,188,030**	2,285,950
In the second year	**1,658,540**	8,670
In the third to fifth year, inclusive	**3,680,215**	4,640,993
Over five years	**60,436**	91,800
	7,587,221	7,027,413
	33,657,753	31,668,433

Included in other borrowings represent an amount of RMB292,800,000 (2014: RMB1,421,790,000) which was borrowed from CS Finance, a joint venture of the Group. As at 31 December 2015, the current and non-current portion of this borrowing amounted to RMB253,400,000 (2014: RMB1,370,990,000) and RMB39,400,000 (2014: RMB50,800,000) respectively.

Included in other borrowings represent an amount of RMB7,148,080,000 (2014: RMB5,411,923,000) was borrowed from the Company's ultimate holding company. As at 31 December 2015, the current and non-current portion of this borrowing amounted to RMB1,849,360,000 (2014: RMB800,000,000) and RMB5,298,720,000 (2014: RMB4,611,923,000) respectively.

(c) Details of notes are as follows:

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 had been fully redeemed on 3 August 2014.

(12) Other loans

	2015	2014
	RMB'000	RMB'000
Baosteel Resources International Company Limited ("Baosteel Resources International")	**420,016**	410,784
Kantons International Investment Limited ("Kantons International")	**519,946**	306,769
Shanghai Puyuan Shipping Co., Limited ("SH Puyuan")	—	107,681
Mitsui O.S.K. Lines, Limited ("MOL")	**241,856**	138,140
Petrochina International Co., Limited ("Petrochina International")	**17,721**	12,286
	1,199,539	975,660
Less: Current portion of other loans	—	(44,714)
Non-current portion of other loans	**1,199,539**	930,946

Loan from Baosteel Resources International represents an amount of USD64,680,000 (approximately RMB420,016,000) (2014: USD67,130,000 (approximately RMB410,784,000)) which was provided to Hong Kong Hai Bao Shipping Co., Limited to finance the construction of vessels and daily operations. The loan is unsecured, interest-bearing at fixed rate of 3% (2014: fixed rate of 3.50%) per annum and repayable in 2018.

According to the contract signed between East China LNG Shipping Investment Co., Limited ("ELNG") and its non-controlling shareholder, Kantons International, USD7,069,829 (approximately RMB45,909,000) (2014: USD5,885,854 (approximately RMB36,015,000)) which was provided to ELNG to finance certain vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, interest-bearing at approximately 3.30% to 6.20% over 3 month Libor (2014: approximately 3.30% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

According to the contract signed between China Energy Shipping Investment Co., Limited ("China Energy") and its non-controlling shareholder, Kantons International, USD73,000,707 (approximately RMB474,037,000) (2014: USD44,248,019 (approximately RMB270,754,000)) which was provided to China Energy to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loan is unsecured, interest-bearing at approximately 2.20% over 3 month Libor (2014: approximately 2.20% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

According to the contract signed between CS Puyuan Marine Co., Limited ("CS Puyuan")and its non-controlling shareholder, SH Puyuan, as at 31 December 2014, USD17,597,200 (approximately RMB107,681,000) was provided to CS Puyuan to finance its daily operations. The loan was unsecured, non-interest-bearing and originally repayable in 2015 and 2016.

Pursuant to equity transfer agreement dated 6 November 2015, both SH Puyuan and the Group agreed this loan was waived.

According to the contracts signed between China Energy and the non-controlling shareholder of its subsidiaries, MOL, USD37,245,259 (approximately RMB241,856,000) (2014: USD22,575,542 (approximately RMB138,140,000)) which were provided to China Energy to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, interest-bearing at approximately 2.20% over 3 month Libor (2014: approximately 2.20% over 3 month Libor) per annum and repayable within fifteen years after the vessels construction projects are completed.

According to the contract signed between North China LNG Shipping Investment Co., Limited ("NLNG") and its non-controlling shareholder, Petrochina International, USD2,729,070 (approximately RMB17,721,000) (2014: USD2,007,839 (approximately RMB12,286,000)) which was provided to NLNG to finance certain vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, interest-bearing at approximately 4.90% to 5.50% over 3 month Libor (2014: approximately 4.90% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

(13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	**65,389**	68,977	**48,751**	43,979
– In the second year	**65,358**	68,977	**50,917**	46,630
– In the third to fifth year, inclusive	**196,073**	206,931	**167,253**	158,273
– Over five years	**142,988**	219,910	**135,833**	199,578
	469,808	564,795	**402,754**	448,460
Less: Future finance charges	**(67,054)**	(116,335)		
Present value of lease obligations	**402,754**	448,460		
Less: Amount due within one year shown under current liabilities			**(48,751)**	(43,979)
Amount due after one year			**354,003**	404,481

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

Interest rates underlying all under finance leases are at 10% discount to the PBC Benchmark interest rate (2014: 10% discount to the PBC Benchmark interest rate) per annum.

(14) Bonds payable

	2015 RMB'000	2014 RMB'000
Convertible bonds	—	3,145,147
Corporate bonds	**3,978,488**	4,973,360
	3,978,488	8,118,507
Less: Current portion of bonds payable	—	(4,143,383)
Non-current portion of bonds payable	**3,978,488**	3,975,124

(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 six 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.

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

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 fifteen trading days out of the thirty 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 Reporting Period is set out below:

	RMB'000
Carrying amount at 1 January 2014	3,424,692
Interest charge	192,486
Interest paid	(35,586)
Conversion during the year	(436,445)
Carrying amount at 31 December 2014 and 1 January 2015	3,145,147
Interest charge	14,677
Conversion during the year	(3,120,694)
Redemption	(34,744)
Gain on early redemption of convertible bonds	(4,386)
Carrying amount at 31 December 2015	—

The fair value and effective interest rate of the liability component of the convertible bonds as at 31 December 2015 was RMBNil (2014: RMB3,145,147,000) and Nil% (2014: 5.6%) per annum respectively.

Interest expense of RMB14,677,000 (2014: RMB192,486,000) was recognised in profit or loss in respect of the convertible bonds for the Reporting Period.

(b) *Corporate bonds*

The movement of the corporate bonds for the Reporting Period is set out below:

	RMB'000
Carrying amount at 1 January 2014	4,967,236
Interest charge	6,124
Carrying amount at 31 December 2014 and 1 January 2015	4,973,360
Interest charge	5,128
Redemption	(1,000,000)
Carrying amount at 31 December 2015	3,978,488
Current portion of corporate bonds	—
Non-current portion of corporate bonds	3,978,488
	3,978,488

As at 31 December 2015, the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond at initial recognition	At 31 December 2014	Interest charge	Redemption	At 31 December 2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 August 2012	3 years	1,000,000	991,400	998,236	1,764	(1,000,000)	—
3 August 2012	10 years	1,500,000	1,487,100	1,489,656	1,148	—	1,490,804
29 October 2012	7 years	1,500,000	1,488,600	1,491,727	1,550	—	1,493,277
29 October 2012	10 years	1,000,000	992,400	993,741	666	—	994,407
		5,000,000	4,959,500	4,973,360	5,128	(1,000,000)	3,978,488

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

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

The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed 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 2015, 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. On 24 July 2015, the court announced the final claims on damage to be RMB4,000,000 and the Group agreed to settle the issues concerned with the amount. The final leakage incident in relation to the "Daiqing 75" tanker was resolved after the Group settled such amount.

(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 aforesaid 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 agreements 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 hold by the Company in the four companies listed above, the amount of leases guaranteed by the Company is limited to USD8,200,000 (approximately RMB53,248,000).

The guarantee period is limited to that of the lease period, which is twenty 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, 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 2015, the Group was still in the process of settling all the issues concerned.

(v) On 23 December 2013, five oil tankers of the Group, "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. On 3 November 2015, the court approved the plaintiffs to withdraw the claims after an arbitration on 28 August 2015.

(vi) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charters agreements and supplementary 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 charters agreements and supplementary 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 RMB3,181,864,000). 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 RMB41,559,000).

(vii) At the 2015 sixth Board meeting held on 28 April 2015, the Company approved CS Bulk guarantees not more than 50% of the total debt of Guangzhou Development Shipping Co., Limited, a joint venture of the Group, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable.

(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.

As at 31 December 2015, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB52,885,000 (2014: RMB175,485,000) higher/lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and other loans.

(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 interest-bearing bank and other borrowings, other loans and obligations under finance leases. Borrowings at fixed rates expose the Group to fair value interest rate risk.

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

As at 31 December 2015, 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 RMB211,388,000 (2014: post-tax profit of RMB165,076,000) lower/higher mainly as a result of higher/lower interest expenses on floating rate borrowings.

6. OTHERS

(1) Fleet expansion projects

In 2015, the Group has achieved further improvement in its fleet expansion.

In 2015, the cash outflow from investment activities of the Group was approximately RMB2.037 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 RMB1.843 billion paid for the purchase of new vessels by the Group.

In terms of fleet expansion, 8 new dry bulk vessels with a total capacity of approximately 516,000 deadweight tonnes have been delivered for use in 2015.

As at 31 December 2015, the composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes**	**Average age**
		('000)	(years)
Oil Tankers	66	7,449	7.0
Dry bulk vessels	100	9,398	5.1
Total	166	16,847	5.9

(2) Material asset disposals

In 2015, the Group disposed of 36 vessels with an aggregate capacity of 1,329,000 deadweight tonnes, including 1 oil tanker of 13,000 deadweight tonnes and 35 dry bulk vessels of 1,316,000 deadweight tonnes respectively.

7. OUTLOOK AND HIGHLIGHTS FOR 2016

(1) Competitive landscape and development trend in the industry

In 2016, the international economic environment remains complex, world economic growth is expected to rebound slightly, slow growth is expected in the next few years or will become the norm. Against the back drop of new normal global economy, lack of market demand for transportation, overcapacity situation in the short term is difficult to be substantially improved.

Oil transport market, the 2016 international oil prices will remain low in which the international crude oil transport demand is expected to grow about 3%. With almost two years of slow growth (in the international tanker capacity), it will usher in a small peak delivery, tanker capacity growth is expected to be around 6%, including an increase in VLCC 6.9%, increase in product tankers 5.4%, were higher than demand growth. Thus, the oil transport market in 2016 will be weaker than that in 2015.

In respect to dry bulk market, in 2016 the global dry bulk shipping demand growth will be about 0.6% whilst the global capacity is expected to grow 2.8%, well below the growth in demand; our destocking efforts will further increase, iron ore, coal demand will shrink further. To this end, in 2016 domestic and international dry bulk shipping market will remain at low level.

(2) Development strategies of the Company

Faced with a tough market environment, under the leadership of the Board, the Company will capture the favorable opportunity of oil and gas sector reform to adhere to the “strategic guidance, innovation-driven,” and “three stronger than” closely enhance the promotion corporate strategic management and control capability, ability to resist risks, sustainable development and core competitiveness.

(3) Operational plans

In 2016, the Group expects to add 5 new oil tankers and dry bulk vessels with a total tonnage of 150,000 deadweight tonnes of shipping capacity, and 3 new LNG vessels with a total shipping capacity of 525,000 cubic meters. It is anticipated that 171 oil tankers and dry bulk vessels in effective use throughout the whole year will be 17 million deadweight tonnes, and 3 LNG vessels in effective use throughout the whole year will be 525,000 cubic meters.

Based on the market conditions of the domestic and international shipping industry in 2016, and taking into account of the delivery of new vessels, the Group’s major operating plans in 2016 are as follows: completion of shipment turnover volume of 453.3 billion tonne-nautical miles, representing a decrease of 3.8% year-on-year; operating revenue of RMB13.0 billion is expected to be realised, representing an increase of 2.0% year-on-year; operating costs of RMB10.7 billion, representing an increase of 3% year-on-year.

(4) Work initiatives of the Company

To cope with the current market situation, the Group will implement the following initiatives in 2016:

A. **Increase the quality, efficiency and go all out to maintain growth**. In 2016, the company will release the full bonus of reform, lay the quality and efficiency battle, go all out to maintain growth, and make efforts to complete the management indicators issued by the Board of Directors.

In terms of oil shipment business, the Company will make full use of the advantages of economies of scale after the Dalian Ocean fleet restructuring, team work advantage, efficient synergies and further enhance the market competitiveness. In the internal transport market, the Company will seize the opportunity to open the domestic oil market, the initiative to undertake the role of coordinator of the market, and strive to maintain market order; further innovate with the port, execute the the business model of co-ownership, and actively promote the transit of oil to import logistics solutions provider transformation; put the "competing" concept, with domestic counterparts to strengthen exchange routes, supply swap, swap their positions, improve shipping efficiency. In foreign trade transport market, the Company will stick to the firm implementation of the "going out" strategy; vigorously implement the "Strategically follow", followed by the domestic petrochemical enterprises Globalisation management, according to their needs to adjust the fleet structure, opening up new routes, chart joint management, develop cooperation projects, speed up the strategic layout of globalisation; the full implementation of "diversification" strategy to promote market diversification, customer diversification, diversification of routes and management of pluralism.

In terms of bulk shipment business, the Company will realise "three changes": First, from maintaining the scale to destocking, according to the actual production to firmly cut excess capacity and redundancy, based on the orders in hand do postponement, sublease, modifications, and other disposal plans to effectively resolve excess capacity, the capacity to maintain a reasonable scale. The second is transforming from the "ship-centric" to "supply-centric", and actively carry out global marketing, to expand the proportion of freight for improvement. Third, from bulk cargo marine transportation to diversified operation mode, nurture on shore business links, increase extension services, increase the intensity of commodity trade, develop new economic growth point.

In terms of LNG shipment business, the Company will, based on the cooperation with China National Petroleum Corporation, China Petrochemical Corporation and China National Offshore Oil Corporation, the 3 state-owned oil companies, strive to establish a leading LNG transport fleet, and through international joint bid to expand the international market and improve the international influence. The Company will continue to promote people-oriented culture, improve staff quality, and cultivate human resources needed for the development of enterprises, build a leading project development and LNG ship management team.

B. **Adhere to a high starting point, high standard, high-quality, high efficiency to complete the reform and reorganisation**. The Company will, in accordance with the Group's restructuring reform plan, strive to complete the restructuring of the Company in the first half of this year. After the completion of the restructuring, the Company will become a specialised tanker company with the world's top one tanker fleet.

C. **Implement the responsibility to ensure safety and prevent operational risks**. In 2016, the Company will adhere to the "safety of personnel, safety equipment, safety standards, environmental security, security management" as the core of the strategic objectives, and implement safe production responsibility system so as to enhance company core competencies on safety. In addition, the Company will pay close attention to macro-economic changes, and take the path of sound operation. To this end, the Company will strictly control the scale of investment in shipbuilding, strictly control the debt ratio, maintain a good grasp of charter operations, prevention and control of operational risks.

D. **Strengthen funds management and expand financing channels to secure development funds and strive for reduction of capital costs**. According to the new vessel delivery plans, the capital expenditure of the Company in 2016 will be approximately RMB2.5 billion. In this connection, the Company will further strengthen cooperation with banks, fully utilise 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.

E. **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 Company will actively control costs and enhance comprehensive competitiveness. In 2016 the Company will take advantage of the comprehensive strength with significantly increasing capacity of Chinese Ocean Shipping Group after the reorganisation, and seek greater concessions while negotiating with global suppliers for purchasing of shipping materials. In addition, the Company will fully utilise the current favorable opportunity of low oil prices, and scientifically and reasonably complete well fuel locking and purchasing work; the Company will 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.

F. **Strengthen talent development and team building so as to mobilise the enthusiasm of the staff**. The Company will research and develop a plan for building a team of talent corresponding to and according to our planning for fleet development and the development need of various business segments. The Company will strengthen the building of an international talent team, cultivating a number of high-quality pioneering and innovative personnel with international vision and the ability to work independently so as to secure the manpower for fleet development.

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 (《中海發展風險管理手冊》)。

Building on the experiences from and achievements of our efforts on internal control three years ago, in 2014 and 2015, 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 2015 is basically accomplished.

On 8 March 2016, the Company revised the "Implementation rules of the Audit Committee of the Board", further defining the duties of the Audit Committee members to include an internal audit function whereby the Audit Committee shall also review the Company's risk management in addition to its internal control system.

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 2015, 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 10 March 2015. 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 2014 and the safety management of the Company for 2014, the Remuneration and Appraisal Committee proposed the remuneration allocation method for operational staff of the Company for 2014 and the remuneration appraisal and allocation method for operational staff for 2015. Such proposal was approved by the 2015 annual general meeting of the Company held on 18 June 2015 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 bonus; (i) basic salary is RMB240,000 per year (before tax); (ii) performance-based salary is 0 to 3.75 times of basic salary subject to performance appraisal; and (iii) bonus is 0 to 0.3 times of the salary for the year 2015 (i.e. basic salary plus performance-based salary), subject to performance appraisal.

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 18 June 2015 ("2015 AGM"), Chairman Mr. Xu Lirong was unable to attend the 2015 AGM as he had other business commitments. Mr. Han Jun, executive Director and general manager of the Company, chaired the 2015 AGM on behalf of the chairman. Further, Mr. Ruan Yongping, Mr. Wang Wusheng, all being independent non-executive Directors and chairman of each of the Audit Committee, Nomination Committee at the time of the 2015 AGM were invited to attend the 2015 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, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan and Mr. Qiu Guoxuan, the executive Directors, and Mr. Zhang Jun, Mr. Ip Sing Chi and Mr. Wang Guoliang the independent non-executive Directors, were unable to attend the 2015 AGM due to prior commitments. In addition to the 2015 AGM, the independent non-executive Directors, Mr. Ruan Yongping and Mr. Ip Sing Chi were unable to attend the extraordinary general meetings of the Company held on 28 December 2015 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 2015, the Company held 2 general meetings. The table on page 48 shows the attendance of the Directors at the general meetings. At the 2015 AGM, 11 resolutions were passed, among which the Report of Directors for 2014, the Report of Supervisory Committee for 2014, the profit distribution plan for 2014, the remuneration proposal of the Company's Directors and supervisors ("Supervisors") for 2015, the re-appointment of international and domestic auditors of the Company for 2015, the election of executive Directors and an independent non-executive Director 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 of the Company is elected in the shareholders' meeting.

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)	(Resigned on 8 March 2016)
Ms. Su Min (蘇敏)	(Resigned on 28 August 2015)
Mr. Huang Xiaowen (黃小文)	
Mr. Ding Nong (丁農)	
Mr. Liu Xihan (劉錫漢)	(Resigned on 18 June 2015)
Mr. Yu Zenggang (俞曾港)	
Mr. Yang Jigui (楊吉貴)	(Appointed on 28 December 2015)
Mr. Han Jun (韓駿) (Chief Executive Officer)	
Mr. Qiu Guoxuan (邱國宣)	
Independent non-executive Directors:	
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)
Mr. Wang Wusheng (王武生)	
Mr. Ruan Yongping (阮永平)	
Mr. Ip Sing Chi (葉承智)	
Mr. Wang Guoliang (王國樑)	(Resigned on 18 June 2015)
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)
Mr. Teo Siong Seng (張松聲)	(Appointed on 28 December 2015)

The Company convened the annual general meeting of 2015 on 18 June 2015, in which the Directors of the eighth 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 17 June 2018 (or the date of the Company's annual general meeting in 2018, whichever is earlier).

The Company convened the first extraordinary general meeting of 2015 on 28 December 2015, in which Mr. Yang Jigui was elected as an executive Directors of the Company and Mr. Teo Siong Seng 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 201 to 207 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 the reporting year, 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 finance, 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 five 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 2015, 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 the reporting period, the Board convened a total of 12 meetings and considered and passed 53 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	Rate of attendance General meeting
Executive Directors:			
Mr. Xu Lirong (許立榮) (Chairman)		12/12	0/2
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)	11/12	0/2
Ms. Su Min (蘇敏)	(Resigned on 28 August 2015)	8/8	0/1
Mr. Huang Xiaowen (黃小文)		12/12	0/2
Mr. Ding Nong (丁農)		12/12	0/2
Mr. Liu Xihan (劉錫漢)	(Resigned on 18 June 2015)	5/6	0/1
Mr. Yu Zenggang (俞曾港)		12/12	0/2
Mr. Yang Jigui (楊吉貴)	(Appointed on 28 December 2015)	0/0	0/1
Mr. Han Jun (韓駿) (Chief Executive Officer)		11/12	2/2
Mr. Qiu Guoxuan (邱國宣)		11/12	0/2
Independent non-executive Directors:			
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	5/6	0/1
Mr. Wang Wusheng (王武生)		12/12	2/2
Mr. Ruan Yongping (阮永平)		12/12	1/2
Mr. Ip Sing Chi (葉承智)		12/12	0/2
Mr. Wang Guoliang (王國樑)	(Resigned on 18 June 2015)	6/6	0/1
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	5/6	1/2
Mr. Teo Siong Seng (張松聲)	(Appointed on 28 December 2015)	0/0	0/1

* In addition to the Directors' attendance in person to the Board meeting as disclosed in the table above, the following Directors appointed an alternative to attend Board meeting respectively in 2015: (1) Mr. Zhang Guofa appointed Mr. Huang Xiaowen to attend 1 Board meeting; (2) Mr. Liu Xihan appointed Mr. Yu Zenggang to attend 1 Board meeting; (3) Mr. Zhang Jun appointed Mr. Wang Wusheng to attend 1 Board meeting; and (4) Mr. Rui Meng appointed Mr. Ruan Yongping 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

The Audit Committee comprised 3 independent non-executive Directors as at 31 December with Mr. Ruan Yongping being the Chairman. 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 2015, 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. Ruan Yongping (阮永平) (Chairman)		4/4
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	1/1
Mr. Wang Wusheng (王武生)		4/4
Mr. Wang Guoliang (王國樑)	(Resigned on 18 June 2015)	0/1
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	3/3

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

The Audit Committee considered the proposals in respect of the annual financial report of the Company for 2014, status report of the Company's continuing connected transactions for 2014, appraisal report of the Company's internal control for 2014, the appointment of the Company's PRC and overseas auditors for 2015 and the interim financial report of the Company for 2015, and formed the written opinions of the Audit Committee in respect of the Company's financial report for 2014, the draft profit distribution plan for 2014 and the interim financial report of the Company for 2015.

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 2015, the Audit Committee held 3 meetings with the external auditor. The Audit Committee reviews 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 not only pays attention to changes in the accounting policies and practices but also complies 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 with Mr. IP Sing Chi being the Chairman. 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 2015, the Remuneration and Appraisal Committee held one 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 2014. The Company's remuneration policy for 2015 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. Ip Sing Chi (葉承智) (Chinaman)		1/1
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	1/1
Mr. Wang Wusheng (王武生)		1/1
Mr. Ruan Yongping (阮永平)		1/1
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	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 9 Directors, including 7 executive Directors and 2 independent non-executive Directors. Mr. Xu Lirong was the Chairman. Independent non-executive Directors Mr. IP Sing Chi and Mr. Rui Meng, with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

During 2015, the Strategy Committee held three meetings, advising on the early redemption of A share convertible bonds, the provision of guarantee to the Company's subsidiaries for their financing and major disposal and acquisition. 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) (Vice Chairman)	(Resigned on 8 March 2016)	3/3
Ms. Su Min (蘇敏)	(Resigned on 28 August 2015)	2/2
Mr. Huang Xiaowen (黃小文)		3/3
Mr. Ding Nong (丁農)		3/3
Mr. Liu Xihan (劉錫漢)	(Resigned on 18 June 2015)	2/2
Mr. Yu Zenggang (俞曾港)		3/3
Mr. Han Jun (韓駿) (Chief Executive Officer)		3/3
Mr. Qiu Guoxuan (邱國宣)		3/3
Independent non-executive Directors:		
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	2/2
Mr. Ip Sing Chi (葉承智)		3/3
Mr. Wang Guoliang (王國樑)	(Resigned on 18 June 2015)	2/2
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	1/1

(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 2015, the committee convened 2 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 (王武生) (Chairman)		2/2
Mr. Zhang Guofa (張國發)	(Resigned on 8 March 2016)	2/2
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	0/1
Mr. Ruan Yongping (阮永平)		2/2
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	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 2015. 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 2015.

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 2015, 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.

The Group paid HKD180,000 (approximately RMB146,000) to Baker Tilly Hong Kong Limited for its professional services rendered in respect of the circular dated 12 November 2015 issued in connection with the Company entered into the New Financial Services Framework Agreement and New Services Agreement and paid Baker Tilly China Certified Public Accountants LLP RMB 800,000 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.

The Company considers the risk management and internal control system effective and adequate during the reporting period.

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 INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside 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 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 new regulations issued by China Securities Regulatory Commission and the Shanghai Stock Exchange on the trading of shares of the listed companies by their major shareholders and directors, supervisors and senior managements, and Accounting Standards for Business Enterprise of P.R.C..

A summary of training received by the Directors since 1 January 2015 up to 31 December 2015 is as follows:

Directors		Programme
Executive Directors:		
Mr. Xu Lirong (許立榮) (Chairman)		A, B
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)	A, B
Ms. Su Min (蘇敏)	(Resigned on 28 August 2015)	A
Mr. Huang Xiaowen (黃小文)		A, B
Mr. Ding Nong (丁農)		A, B
Mr. Liu Xihan (劉錫漢)	(Resigned on 18 June 2015)	
Mr. Yu Zenggang (俞曾港)		A, B
Mr. Yang Jigui (楊吉貴)	(Appointed on 28 December 2015)	
Mr. Han Jun (韓駿) (Chief Executive Officer)		A, B
Mr. Qiu Guoxuan (邱國宣)		A, B
Independent non-executive Directors:		
Mr. Zhang Jun (張軍)	(Resigned on 18 June 2015)	
Mr. Wang Wusheng (王武生)		A, B
Mr. Ruan Yongping (阮永平)		A, B, C
Mr. Ip Sing Chi (葉承智)		A, B
Mr. Wang Guoliang (王國樑)	(Resigned on 18 June 2015)	
Mr. Rui Meng (芮萌)	(Appointed on 18 June 2015)	A, B
Mr. Teo Siong Seng (張松聲)	(Appointed on 28 December 2015)	

Notes:

A: attending briefing session held by Jun He Law Offices Shanghai Office

B: attending briefing session held by Baker Tilly China Certified Public Accountants LLP

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

In 2015, 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 2015 were:

Mr. Xu Wenrong (Chairman)
Mr. Chen Jihong
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 2015, the Supervisory Committee convened 7 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 2015, 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.

14. Change to the Company's Articles

In light of the completion of the early redemption of the RMB3.95 billion A share convertible bonds by the Company on 13 February 2015, as well as the conversion of the convertible bonds prior to such date, the total number of shares of the Company changed to 4,032,032,861 (registered capital being RMB4,032,032,861). Further details of such capital changes are set out in the Company's announcements dated 8 January 2015, 9 January 2015 and 10 February 2015. The Company has updated its articles of association to reflect the above capital changes in June 2015.

The board (the "Board") of directors ("Directors") of the Company hereby presents their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2015 ("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, associates 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 consolidated financial statements and restated as appropriate, is set out below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**12,212,973**	12,273,849	11,344,152	11,053,628	12,157,458
Operating costs	**(9,867,199)**	(10,885,620)	(11,524,839)	(11,252,251)	(10,636,688)
Gross profit/(loss)	**2,345,774**	1,388,229	(180,687)	(198,623)	1,520,770
Other income and net (losses)/gains	**(303,484)**	385,883	(612,389)	663,340	250,613
Marketing expenses	**(96,464)**	(57,470)	(49,309)	(50,256)	(51,735)
Administrative expenses	**(432,367)**	(441,583)	(489,151)	(418,976)	(368,237)
Other expenses	**(52,418)**	(45,349)	(44,933)	(27,401)	(61,539)
Share of profits of associates	**215,932**	91,083	—	—	—
Share of profits of joint ventures	**72,294**	205,902	111,581	293,701	368,775
Finance costs	**(1,157,261)**	(1,204,702)	(964,462)	(593,160)	(414,574)
Profit/(loss) before tax	**592,006**	321,993	(2,229,350)	(331,375)	1,244,073
Income tax (expense)/credit	**(102,251)**	79,834	11,903	469,144	(150,410)
Profit/(loss) for the year	**489,755**	401,827	(2,217,447)	137,769	1,093,663
Profit for the year attributable to:					
Owners of the Company	**416,992**	309,413	(2,234,106)	73,741	1,062,214
Non-controlling interests	**72,763**	92,414	16,659	64,028	31,449
	489,755	401,827	(2,217,447)	137,769	1,093,663
Basic earnings/(loss) per share	**RMB10.49 cents**	RMB9.09 cents	RMB(65.62) cents	RMB2.17 cents	RMB31.20 cents
Diluted earnings/(loss) per share	**RMB10.49 cents**	RMB9.09 cents	RMB(65.62) cents	RMB2.17 cents	RMB29.73 cents
Assets, liabilities and non-controlling interests					
Total assets	**68,378,653**	65,750,403	58,842,479	57,860,523	51,747,288
Total liabilities and non-controlling interests	**(42,681,447)**	(43,921,403)	(37,615,108)	(34,343,386)	(27,988,983)
	25,697,206	21,829,000	21,227,371	23,517,137	23,758,305

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 2013 are extracted from the Company's 2014 annual report dated 30 April 2015, while those for the two years ended 31 December 2015 were prepared based on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position as set out on pages 87 and 90, respectively, of the consolidated financial statements.

2. The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit attributable to owners of the Company for the year ended 31 December 2015 of RMB416,992,000 and weighted average number of 3,975,547,465 ordinary shares. Basic earnings per share for the year ended 31 December 2015 is RMB10.49 cents.

   In 2015, the diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as the Group does not have any dilutive potential shares outstanding during the year.

   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 diluted earnings per share for the year ended 31 December 2014 is the same as the basic earnings per share as the assumed exercise of the outstanding convertible bonds has anti-dilutive effect.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 87 to 90.

No net profit has been transferred to the statutory surplus reserve as the Company's statutory surplus reserve has reached the statutory minimum standard extract at the end of 2015. 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 RMB10.00 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 13 June, 2016. 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.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the directors' report. According to the Schedule 5 to the Company Ordinance, a business review shall cover certain aspects, the details of which are as follows:

A fair review of the Company's business

Please refer to the section of "ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on page 4 to 5 of this report.

A description of the principal risks and uncertainties facing the Company

Please refer to the section of "Competitive landscape and development trend in the industry" on page 36 of this report.

Particulars of important events affecting the Company that have occurred since the end of the financial year

Please refer to the section of "EVENTS AFTER REPORTING PERIOD" on page 71 of this report.

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2016" on page 36 to 38 of this report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on page 6 to 11 of this report.

Costs and expenses

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on page 11 to 12 of this report.

Other income and net (losses)/gains

The Group's other income (loss)/gains is RMB -0.3 billion in 2015, representing a decrease of approximately 178.6% compared with 2014, mainly due to the Group has disposed thirty-six ships with a total of 1.3 million dwt in 2015.

Share of profits of associates/joint ventures

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on page 12 to 13 of this report.

Finance costs

The Group's Finance costs is RMB1.2 billion in 2015, representing a decrease of approximately 3.9% compared with 2014, mainly due to the decline of China's mainland financing costs and early conversion of convertible bonds.

Income tax (expense)/credit

The Group's Income tax expense is RMB0.1 billion in 2015, representing an increase of approximately 228.1% compared with 2014, mainly due to the profit growth of oil shipping business in 2015.

The Company's environmental policies and performance

The shipping industry shoulders important responsibilities of global logistics. Nevertheless, the pollutant discharge during navigation still poses a threat to marine environment. As a large shipping company, the Group adheres to the concept of "being an excellent marine citizen", keeps strengthening the environmental management system, advances the development of larger-scale, large, young and low-carbon fleet, reduces its impacts on the environment with improvement in the management and technology upgrading and pursues green, circular, low-carbon and sustainable development. The Group takes targeted measures including practicing low-speed navigation, reducing pollutant discharges and saving water to increase the efficiency of resource usage as much as possible and to reduce the environmental impact of ships during navigation.

Compliance with relevant laws and regulations with a significant impact on the Company

Save for Code Provision A.4.2 of Corporate Governance Code set out in Appendix 14 to the Listing Rules (for details, please refer to the descriptions on page 43 of Corporate Governance Report herein), the Group has been in compliance with relevant laws and regulations that have a significant impact on the Company.

Key relationships with employees, customers, suppliers and others

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB800,000 (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the consolidated 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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the Company redeemed the convertible bonds and a batch of corporate bonds. Details of the redemption are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, 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 RMB11,169,027,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB7,750,215,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for 21.8% (2014: 29.1%) of the Group's total revenue. The largest customer is Ningbo China Offshore Oil Shipping Co,.Ltd."寧波中海油船務有限公司" and the sales to it accounted for 8.5% 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 49.3% (2014: 54.2%) 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 22.4% (2014: 20.6% purchased from China Shipping Container Line 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. Huang Xiaowen	
Mr. Ding Nong	
Mr. Yu Zenggang	
Mr. Yang Jigui	(appointed on 28 December 2015)
Mr. Han Jun	
Mr. Qiu Guoxuan	
Mr. Zhang Guofa	(resigned on 8 March 2016)
Ms. Su Min	(resigned on 28 August 2015)
Mr. Liu Xihan	(resigned on 18 June 2015)

Independent non-executive Directors:

Mr Wang Wusheng	
Mr. Ruan Yongping	
Mr. Ip Sing Chi	
Mr. Rui Meng	(appointed on 18 June 2015)
Mr. Teo Siong Seng	(appointed on 28 December 2015)
Mr. Zhang Jun	(resigned on 18 June 2015)
Mr. Wang Guoliang	(resigned on 18 June 2015)

Supervisors:

Mr. Xu Wenrong
Mr. Chen Jihong
Mr. Luo Yuming
Ms. Chen Xiuling

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. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as at the date of this report still considers them to be independent.

Note 1: Mr. Zhang Guofa (張國發), an executive director of the Company, has tendered his resignation as an executive director, the Vice Chairman of the Company, and as a member of the Board's Strategy Committee and Nomination Committee due to the Group's redeployment of human resources.

Note 2: Ms. Su Min (蘇敏), an executive director of the Company, has tendered her resignation as an executive director due to changes in allocation of human resources.

Note 3: Due to the expiration of the term, Mr. Liu Xihan (劉錫漢), Mr. Zhang Jun (張軍) and Mr. Wang Guoliang (王國樑) are no longer served as director of the Company.

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 201 to 210 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 17 June 2018 (or the date of the Company's annual general meeting in 2018, 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. Wang Wusheng, Mr. Ruan Yongping and Mr. Rui Meng, 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 consolidated financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB27,923,000 (2014: RMB34,779,000). Each of Mr. Xu Lirong and Mr. Zhang Guofa (resigned on 8 March 2016) was interested in such services agreement to the extent they were senior management and common director 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 2015, 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	1,536,924,595 (L)	56.17%	38.12%
GIC Private Limited[4]	H	140,774,000(L)	10.86%	3.49%
SKAGEN AS[5]	H	80,220,000(L)	6.19%	1.99%
Schroders Plc[6]	H	76,944,000(L)	5.94%	1.91%
JPMorgan Chase & Co.[7]	H	65,184,597(L)	5.03%	1.62%
		37,445,300(P)	2.89%	0.93%
		409,400(S)	0.03%	0.01%

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 2015, the total issued share capital of the Company was 4,032,032,861 Shares of which 1,296,000,000 were H Shares and 2,736,032,861 were A Shares.

Note 3: As at the end of the Reporting Period, Mr. Xu Lirong(許立榮), Mr. Huang Xiaowen(黃小文), Mr. Ding Nong(丁農), Mr. Yu Zenggang(俞曾港), Mr. Yang Jigui(楊吉貴) and Mr. Xu Wenrong(徐文榮) were directors or employees of China Shipping (Group) Company ("China Shipping") which was the controlling shareholder of the Company. China Shipping and its subsidiaries held 7,000,000 A Shares of the Company through CICC-CCB-Zhongjin Ruihe collective asset management schemes (中金公司—建設銀行—中金瑞和集合資產管理計劃) and held 2,065,494 A Shares of the Company through Guotai Junan securities asset management-Industrial Bank - Guotai Junan Junxiang Xinli No.6 collective asset management schemes (國泰君安證券資管—興業銀行—國泰君安君享新利六號集合資產管理計劃). Therefore, China Shipping and its subsidiaries aggregately held 1,545,990,089 A Shares of the Company as at the end of the Reporting Period, representing 38.34% of the total number of shares of the Company.

Note 4: As at 31 December 2015, 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 5: As at 31 December 2015, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, SKAGEN AS held the above Shares as an investment manager.

Note 6: As at 31 December 2015, 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 7: As at 31 December 2015, 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 long position of 12,453,297 shares and short position of 409,400 Shares. In addition, JPMorgan Chase & Co. was interested in long position of 15,286,000 Shares as an investment manager and long position of 37,445,300 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, and the short position of 409,400 Shares were cash settled derivative interests.

Save as disclosed above, as at 31 December 2015, 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 2015 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 2015, 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 2015, 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 2015 are set out in note 41 to the consolidated 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), 44(4) and 44(5) to the consolidated financial statements, respectively.

The EGM held on 28 December 2015 has approved the continuing connected transactions for a term of three years which commenced from 1 January 2016.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 44 to the consolidated 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), 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, 23 December 2013, 16 April 2014, 29 April 2014 and 29 April 2015 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2015, the Company had approximately 6,269 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 to the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees are not entitled to 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. Trainings are provided in different forms including seminars, site visits and interview.

In 2015, the total staff cost was RMB1,732,331,000 (2014: RMB1,843,502,000).

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 relevant 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. 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 consolidated 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. On 29 March 2016, the Board announced that the Company entered into an asset transfer agreement with China Ocean Shipping (Group) Company and China COSCO Bulk Shipping (Group) Co., Ltd which has superseded and replaced the framework agreement announced on 11 December 2015; and entered into a compensation agreement with China Ocean Shipping (Group) Company which has superseded and replaced the compensation agreement announced on 11 December 2015, pursuant to which the parties have agreed that the consideration of acquisition of Dalian Ocean Shipping Company Limited is RMB6,628,455,200, and the consideration of disposal of China Shipping Bulk Carrier Co., Limited is RMB5,392,221,600.

2. Pursuant to the resolution passed at the meeting of the Board on 29 March 2016, the Board passed the "Resolution on Changes in Accounting Estimates" to change the estimation of the residual value of the vessels. The net residual value of vessels is changed from USD420/LDT to USD280/LDT, which were adopted with effect from 1 January 2016.

DUTY PERFORMANCE REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 2015 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 eighth 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 2015, the Board comprises 13 directors, including 6 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 finance, 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 2015, 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 2015, the Company convened 12 Board meetings (9 meetings of which were held by way of correspondence) and 2 general meeting. We have reported our duty performance report in the 2015 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 2015:

Name of Independent non-executive Director	Number of Board meetings/ general meetings required to attend this year (times)	Attend Board meetings/ general meetings in person (times)	Attend Board meetings/ general meetings by proxies (times)	Board meetings/ general meetings Absence (times)
Mr. Zhang Jun	6/1	5/0	1/0	0/1
Mr. Wang Wusheng	12/2	12/2	0/0	0/0
Mr. Ruan Yongping	12/2	12/1	0/0	0/1
Mr. IP Sing Chi	12/2	12/0	0/0	0/2
Mr. Wang Guoliang	6/1	6/0	0/0	0/1
Mr. Rui Meng	6/2	5/1	1/0	0/1
Mr. Teo Siong Seng	0/1	0/0	0/0	0/1

Note: The independent non-executive Directors Mr. Zhang Jun and Mr, Wang Guoliang have resigned the posts as independent non-executive Directors of the Company on 18 June 2015.

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 9 Directors, including 7 executive Directors and 2 independent non-executive Directors. Mr. Xu Lirong was the Chairman. Independent non-executive Directors Mr. IP Sing Chi and Mr. Rui Meng with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers. During 2015, the Strategy Committee held three meetings, advising on the early redemption of A share convertible bonds, the provision of guarantee to the Company's subsidiaries for their financing and major disposal and acquisition.

(2) The Audit Committee comprised 4 members, all being independent non-executive Directors, and Mr. Ruan Yongping was the Chairman. During 2015, the Audit Committee held 4 meetings, considered the proposals in respect of the annual financial report of the Company for 2014, status report of the Company's continuing connected transactions for 2014, appraisal report of the Company's internal control for 2014, the appointment of the Company's PRC and overseas auditors for 2015 and the interim financial report of the Company for 2015, 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 2015, 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 of 4 members, all being independent non- executive Directors and Mr. IP Sing Chi was the Chairman. In 2015, the Remuneration and Appraisal Committee held one 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 2014. The Company's remuneration policy for 2015 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 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 2015 the committee convened 2 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 in respect of the deposit and use of the raised funds during the course of funds-raising management. The raised funds were deposited in separate accounts and used for professional purposes, there was no illegal use of the funds nor situations which may impair shareholders' interests.

4. Nomination of Senior Managerial Staff and their Remuneration

In 2015, the Nomination Committee held 2 meetings. At the meetings, the proposal in respect of the appointment of Directors of the eighth Board of the Company (《關於聘任第八屆董事董事的議案》), the proposal on advising the appointments of Mr. Yang Jigui and Mr. Teo Siong Seng as Directors of the Company (《關於聘任楊吉貴、張松聲為公司董事的議案》), 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.

As a listed company controlled by the state-owned enterprise, the Company has not established any share incentive mechanism currently. However, the Company has established incentive mechanisms that correlated with business results in order to refine management exploit potentials, increase profitability and to promote activeness of managers and technicians.

5. Results Forecast and Preliminary Financial Data

In 2015, 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 slight increase in operating profit as compared to 2014. As at the end of January 2016, 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, there is no change in external auditors.

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

7. Cash Dividends and Other Returns for Investors

The Company has distributed cash dividends for twelve consecutive financial years since 2000, the amount of dividends totaling to 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 in the financial 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 suffered a net loss attributable to the parent of RMB2.234 billion is the financial year. The Board of the Company did not recommend the distribution of profit for the financial year of 2013. Such proposal was approved at the AGM of the Company held on 6 June 2014.

In 2014, the Company achieved a net profit attributable to the parent of RMB311 million. The Board recommended the distribution of a final dividend of RMB3 cents per share (tax inclusive) for the financial year of 2014 which had been approved at the AGM of the Company held on 18 June 2015 and the dividend has been paid to shareholders on July 2015.

8. Fulfilment of Undertakings by the Company and Shareholders

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

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

9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit 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》)。

Building on the experiences from and achievements of our efforts on internal control three years ago, in 2014 and 2015, 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 2015 is basically accomplished.

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

11. Operation of the Board and its Professional Committees

The Board of the Company was 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 2015, 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 2015, we maintained regular communication 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 2016, 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:
Wang Wusheng,
Ruan Yongping,
Ip Sing Chi,
Rui Meng,
Teo Siong Seng

29 March 2016

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2015, the Supervisory Committee held seven meetings, details of which are set out below:

	Date	Resolutions
1	27-Mar-15	1. 2014 Supervisor Committee's report of the Company 2. 2014 general manager's report of the Company 3. 2014 financial report of the Company 4. Profit distribution plan of the Company for 2014 5. 2014 annual report, annual report summary and announcement of annual results of the Company 6. 2014 internal control self evaluation report of the Company 7. 2014 society responsibility report of the Company 8. motion on new external guarantee amount for 2015 9. motion on setting up a new joint venture with COSCO BULK 10. motion on the amendment on the Company's Articles of Association 11. motion on new building of 4 VLCCs 12. motion on early scrapping of 33 vessels
2	28-Apr-15	1. motion on recommendation of the supervisors of the eighth term 2. 2015 first quarterly report of the Company 3. motion on charterring bulk vessels from connected persons 4. motion on the annual remuneration for directors and supervisors for the year 2015 5. motion on the annual remuneration for senior officers for the year 2015 6. motion on China Shipping Bulk providing guarantee to Guangzhou Development Shipping
3	30-Jun-15	1. motion on the election of the chairman of the supervisor committee of the Company 2. motion on new building of 2+2 Aframax tankers
4	27-Aug-15	1. General manager's report on 2015 interim results 2. 2015 interim financial report of the Company 3. 2015 interim report and 2015 interim results announcement of the Company 4. motion on setting China Shipping Bulk (Wuhan) Company

	Date	Resolutions
5	29-Sep-15	1. motion on the signing the agreement of 2016-2018 annual marine material supply and service with the China Shipping (Group) Company 2. motion on signing the "2016-2018 financial services framework agreement" with China Shipping Finance Company 3. motion on acquisition of 49% of China Shipping Puyuan's shares from Shanghai Puyuan
6	28-Oct-15	1. 2015 third quarterly report of the Company 2. motion on buying ten 400000dwt bulk vessels by China Ore Shipping 3. motion on early scapping of "Huarun 16"
7	11-Dec-15	1. motion on that the Company has complied with the relevant requirements imposed by the applicable PRC laws and regulations to conduct the material asset restructuring 2. the proposed material assets restructuring plan of the Company 3. the pre-arranged plan in Relation to Major Asset Disposal and Acquisition and Connected Transactions of China Shipping Development Company Limited 4. motion on the waiver of the non-competing undertaking from China Shipping dated 15 Jun 2011 in respect of injecting bulk shipping business into the Company

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

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2015. The following were presented to the supervisors: the 2014 audited financial report of the Company, the proposed profit distribution plan of the Company for 2014, the 2014 annual report and annual report summary of the Company, motion on setting up a new joint venture with COSCO BULK and the proposed material assets restructuring plan of the Company. 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 2015 AGM, at which the Supervisory Committee gave an account of the 2014 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 2015:

(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, despite the continued downturn in the shipping market, especially when the dry bulk shipping market hit a record low, the company kept overall profitability. The Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2015 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2015. 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) During the reporting period, the directors and senior management could perform their duties, earnestly implement the resolutions of the shareholders' meeting and the board of directors. 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, in the year 2015, the Company has complete the early redemption of the outstanding convertible bonds according to legal procedures, which could reduce the debt to asset ratio, optimizing the capital structure of the company and reduce the financial cost of the company, 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
29 March 2016

BAKER TILLY
HONG KONG | 天職香港

TO THE MEMBERS 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 198, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 March 2016
Tong Wai Hang
Practising Certificate Number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Turnover	5	**12,212,973**	12,273,849
Operating costs		**(9,867,199)**	(10,885,620)
Gross profit		**2,345,774**	1,388,229
Other income and net (losses)/gains	6	**(303,484)**	385,883
Marketing expenses		**(96,464)**	(57,470)
Administrative expenses		**(432,367)**	(441,583)
Other expenses		**(52,418)**	(45,349)
Share of profits of associates		**215,932**	91,083
Share of profits of joint ventures		**72,294**	205,902
Finance costs	7	**(1,157,261)**	(1,204,702)
Profit before tax	8	**592,006**	321,993
Income tax (expense)/credit	11	**(102,251)**	79,834
Profit for the year		**489,755**	401,827
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		**341,933**	27,750
Net loss on cash flow hedges		**(104,840)**	(434,784)
Share of other comprehensive income of associates		**3,457**	—
Share of other comprehensive (expense)/income of joint ventures		**(1,758)**	4,613
Other comprehensive income/(expense) for the year		**238,792**	(402,421)
Total comprehensive income/(expense) for the year		**728,547**	(594)

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

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company		**416,992**	309,413
Non-controlling interests		**72,763**	92,414
		489,755	401,827
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**720,887**	166,444
Non-controlling interests		**7,660**	(167,038)
		728,547	(594)
Earnings per share	13		
– Basic		**10.49 cents**	9.09 cents
– Diluted		**10.49 cents**	9.09 cents

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**1,088,659**	1,032,239
Property, plant and equipment	15	**51,744,608**	50,530,575
Investments in associates	17	**2,040,968**	1,711,702
Investments in joint ventures	18	**4,402,192**	4,790,637
Loan receivables	19	**2,119,286**	786,540
Available-for-sale investments	20	**35,379**	35,284
Deferred tax assets	21	**481,660**	408,052
		61,912,752	59,295,029
CURRENT ASSETS			
Inventories	22	**582,427**	835,304
Trade and bills receivables	23	**2,274,111**	1,746,263
Prepayments, deposits and other receivables	24	**1,523,474**	812,667
Pledged bank deposits	25	—	611,900
Cash and cash equivalents	25	**2,085,889**	2,449,240
		6,465,901	6,455,374
CURRENT LIABILITIES			
Trade and bills payables	26	**904,438**	990,669
Other payables and accruals	27	**730,931**	104,696
Current portion of provision for onerous contracts	28	**107,623**	142,287
Current portion of derivative financial instruments	29	**508**	—
Current portion of interest-bearing bank and other borrowings	30	**8,204,372**	8,243,090
Current portion of other loans	31	—	44,714
Current portion of obligations under finance leases	32	**48,751**	43,979
Current portion of bonds payable	33	—	4,143,383
Tax payable	11	**132,569**	5,024
		10,129,192	13,717,842
NET CURRENT LIABILITIES		**(3,663,291)**	(7,262,468)
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,249,461**	52,032,561

	Notes	2015 RMB'000	2014 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**4,032,033**	3,481,405
Reserves	35	**21,665,173**	18,347,595
		25,697,206	21,829,000
Non-controlling interests		**825,997**	818,729
TOTAL EQUITY		**26,523,203**	22,647,729
NON-CURRENT LIABILITIES			
Provision for onerous contracts	28	**159,139**	139,528
Derivative financial instruments	29	**411,385**	291,553
Interest-bearing bank and other borrowings	30	**25,453,381**	23,425,343
Other loans	31	**1,199,539**	930,946
Obligations under finance leases	32	**354,003**	404,481
Bonds payable	33	**3,978,488**	3,975,124
Deferred tax liabilities	21	**170,323**	217,857
		31,726,258	29,384,832
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**58,249,461**	52,032,561

Xu Lirong
Director

Han Jun
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	ATTRIBUTABLE TO OWNERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 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
Exchange realignment	–	–	–	–	–	–	–	–	–	27,075	–	–	27,075	675	27,750
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
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 interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1
At 31 December 2014 and 1 January 2015	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	416,992	416,992	72,763	489,755
Exchange realignment	–	–	–	–	–	–	–	–	–	341,296	–	–	341,296	637	341,933
Net loss on cash flow hedges	–	–	–	–	–	–	–	(41,824)	–	–	–	–	(41,824)	(63,016)	(104,840)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	(10,606)	–	16,787	–	–	6,181	(2,724)	3,457
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	–	–	(1,758)	–	–	–	(1,758)	–	(1,758)
Total comprehensive income for the year	–	–	–	–	–	–	–	(52,430)	(1,758)	358,083	–	416,992	720,887	7,660	728,547
Acquisition of additional interests in a subsidiary (note 37)	–	–	–	149,971	–	–	–	–	–	–	–	–	149,971	(112,669)	37,302
Conversion of convertible bonds	550,628	3,336,091	–	–	–	–	–	–	–	–	(766,025)	–	3,120,694	–	3,120,694
Dividends approved in respect of previous year (note 12)	–	–	–	–	–	–	–	–	–	–	–	(120,961)	(120,961)	–	(120,961)
Accrual of safety fund reserve	–	–	–	–	–	113,988	–	–	–	–	–	(118,459)	(4,471)	4,471	–
Utilisation of safety fund reserve	–	–	–	–	–	(89,067)	–	–	–	–	–	91,153	2,086	(2,086)	–
Contribution from non-controlling interests of a subsidiary (note 31)	–	–	–	–	–	–	–	–	–	–	–	–	–	116,859	116,859
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,967)	(6,967)
At 31 December 2015	4,032,033	7,749,939	273,418	149,971	2,877,435	91,041	93,158	(173,907)	3,874	(642,566)	–	11,242,810	25,697,206	825,997	26,523,203

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	38	**5,084,984**	3,157,049
INVESTING ACTIVITIES			
Interest received		**77,912**	45,799
Payments for construction in progress		**(1,843,235)**	(6,638,604)
Purchases of property, plant and equipment		**(68,398)**	(95,766)
Proceeds from disposal of property, plant and equipment		**444,482**	372,663
Proceeds from disposal of held-to-maturity investments		**—**	20,000
Loans to associates		**(1,219,347)**	(68,857)
Loans to joint ventures		**(9,144)**	(482,729)
Dividends received from associates		**160,000**	—
Dividends received from joint ventures		**562,725**	19,100
Dividends received from available-for-sale investments		**978**	298
Acquisition of a subsidiary, net of cash acquired	36	**2,783**	—
Acquisition of additional interests in a subsidiary	37	**37,302**	—
Investments in held-to-maturity investments		**—**	(20,000)
Investments in available-for-sale investments		**—**	(29,455)
Investments in associates		**(266,411)**	(1,620,619)
Investments in joint ventures		**(529,200)**	(53,621)
Decrease/(increase) in pledged bank deposits		**611,900**	(611,900)
NET CASH USED IN INVESTING ACTIVITIES		**(2,037,653)**	(9,163,691)
FINANCING ACTIVITIES			
Interest paid		**(1,228,510)**	(1,269,966)
Dividends paid		**(120,961)**	—
Dividends paid to non-controlling interests of subsidiaries		**(6,967)**	—
Increase in other loans		**291,011**	235,028
Repayment of other loans		**(14,726)**	(14,965)
Increase in interest-bearing bank and other borrowings		**11,962,444**	22,978,703
Repayment of notes, interest-bearing bank and other borrowings		**(13,305,350)**	(15,352,381)
Capital element of finance leases rental paid		**(57,164)**	(53,201)
Redemption of convertible bonds		**(34,744)**	—
Redemption of corporate bonds		**(1,000,000)**	—
Contribution from non-controlling interests of subsidiaries		**—**	1
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(3,514,967)**	6,523,219

	2015 RMB'000	2014 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(467,636)**	516,577
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,449,240**	1,919,204
Effect of foreign exchange rate changes, net	**104,285**	13,459
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**2,085,889**	2,449,240

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 ended 31 December 2015, 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.

These 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.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 to the consolidated financial statements 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 the consolidated financial statements.

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

2.2 Basis of preparation

These 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 2.9)

– Derivative financial instruments (see note 2.18)

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 to the consolidated financial statements.

2.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Group. 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 in 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)

2.3 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.

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discounted operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.4) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. 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 reassessment, 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)

2.7 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)

2.7 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.

2.8 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.

2.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. 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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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 investment properties), 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 to 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.

2.11 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale investments, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

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, less any impairment losses. 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 and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts 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.

Available-for-sale investments

Available-for-sale investments 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 investments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

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.

2.12 Impairment of financial assets

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

Assets carried at amortised cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

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.

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 investments

If an available-for-sale investments 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 profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through profit or loss.

2.13 Derecognition of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

2.14 Inventories

Inventories comprise bunker oil inventories, ship stores and spare parts, and are stated at lower of cost and net realisable value. Cost is determined on the weighted average cost method basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors or management.

2.15 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 consolidated 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)

2.16 Financial liabilities at amortised cost

Financial liabilities, including trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, other loans, obligations under finance leases and bonds payable, 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 or 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.

2.17 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.

2.18 Derivative financial instruments and hedging

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derivative financial instruments and hedging (Continued)

Embedded derivatives

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

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

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

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

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

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

Cash flow hedges

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Convertible bonds

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and when the revenue and cost, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(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;

(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.

2.21 Borrowing costs

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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.

2.23 Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Income tax (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 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"). These 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.

2.25 Dividends

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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.

2.27 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.

2.28 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 the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 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 twelve months and are measured at the amounts expected to be paid when they are settled.

Housing funds

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

Retirement benefit costs

For employees in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Employee benefits (Continued)

Enterprise annuity

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

Termination benefits

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

Housing subsidies

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

2.30 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 2015 and 2014. 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 amount of the Group's vessels as at 31 December 2015 was RMB44,633,897,000 (2014: RMB45,161,379,000).

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 on reference of 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 continuous 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 discounting rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, no impairment loss for oil tankers and dry bulk vessels was recognised during the year ended 31 December 2015 (2014: RMBNil).

Estimated impairment of investments in associates and joint ventures

Management performs review for impairment of the investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amounts of the investments in associates and joint ventures may not be recoverable.

The recoverable amounts of investments in associates and joint ventures have been determined either based on value-in-use or fair value less costs to sell method. The fair values were determined on reference of observable market prices at the end of the reporting period. While the value-in-use calculations are based on discounted cash flow model and require the use of estimates on the projections of cash inflows and discounting rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, impairment losses of RMB193,971,000 (2014: RMBNil) for investments in joint ventures were recognised during the year ended 31 December 2015.

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 amount of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimated provision for impairment of trade and bills receivables

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

Provision for losses incurred in accidents

Provision for losses incurred in accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation and the recoverability of losses from insurance companies, which requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will have impact on the carrying amount 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 as at the end of the 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 tax

As at 31 December 2015, deferred tax assets of RMB432,331,000 (2014: RMB408,052,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets 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 tanker 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 tanker and dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in oil tanker and dry bulk vessel contracts and had made a provision of RMB266,762,000 (2014: RMB281,815,000) for onerous contracts as at 31 December 2015 (see note 28). Those contracts under assessment relate to leases (i) with lease term expiring within twenty-four months from the end of the reporting period; and (ii) with lease term expiring over twenty-four months from the end of the reporting period in respect of the period being covered by the chartered-out oil tanker and dry bulk vessel contracts.

The market is currently highly volatile and freight rates longer than twenty-four 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 twenty-four months after the end of the reporting period, and with period not being covered by chartered-out oil tanker and dry bulk vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (see note 28).

Had the estimated freight rates for the onerous contracts as at 31 December 2015, 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 RMB39,421,000 (2014: RMB53,597,000).

4. APPLICATION OF NEW AND REVISED HKFRSs

Impact of revised or improvement to HKFRSs

In the current year, the Group has applied the following improvement to HKFRSs issued by the HKICPA that are effective and relevant to the Group's financial year beginning on 1 January 2015.

Improvement to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Improvement to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

The application of the revised HKFRSs in the 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 2012-2014 Cycle[1]
HKAS 1 (Amendments)	Disclosure initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation[1]
HKAS 27 (Amendments)	Equity method in separate financial statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 11 (Amendments)	Accounting for acquisition of interests in joint operation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
HKFRS 15	Revenue from contracts with customers[2]

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Available for application - the mandatory effective date will be determined when the outstanding phase of HKFRS 10 and HKAS 28 (Amendments) are finalised.

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 consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment

– oil shipment

– vessel chartering

(ii) dry bulk shipment

– coal shipment

– iron ore shipment

– other dry bulk shipment

– vessel chartering

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 other business segments.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

There is seasonality for the Group's turnover but the effect is small. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2015 is set out as follows:

	2015		2014	
	Turnover RMB'000	**Contribution RMB'000**	Turnover RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment				
– Oil shipment	**5,187,777**	**2,125,616**	5,164,370	805,289
– Vessel chartering	**891,182**	**39,155**	335,205	19,557
	6,078,959	**2,164,771**	5,499,575	824,846
Dry bulk shipment				
– Coal shipment	**1,562,249**	**41,629**	2,374,115	(14,503)
– Iron ore shipment	**2,260,133**	**185,647**	2,883,053	654,877
– Other dry bulk shipment	**809,473**	**(80,639)**	465,255	(43,618)
– Vessel chartering	**1,502,159**	**34,366**	1,051,851	(33,373)
	6,134,014	**181,003**	6,774,274	563,383
	12,212,973	**2,345,774**	12,273,849	1,388,229
Other income and net (losses)/gains		**(303,484)**		385,883
Marketing expenses		**(96,464)**		(57,470)
Administrative expenses		**(432,367)**		(441,583)
Other expenses		**(52,418)**		(45,349)
Share of profits of associates		**215,932**		91,083
Share of profits of joint ventures		**72,294**		205,902
Finance costs		**(1,157,261)**		(1,204,702)
Profit before tax		**592,006**		321,993

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2015 RMB'000	2014 RMB'000
Total segment assets		
Oil shipment	**24,155,300**	23,033,979
Dry bulk shipment	**35,051,713**	31,157,194
Unallocated corporate assets	**9,171,640**	11,559,230
	68,378,653	65,750,403
Total segment liabilities		
Oil shipment	**19,972,394**	15,823,911
Dry bulk shipment	**15,928,745**	17,113,795
Unallocated corporate liabilities	**5,954,311**	10,164,968
	41,855,450	43,102,674

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 to the consolidated financial statements. Segment contribution represents the gross profit incurred by each segment without allocation of central administration costs (including directors' and supervisors' remuneration), marketing expenses, other expenses, share of profits of associates, share of profits of joint ventures, other income and net (losses)/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 amounts of oil tankers and dry bulk vessels as at 31 December 2015 amounted to RMB19,429,126,000 (2014: RMB19,836,740,000) and RMB25,204,771,000 (2014: RMB25,324,639,000) respectively.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	2015		2014	
	Turnover RMB'000	Contribution RMB'000	Turnover RMB'000	Contribution RMB'000
By geographical area:				
Domestic	4,821,465	819,877	4,607,060	657,358
International	7,391,508	1,525,897	7,666,789	730,871
	12,212,973	2,345,774	12,273,849	1,388,229
Other income and net (losses)/gains		(303,484)		385,883
Marketing expenses		(96,464)		(57,470)
Administrative expenses		(432,367)		(441,583)
Other expenses		(52,418)		(45,349)
Share of profits of associates		215,932		91,083
Share of profits of joint ventures		72,294		205,902
Finance costs		(1,157,261)		(1,204,702)
Profit before tax		592,006		321,993

	2015 RMB'000	2014 RMB'000
Turnover		
Total segment turnover	12,212,973	12,273,849
Less: inter-segment transactions	—	—
Total consolidated turnover	12,212,973	12,273,849

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	2015			
	Oil shipment RMB'000	**Dry bulk shipment RMB'000**	**Others RMB'000**	**Total RMB'000**
Additions to segment non-current assets	**875,321**	**222,619**	**2,317,569**	**3,415,509**
Depreciation	**868,905**	**1,027,999**	**5,713**	**1,902,617**
Provision for onerous contracts	**82,693**	**45,135**	**—**	**127,828**
Loss on disposal of property, plant and equipment, net	**(27,927)**	**(1,345,412)**	**(6)**	**(1,373,345)**
Interest income	**2,524**	**6,283**	**69,105**	**77,912**

	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 contracts	61,811	45,547	—	107,358
Loss on disposal of property, plant and equipment, net	(117,004)	(114,208)	(14)	(231,226)
Interest income	6,301	5,336	34,162	45,799

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the year ended 31 December 2015.

No customers contributed over 10% of the total turnover of the Group for both years ended 31 December 2015 and 2014.

6. OTHER INCOME AND NET (LOSSES)/GAINS

	2015 RMB'000	2014 RMB'000
Other income		
Government subsidies (note)	**1,049,574**	516,389
Interest income from loan receivables	**52,047**	14,356
Bank interest income	**25,865**	31,183
Rental income from investment properties	**22,726**	21,239
Interest income from held-to-maturity investments	—	260
Others	**2,639**	15,410
	1,152,851	598,837
Other gains/(losses)		
Gain/(loss) on revaluation of investment properties	**56,420**	(44,041)
Exchange gains, net	**18,418**	17,092
Gain on bargain purchase (note 36)	**1,947**	—
Dividends received from available-for-sale investments	**978**	298
Impairment losses on investments in joint ventures	**(193,971)**	—
Loss on disposal of property, plant and equipment, net	**(1,373,345)**	(231,226)
Written off of inventories	—	(4,512)
Others	**33,218**	49,435
	(1,456,335)	(212,954)
Other income and net (losses)/gains	**(303,484)**	385,883

Note:

The government subsidies represent the subsidies granted 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.

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Total finance costs		
Interest expenses on:		
– Bank loans and other borrowings	**1,076,328**	908,110
– Corporate bonds	**232,763**	222,247
– Convertible bonds	**14,677**	192,486
– Notes	—	70,289
– Finance leases	**21,697**	27,501
– Hedge loan	**1,807**	3,386
Other finance charges	**1,105**	2,581
Net fair value loss on cash flow hedges reclassified from equity	—	1,631
	1,348,377	1,428,231
Less: Interest capitalised	**(191,116)**	(223,529)
Finance costs	**1,157,261**	1,204,702

During the year ended 31 December 2015, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 1.45% to 6.51% (2014: 0.75% to 6.51%) per annum.

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2015 RMB'000	2014 RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**3,880,282**	5,663,120
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**5,986,917**	5,222,500
	9,867,199	10,885,620
Operating lease rentals: minimum lease payments		
Land and buildings	**45,124**	43,858
Vessels	**1,595,540**	516,664
Total operating lease rentals	**1,640,664**	560,522
Staff costs (including directors' and supervisors' remuneration (note 9)):		
Wages, salaries, crew expenses and related expenses	**1,702,659**	1,776,311
Pension scheme contributions	**29,672**	67,191
Total staff costs	**1,732,331**	1,843,502
Depreciation	**1,902,617**	1,867,824
Auditor's remuneration	**3,627**	3,529
Provision for onerous contracts	**127,828**	107,358
Dry-docking and repairs	**321,003**	351,382

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The details of directors' and supervisors' remuneration are disclosed as follows:

	Directors		Supervisors	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**975**	575	—	—
Salaries, allowances and benefits in kind	**1,260**	2,426	**945**	—
Discretionary bonuses	**1,190**	40	**1,179**	—
Pension scheme contributions	**80**	74	**80**	—
Total	**3,505**	3,115	**2,204**	—

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year ended 31 December 2015 were as follows:

		2015	2014
		RMB'000	RMB'000
Mr. Wang Wusheng		**150**	100
Mr. Ruan Yongping	(appointed on 31 March 2014)	**150**	75
Mr. Ip Sing Chi	(appointed on 6 June 2014)	**300**	175
Mr. Rui Meng	(appointed on 18 June 2015)	**150**	—
Mr. Teo Siong Seng	(appointed on 28 December 2015)	—	—
Mr. Zhang Jun	(resigned on 18 June 2015)	**75**	100
Mr. Lin Junlai	(resigned on 16 October 2014)	—	75
Mr. Lu Wenbin	(resigned on 31 March 2014)	—	25
Mr. Wang Guoliang	(appointed on 16 October 2014 and resigned on 18 June 2015)	**150**	25
Mr. Zhu Yongguang	(resigned on 17 January 2014)	—	—
		975	575

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2015 (2014: RMBNil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors

The remuneration paid to executive directors and supervisors during the year ended 31 December 2015 were as follows:

2015	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 (resigned on 8 March 2016)	—	—	—	—	—
Mr. Huang Xiaowen	—	—	—	—	—
Mr. Ding Nong	—	—	—	—	—
Mr. Yu Zenggang	—	—	—	—	—
Mr. Yang Jigui (appointed on 28 December 2015)	—	—	—	—	—
Mr. Han Jun	—	628	1,120	40	1,788
Mr. Qiu Guoxuan	—	632	70	40	742
Ms. Su Min (resigned on 28 August 2015)	—	—	—	—	—
Mr. Liu Xihan (resigned on 18 June 2015)	—	—	—	—	—
	—	1,260	1,190	80	2,530
Supervisors:					
Mr. Xu Wenrong	—	—	—	—	—
Mr. Chen Jihong	—	—	—	—	—
Mr. Luo Yuming	—	508	1,037	40	1,585
Ms. Chen Xiuling	—	437	142	40	619
	—	945	1,179	80	2,204

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

The remuneration paid to executive directors and supervisors during the year ended 31 December 2015 were as follows: (Continued)

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	—	—	—	—	—
	—	—	—	—	—

There was no (2014: no) arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended 31 December 2015.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2015 included one (2014: one) director and one (2014: Nil) supervisor, details of whose remuneration are set out in note 9 to the consolidated financial statements. Details of the remuneration of the remaining three (2014: four) employees for the year ended 31 December 2015 were as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,789**	3,127
Discretionary bonuses	**1,133**	—
Pension scheme contributions	**121**	150
	3,043	3,277

The number of highest paid employees (excluding directors and supervisors) whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
HKDNil to HKD1,000,000	—	4
HKD1,000,001 to HKD1,500,000	**3**	—

No emoluments (2014: RMBNil) 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.

11. INCOME TAX

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year ended 31 December 2015.

Under the Law of the PRC on Corporate Income Tax Law (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the Group is 25% (2014: 25%).

Pursuant to the 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.

11. INCOME TAX (Continued)

	2015 RMB'000	2014 RMB'000
Current:		
Hong Kong		
– Provision for the year	**(571)**	(396)
– Over provision in prior years	**161**	70
PRC		
– Provision for the year	**(222,116)**	(10,706)
– Under provision in prior years	**(17)**	(534)
Deferred tax (note 21)	**120,292**	91,400
Total income tax (expense)/credit for the year	**(102,251)**	79,834

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**592,006**	321,993
Tax at the statutory tax rate	**(148,001)**	(80,498)
Tax effect of share of profits of associates	**53,983**	22,869
Tax effect of share of profits of joint ventures	**18,074**	51,550
Tax effect of expenses not deductible for tax	**(35,073)**	(80,505)
Tax effect of income not subject to tax	**115,663**	33,096
Over/(under) provision in prior years, net	**144**	(464)
Tax effect of unused tax losses not recognised	**(478,068)**	(111,076)
Tax effect of utilisation of tax losses previously not recognised	**233,514**	—
Temporary differences not recognised	**—**	108
Different tax rates of subsidiaries operating in other jurisdictions	**137,513**	244,754
Income tax (expense)/credit	**(102,251)**	79,834

11. INCOME TAX (Continued)

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

	2015 RMB'000	2014 RMB'000
At 1 January	**5,024**	12,072
Provision for income tax	**222,687**	11,102
(Over)/under provision in prior years, net	**(144)**	464
Income tax paid	**(95,000)**	(18,616)
Exchange realignment	**2**	2
At 31 December	**132,569**	5,024

12. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognised and paid as distribution during the year:		
Final dividend for 2014 - RMB0.03 (2014: Final dividend for 2013 - RMBNil) per share	**120,961**	—

Final dividend of RMB0.03 per share in respect of the year ended 31 December 2014 was approved by the shareholders on 18 June 2015.

At the Board meeting held on 29 March 2016, the Directors proposed a final dividend of RMB403,203,000, representing RMB0.1 per share, in respect of the year ended 31 December 2015. 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.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB416,992,000 (2014: RMB309,413,000) and the weighted average of 3,975,547,000 shares (2014: 3,404,556,000 shares) in issue during the year ended 31 December 2015, calculated as follows:

	2015	2014
Profit attributable to owners of the Company (RMB'000)	416,992	309,413
Weighted average number of shares in issue (thousands)	3,975,547	3,404,556
Basic earnings per share (RMB cents per share)	10.49	9.09

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as the Group does not have any dilutive potential shares outstanding during the year.

The diluted earnings per share for the year ended 31 December 2014 is the same as the basic earnings per share as the assumed exercise of the outstanding convertible bonds has anti-dilutive effect.

14. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Fair value		
Completed investment properties	1,088,659	1,032,239
At 1 January	1,032,239	1,076,280
Net gain/(loss) on revaluation recognised in profit or loss	56,420	(44,041)
At 31 December	1,088,659	1,032,239

14. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties as at 31 December 2015 and 2014 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 connected 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 prior years.

As at 31 December 2015, the fair value of the Group's investment properties of RMB1,088,659,000 (2014: RMB1,032,239,000), is based on Level 2 fair value hierarchy as defined under HKFRS 13 "Fair value measurement" which details are set out in note 45 to the consolidated financial statements.

During the year ended 31 December 2015 and 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 properties 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.

15. PROPERTY, PLANT AND EQUIPMENT

	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 2015	70,011	56,453,258	94,001	21,057	204,859	5,139,413	61,982,599
Additions	3,577	53,944	6,329	1,320	3,228	3,347,111	3,415,509
Disposals	(12,188)	(4,435,930)	(1,104)	(409)	—	—	(4,449,631)
Transfers	—	1,908,963	397	—	—	(1,909,360)	—
Acquisition of a subsidiary	577	—	394	5,326	—	—	6,297
Exchange realignment	1,282	1,366,566	192	—	—	306,276	1,674,316
At 31 December 2015	**63,259**	**55,346,801**	**100,209**	**27,294**	**208,087**	**6,883,440**	**62,629,090**
Accumulated depreciation							
At 1 January 2015	59,974	11,270,745	73,133	13,350	13,688	—	11,430,890
Charge for the year	5,847	1,880,065	9,290	2,074	5,341	—	1,902,617
Disposals	(12,133)	(2,632,234)	(1,015)	(282)	—	—	(2,645,664)
Acquisition of a subsidiary	363	—	154	1,185	—	—	1,702
Exchange realignment	507	194,328	102	—	—	—	194,937
At 31 December 2015	**54,558**	**10,712,904**	**81,664**	**16,327**	**19,029**	—	**10,884,482**
Impairment losses							
At 1 January 2015	—	21,134	—	—	—	—	21,134
Disposals	—	(21,134)	—	—	—	—	(21,134)
At 31 December 2015	—	—	—	—	—	—	—
Accumulated depreciation and impairment losses							
At 31 December 2015	**54,558**	**10,712,904**	**81,664**	**16,327**	**19,029**	—	**10,884,482**
At 31 December 2014	59,974	11,291,879	73,133	13,350	13,688	—	11,452,024
Net carrying amount							
At 31 December 2015	**8,701**	**44,633,897**	**18,545**	**10,967**	**189,058**	**6,883,440**	**51,744,608**
At 31 December 2014	10,037	45,161,379	20,868	7,707	191,171	5,139,413	50,530,575

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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 amount							
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

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2015, 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:

	2015	2014
	RMB'000	RMB'000
Vessels		
Cost	**2,208,480**	5,230,526
Accumulated depreciation and impairment losses	**231,139**	255,426

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

As at 31 December 2015, the net carrying amount of the Group's vessels held under finance leases amounted to RMB591,780,000 (2014: RMB613,969,000) (see note 32) with lease terms of ten years.

As at 31 December 2015, certain of the Group's vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 30).

16. GENERAL INFORMATION OF SUBSIDIARIES

As at 31 December 2015 and 2014, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Class of shares in issue	Proportion of ownership interest held by the Group				Principal activities
				Directly		Indirectly		
				2015	2014	**2015**	2014	
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 Bulk Carrier (Wuhan) Co., Ltd (Incorporated in 2015)	PRC Limited liability company	RMB100,000,000	Ordinary	**0%**	0%	**100%**	0%	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	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Bulk Carrier (Hong Kong) Wylex Co., Limited	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping Development (Hong Kong) Wytex Limited	Hong Kong Limited liability company	HKD100,000	Ordinary	**0%**	0%	**100%**	100%	Provision of shipping services
China Shipping LNG Investment Co., Ltd	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") (note 1)	Hong Kong Limited liability company	USD19,000,000	Ordinary	**0%**	0%	**100%**	51%	Investment holding

16. GENERAL INFORMATION OF SUBSIDIARIES (Continued)

As at 31 December 2015 and 2014, particulars of the Group's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Class of shares in issue	Proportion of ownership interest held by the Group				Principal activities
				Directly		Indirectly		
				2015	2014	**2015**	2014	
East China LNG Shipping Investment Co., Limited ("ELNG")	Hong Kong Limited liability company	USD5,000,000	Ordinary	**70%**	70%	**0%**	0%	Investment holding
Guangzhou Jinghai Shipping Co., Limited ("Guangzhou Jinghai")	PRC Limited liability company	RMB130,000,000	Ordinary	**0%**	0%	**51%**	51%	Provision of shipping services
Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao") (note 2)	Hong Kong Limited liability company	USD8,000,000	Ordinary	**0%**	51%	**51%**	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 Huitong Shipping Services Co., Limited ("Shanghai Huitong") (note 3)	PRC Limited liability company	RMB200,000	Ordinary	**0%**	0%	**100%**	0%	Provision of vessels repair 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%	**40.8%**	40.8%	Inactive
China Energy Hope LNG Shipping Co., Limited ("Hope LNG")#	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**40.8%**	40.8%	Inactive
China Energy Aurora LNG Shipping Co., Limited ("Aurora LNG")#	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**40.8%**	40.8%	Inactive
China Energy Glory LNG Shipping Co., Limited ("Glory LNG")#	Hong Kong Limited liability company	USD1,000	Ordinary	**0%**	0%	**40.8%**	40.8%	Inactive

16. GENERAL INFORMATION OF SUBSIDIARIES (Continued)

As at 31 December 2015 and 2014, particulars of the Group's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Class of shares in issue	Proportion of ownership interest held by the Group				Principal activities
				Directly		Indirectly		
				2015	2014	2015	2014	
China Energy Pioneer LNG Shipping Co., Limited ("Pioneer LNG")#	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	40.8%	40.8%	Inactive
China Energy Peace LNG Shipping Co., Limited ("Peace LNG")#	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	40.8%	40.8%	Inactive
China Energy Ship Management Co., Limited ("Ship Management")#	Hong Kong Limited liability company	USD1,000	Ordinary	0%	0%	40.8%	40.8%	Provision of vessels management

These companies are indirectly held by a non-wholly-owned subsidiary of the Group, China Energy, which has 80% equity interests in each of these companies.

Note:

(1) On 6 November 2015, the Group acquired additional 49% equity interests in CS Puyuan through CSDHK, a wholly-owned subsidiary of the Company (see note 37).

(2) On 31 December 2015, the Company had disposed of its 51% equity interests in Hai Bao to Bulk Carrier, a wholly-owned subsidiary of the Company.

(3) On 1 July 2015, the Group acquired 100% equity interests in Shanghai Huitong through Bulk Carrier, at a consideration of RMB96,200 (see note 36).

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 directors of the Company considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

17. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**1,205,863**	876,597
Goodwill	**835,105**	835,105
	2,040,968	1,711,702

As at 31 December 2015 and 2014, 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	Issued/ registered capital	Proportion of ownership interest held by the Group		Proportion of voting power held		Principal activities
			2015	2014	**2015**	2014	
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	Provision of shipping services
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	Provision of shipping services
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	Provision of shipping services
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	Inactive
Shanghai Beihai Shipping Company Limited ("Shanghai Beihai") (note1)	PRC Limited liability company	RMB763,750,000	**40%**	40%	**40%**	40%	Transportation of petroleum product
China Ore Shipping Pte Ltd. ("China Ore Shipping") (note 2) (Incorporated in 2015)	Singapore Limited liability company	USD88,930,875	**49%**	0%	**49%**	0%	Bulk transportation and shipping business

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

17. INVESTMENTS IN ASSOCIATES (Continued)

Note:

(1) On 20 June 2014, CS Tanker, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem International Corporation ("Sinochem"), a state-owned enterprise. Pursuant to the equity transfer agreement, CS Tanker acquired 20% equity interests in Shanghai Beihai, a sino-foreign joint venture enterprise established in the PRC, from Sinochem 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. The equity transfer was completed in 2014.

On 30 July 2014, CS Tanker entered into another equity transfer agreement with Shanghai Shipping (Group) Company ("Shanghai Shipping"), a wholly-owned subsidiary of China Shipping, to acquire a further 20% equity interests in Shanghai Beihai from Shanghai Shipping 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. The equity transfer was completed in 2014.

Shanghai Beihai is principally engaged in the transportation of petroleum product, which is an unlisted entity whose quoted market price is not available.

(2) On 14 May 2015, the Company entered into an agreement with China COSCO Bulk Shipping (Group) Company Ltd. to incorporate China Ore Shipping.

China Ore Shipping is principally engaged in the bulk transportation and shipping business, which is an unlisted entity whose quoted market price is not available.

The directors of the Company considered the Group did not have any individual associate that is material to the Group. Aggregate information of associates that are not individually material:

	2015 **RMB'000**	2014 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**2,040,968**	1,711,702
Aggregate amounts of Group's share of:		
Profit for the year	**215,932**	91,083
Other comprehensive income	**3,457**	—
Total comprehensive income	**219,389**	91,083

18. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	**4,596,163**	4,790,637
Less: impairment losses	**(193,971)**	—
	4,402,192	4,790,637

As at 31 December 2015 and 2014, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Proportion of ownership interest, voting power and profit sharing attributable to the Group				Principal activities
			Directly		Indirectly		
			2015	2014	**2015**	2014	
Shanghai Friendship Marine Co., Limited ("Shanghai Friendship")	PRC Limited liability company	RMB300,000,000	**0%**	0%	**50%**	50%	Provision of shipping services
Shanghai Times Shipping Co., Limited ("Shanghai Times")	PRC Limited liability company	RMB1,200,000,000	**0%**	50%	**50%**	0%	Provision of shipping services
China Shipping Finance Co., Limited ("CS Finance")	PRC Limited liability company	RMB600,000,000	**25%#**	25%#	**0%**	0%	Financial services
Huahai Petrol Transportation & Trading Co., Limited ("Huahai")	PRC Limited liability company	RMB56,879,168	**50%**	50%	**0%**	0%	Provision of shipping services
Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping")	PRC Limited liability company	RMB626,497,080	**0%**	0%	**50%**	50%	Provision of shipping services

18. INVESTMENTS IN JOINT VENTURES (Continued)

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Proportion of ownership interest, voting power and profit sharing attributable to the Group				Principal activities
			Directly		Indirectly		
			2015	2014	2015	2014	
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai")	PRC Limited liability company	RMB5,180,000,000 (2014: RMB 4,100,000,000)	**0%**	49%[##]	**49%[##]**	0%	Provision of shipping services
Arctic Blue LNG Shipping Limited ("Arctic Blue")	Hong Kong Limited liability company	USD1,000	**0%**	0%	**50%**	50%	Inactive
Arctic Green LNG Shipping Limited ("Arctic Green")	Hong Kong Limited liability company	USD1,000	**0%**	0%	**50%**	50%	Inactive
Arctic Purple LNG Shipping Limited ("Arctic Purple")	Hong Kong Limited liability company	USD1,000	0%	0%	50%	50%	Inactive

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

[#] The Group holds 25% of the issued share capital of CS Finance with other three shareholders and each of them controls 25% of vote in the 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 Zhonghai is jointly controlled by the Group and another significant shareholder by virtue of contractual arrangements among shareholders, Shenhua Zhonghai is regarded as a joint venture of the Group.

18. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2015		2014	
	Shanghai Times RMB'000	**Shenhua Zhonghai RMB'000**	Shanghai Times RMB'000	Shenhua Zhonghai RMB'000
Non-current assets	**5,675,194**	**6,894,792**	6,010,052	7,065,705
Current assets	**890,024**	**1,435,534**	752,334	1,314,812
Non-current liabilities	**(1,524,837)**	**(2,039,033)**	(1,939,297)	(500,000)
Current liabilities	**(3,507,306)**	**(342,532)**	(2,841,375)	(1,964,304)
Equity	**1,533,075**	**5,948,761**	1,981,714	5,916,213
Revenue	**3,071,262**	**2,002,173**	4,270,631	3,380,687
Profit for the year	**1,361**	**32,548**	22,698	267,198
Total comprehensive income	**1,361**	**32,548**	22,698	267,198
Dividends received from joint ventures	**225,000**	**529,200**	—	—
Included in the above profit/(loss):				
Depreciation and amortisation	**340,630**	**292,233**	337,535	249,742
Interest income	**813**	**928**	1,844	3,114
Interest expense	**172,382**	**102,802**	210,461	56,305
Income tax expense/(credit)	**(91)**	**11,357**	7,797	89,913

18. INVESTMENTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the material investments in joint ventures recognised in the consolidated financial statements is disclosed below:

	2015		2014	
	Shanghai Times RMB'000	**Shenhua Zhonghai RMB'000**	Shanghai Times RMB'000	Shenhua Zhonghai RMB'000
Net assets of the joint ventures	**1,533,075**	**5,948,761**	1,981,714	5,916,213
Proportion of the Group's ownership interest	**50%**	**49%**	50%	49%
Carrying amount of the Group's investments in joint ventures	**766,538**	**2,914,893**	990,857	2,898,943

In addition to the investments in joint ventures disclosed above, the Group also has investments in a number of individually immaterial joint ventures and are disclosed as follows:

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**720,761**	900,837
Aggregate amounts of Group's share of:		
Profit for the year	**55,665**	63,626
Other comprehensive (expense)/income	**(1,758)**	4,613
Total comprehensive income	**53,907**	68,239

19. LOAN RECEIVABLES

Included in loan receivables represent loans to associates of USD245,891,934 (approximately RMB1,596,752,000) (2014: USD49,520,418 (approximately RMB303,016,000)) are unsecured, interest-bearing at fixed rate of 4% and approximately 3.30% to 6.20% over 3 month London Inter-Bank Offered Rate ("Libor") (2014: approximately 3.30% to 5% over 3 month Libor) per annum and repayable in 2018, 2030 and 2031.

Included in loan receivables represent loans to joint ventures of USD80,467,104 (approximately RMB522,534,000) (2014: USD79,017,104 (approximately RMB483,524,000)) are unsecured, interest-bearing at 0.80% over 3 month Libor (2014: 0.80% over 3 month Libor) per annum prior to delivery of vessels and at 1.30% over 3 month Libor (2014: 1.30% over 3 month Libor) per annum after delivery of vessels and repayable in 20 years after the vessels construction projects are completed.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	RMB'000
Unlisted equity investments, at cost	**35,379**	35,284

The unlisted equity investments are stated at cost less impairment losses as the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2015, no impairment losses (2014: RMBNil) was made for the available-for-sale investments.

Certain available-for-sale investments are denominated in the following foreign currency:

	2015	2014
	RMB'000	RMB'000
USD	**1,624**	1,529

21. DEFERRED TAXATION

The followings are the major deferred tax recognised and movements thereon during the current and prior year.

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**481,660**	408,052
Deferred tax liabilities	**(170,323)**	(217,857)
	311,337	190,195

	Tax losses RMB'000	Provision for assets impairment RMB'000	Revaluation of assets arising from business combination 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 2014	297,590	—	—	(41,654)	(157,141)	—	98,795
Credited/(charged) to profit or loss during the year (note 11)	110,462	—	—	(27,053)	8,012	(21)	91,400
At 31 December 2014 and at 1 January 2015	408,052	—	—	(68,707)	(149,129)	(21)	190,195
Arising from business combination (note 36)	—	—	850	—	—	—	850
Credited/(charged) to profit or loss during the year (note 11)	24,279	48,494	(15)	64,294	(16,760)	—	120,292
At 31 December 2015	**432,331**	**48,494**	**835**	**(4,413)**	**(165,889)**	**(21)**	**311,337**

As at 31 December 2015, a deferred tax asset in respect of tax losses of RMB2,731,152,000 (2014: RMB613,035,000) has not been recognised in the 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 RMB2,585,435,000 (2014: RMB507,686,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

22. INVENTORIES

The Group's inventories represent the bunker oil inventories, and ship stores and spare parts of RMB362,931,000 (2014: 597,055,000) and RMB219,496,000 (2014: RMB238,249,000) respectively.

23. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade and bills receivables	**2,233,434**	1,735,214
Due from associates	—	736
Due from joint ventures	**40,200**	9,627
Due from fellow subsidiaries	**477**	686
	2,274,111	1,746,263

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:

	2015	2014
	RMB'000	RMB'000
1 - 3 months	**1,577,830**	1,503,619
4 - 6 months	**604,399**	131,929
7 - 9 months	**48,784**	58,604
10 - 12 months	**40,055**	47,443
1 - 2 years	**3,043**	4,668
	2,274,111	1,746,263

No impairment losses (2014: RMBNil) was made 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.

23. TRADE AND BILLS RECEIVABLES (Continued)

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 ended 31 December 2015, the directors of the Company consider that no allowance is required.

Included in trade and bills receivables are debtors with total carrying amount of approximately RMB377,530,000 (2014: RMB242,644,000) which are past due as at the end of the reporting period for which the Group had not provided for impairment losses (2014: RMBNil) as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

Ageing of trade and bills receivables which are past due but not impaired, is as follows:

	2015	2014
	RMB'000	RMB'000
1 – 6 months	**335,432**	190,533
7 – 12 months	**39,055**	47,443
Over 1 year	**3,043**	4,668
	377,530	242,644

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 to be fully recoverable. The Group does not hold any collateral over these balances.

Certain trade and bills receivables are denominated in the following foreign currencies:

	2015	2014
	RMB'000	RMB'000
USD	**1,105,388**	968,211
AUD	—	2

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	**149,853**	139,850
Deposits and other receivables	**836,779**	316,039
Due from associates	—	3,427
Due from joint ventures	**333,929**	74,565
Due from fellow subsidiaries	**185,917**	185,662
Due from related companies		
– Due from joint ventures of ultimate holding company	**16,971**	16,971
– Due from a joint venture of a fellow subsidiary	**25**	76,153
	1,523,474	812,667

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

Certain prepayments, deposits and other receivables are denominated in the following foreign currencies:

	2015 RMB'000	2014 RMB'000
USD	**304,046**	483,041
HKD	**81,117**	23,011
AUD	**34,019**	22,820
JPY	**4,735**	1,914
Others	**20,317**	13,629

25. 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.

Included in cash and cash equivalents is an amount of RMB794,370,000 (2014: RMB696,892,000) of bank balance deposited with CS Finance, a joint venture of the Group.

As at 31 December 2015, none of bank deposits (2014: bank deposits of RMB611,900,000) has/had been pledged to secure short-term bank borrowings. The pledged bank deposits were released upon the settlement of relevant bank borrowings during the year ended 31 December 2015.

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

	2015	2014
	RMB'000	RMB'000
USD	**1,292,096**	1,579,382
SGD	**487**	910
HKD	**12,324**	11,182
Others	**710**	746

The carrying amounts of pledged bank deposits were denominated in the following foreign currency:

	2015	2014
	RMB'000	RMB'000
USD	—	611,900

26. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade and bills payables	**619,700**	472,700
Due to ultimate holding company	**729**	147
Due to joint ventures	**3,260**	860
Due to fellow subsidiaries	**236,523**	377,627
Due to related companies		
– Due to joint ventures of ultimate holding company	**12,844**	9,576
– Due to joint ventures of fellow subsidiaries	**31,382**	129,759
	904,438	990,669

Trade payables due to ultimate holding company, joint ventures, fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit period as other trade payables.

Certain trade and bills payables are denominated in the following foreign currencies:

	2015 RMB'000	2014 RMB'000
USD	**515,293**	619,246
HKD	**12,384**	36,944
JPY	**5,664**	2,283
EUR	**4,919**	6,161
Others	**1,494**	9,458

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

	2015 RMB'000	2014 RMB'000
1 - 3 months	**612,959**	710,078
4 - 6 months	**118,197**	129,070
7 - 9 months	**47,088**	51,795
10 - 12 months	**80,573**	66,103
1 - 2 years	**37,122**	24,436
Over 2 years	**8,499**	9,187
	904,438	990,669

Trade and bills payables are non-interest-bearing and are normally settled in one to three months.

27. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Other payables	**594,645**	(57,484)
Accruals	**42,344**	41,906
Due to ultimate holding company	**6,422**	17,647
Due to joint ventures	**74,816**	4,962
Due to fellow subsidiaries	**12,519**	97,665
Due to related companies		
– Due to joint ventures of fellow subsidiaries	**185**	—
	730,931	104,696

Other payables and accruals are non-interest-bearing and are normally settled in one to three months.

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

Certain other payables and accruals are denominated in the following foreign currencies:

	2015 RMB'000	2014 RMB'000
USD	**375,682**	314,656
HKD	**11,978**	3,412
Others	**5,651**	1,937

28. PROVISION FOR ONEROUS CONTRACTS

	2015 RMB'000	2014 RMB'000
At 1 January	**281,815**	349,694
Provision during the year	**127,828**	107,358
Utilised during the year	**(142,287)**	(175,850)
Exchange realignment	**(594)**	613
At 31 December	**266,762**	281,815
Current portion of provision for onerous contracts	**107,623**	142,287
Non-current portion of provision for onerous contracts	**159,139**	139,528
	266,762	281,815

As at 31 December 2015, the Group has a provision of RMB266,762,000 (2014: RMB281,815,000) for onerous contracts relating to the non-cancellable chartered-in oil tanker and dry bulk vessel contracts.

As at 31 December 2015, the committed charterhire expenses of non-cancellable chartered-in oil tanker and dry bulk vessel contracts with lease term expiring over twenty-four months from the end of the reporting period and with period not being covered by chartered-out oil tanker and dry bulk vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB2,556,989,000 (2014: RMB2,709,313,000).

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Liabilities		
Current portion	**508**	—
Non-current portion	**411,385**	291,553

As at 31 December 2015, the Group held thirty-one (2014: thirty-one) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was USD609,800,282 (approximately RMB3,959,799,000) (2014: USD609,800,282 (approximately RMB3,731,368,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032, are designated as cash flow hedges in respect of the bank borrowings of the Group with a floating interest rate.

During the year ended 31 December 2015, the floating rates of the bank borrowings were 3 month Libor plus 0.42% or 2.20% (2014: 3 month Libor plus 0.42%, 0.45% or 2.20%).

Loss for the interest rate swap agreements during the year ended 31 December 2015 is as follows:

	2015 RMB'000	2014 RMB'000
Total fair value loss included in the hedging reserve	**104,840**	436,415
Hedge loan interest included in finance costs	**1,807**	3,386
Total loss on cash flow hedges of the interest rate swap agreements	**106,647**	439,801

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

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

		Annual effective interest rate (%)	Maturity	2015 RMB'000	2014 RMB'000
Current liabilities					
(i)	Bank borrowings				
	Secured	5% to 10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 2.15%, 3 month Libor, 3 month Libor + 0.42% to 2.15%, 6 month Libor + 0.40% to 1.70%, fixed rate of 3.50% to 4.80%	2016	**1,487,272**	1,926,196
	Unsecured	9% to 10% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.60% to 4%, 3 month Libor, 3 month Libor + 0.70% to 2.20%, fixed rate of 1.70% to 4.80%	2016	**4,529,070**	4,030,944
				6,016,342	5,957,140
(ii)	Other borrowings				
	Secured	5% discount to the PBC Benchmark interest rate, fixed rate of 6%	2016	**8,670**	253,160
	Unsecured	10% discount to the PBC Benchmark interest rate, Libor + 1.60% to 2.90%, 6 month Libor + 2.10%, fixed rate of 1.50% to 6%	2016	**2,179,360**	2,032,790
				2,188,030	2,285,950
Interest-bearing bank and other borrowings – Current portion				**8,204,372**	8,243,090

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

		Annual effective interest rate (%)	Maturity	2015 RMB'000	2014 RMB'000
Non-current liabilities					
(i)	Bank borrowings				
	Secured	5% to 10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 2.15%, 3 month Libor + 0.42% to 2.20%, 6 month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2018 to 2037	**13,264,504**	11,295,416
	Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.45% to 1.85%, 3 month Libor + 1.20% to 2.40%, fixed rate of 2.91% to 6%	2017 to 2024	**6,789,686**	7,388,464
				20,054,190	18,683,880
(ii)	Other borrowings				
	Secured	5% discount to the PBC Benchmark interest rate	2023	**100,470**	129,540
	Unsecured	6 month Libor + 2% to 2.50%, fixed rate of 3.60% to 6.51%	2017 to 2018	**5,298,721**	4,611,923
				5,399,191	4,741,463
Interest-bearing bank and other borrowings – Non-current portion				**25,453,381**	23,425,343

The Group's bank and other borrowings are secured by pledges of the Group's 53 vessels (2014: 48 vessels) and 6 vessels under construction (2014: 13 vessels under construction) with total net carrying amount of RMB20,639,356,000 (2014: RMB19,154,098,000) and RMB6,004,226,000 (2014: RMB4,995,123,000) respectively as at 31 December 2015.

As at 31 December 2015, no bank deposits (2014: bank deposits of RMB611,900,000) has/had been pledged to secure short-term bank borrowings. The pledged bank deposits were released upon the settlement of relevant bank borrowings during the year ended 31 December 2015.

Except for secured bank borrowings of RMB13,326,897,000 (2014: RMB12,470,966,000), unsecured bank borrowings of RMB7,437,128,000 (2014: RMB6,978,985,000) and unsecured other borrowings of RMB1,948,080,000 (2014: RMB611,923,000) which are denominated in USD, all interest-bearing bank and other borrowings are denominated in RMB.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) **As at 31 December 2015, the Group's interest-bearing bank and other borrowings were repayable as follows:**

	2015 RMB'000	2014 RMB'000
Analysed into:		
(i) Bank borrowings:		
Within one year or on demand	**6,016,342**	5,957,140
In the second year	**4,577,413**	2,689,239
In the third to fifth year, inclusive	**8,131,904**	10,204,923
Over five years	**7,344,873**	5,789,718
	26,070,532	24,641,020
(ii) Other borrowings:		
Within one year or on demand	**2,188,030**	2,285,950
In the second year	**1,658,540**	8,670
In the third to fifth year, inclusive	**3,680,215**	4,640,993
Over five years	**60,436**	91,800
	7,587,221	7,027,413
	33,657,753	31,668,433

Included in other borrowings represent an amount of RMB292,800,000 (2014: RMB1,421,790,000) which was borrowed from CS Finance, a joint venture of the Group. As at 31 December 2015, the current and non-current portion of this borrowing amounted to RMB253,400,000 (2014: RMB1,370,990,000) and RMB39,400,000 (2014: RMB50,800,000) respectively.

Included in other borrowings represent an amount of RMB7,148,080,000 (2014: RMB5,411,923,000) was borrowed from the Company's ultimate holding company. As at 31 December 2015, the current and non-current portion of this borrowing amounted to RMB1,849,360,000 (2014: RMB800,000,000) and RMB5,298,720,000 (2014: RMB4,611,923,000) respectively.

(c) **Details of notes are as follows:**

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 had been fully redeemed on 3 August 2014.

31. OTHER LOANS

	2015 RMB'000	2014 RMB'000
Baosteel Resources International Company Limited (“Baosteel Resources International”)	**420,016**	410,784
Kantons International Investment Limited (“Kantons International”)	**519,946**	306,769
Shanghai Puyuan Shipping Co., Limited (“SH Puyuan”)	—	107,681
Mitsui O.S.K. Lines, Limited (“MOL”)	**241,856**	138,140
Petrochina International Co., Limited (“Petrochina International”)	**17,721**	12,286
	1,199,539	975,660
Less: Current portion of other loans	—	(44,714)
Non-current portion of other loans	**1,199,539**	930,946

Loan from Baosteel Resources International represents an amount of USD64,680,000 (approximately RMB420,016,000) (2014: USD67,130,000 (approximately RMB410,784,000)) which was provided to Hai Bao to finance the construction of vessels and daily operations. The loan is unsecured, interest-bearing at fixed rate of 3% (2014: fixed rate of 3.50%) per annum and repayable in 2018.

According to the contract signed between ELNG and its non-controlling shareholder, Kantons International, USD7,069,829 (approximately RMB45,909,000) (2014: USD5,885,854 (approximately RMB36,015,000)) which was provided to ELNG to finance certain vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, interest-bearing at approximately 3.30% to 6.20% over 3 month Libor (2014: approximately 3.30% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

According to the contract signed between China Energy and its non-controlling shareholder, Kantons International, USD73,000,707 (approximately RMB474,037,000) (2014: USD44,248,019 (approximately RMB270,754,000)) which was provided to China Energy to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loan is unsecured, interest-bearing at approximately 2.20% over 3 month Libor (2014: approximately 2.20% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

According to the contract signed between CS Puyuan and its non-controlling shareholder, SH Puyuan, as at 31 December 2014, USD17,597,200 (approximately RMB107,681,000) was provided to CS Puyuan to finance its daily operations. The loan was unsecured, non-interest-bearing and originally repayable in 2015 and 2016.

Pursuant to equity transfer agreement dated 6 November 2015 (see note 37), both SH Puyuan and the Group agreed this loan was waived.

31. OTHER LOANS (Continued)

According to the contracts signed between China Energy and the non-controlling shareholder of its subsidiaries, MOL, USD37,245,259 (approximately RMB241,856,000) (2014: USD22,575,542 (approximately RMB138,140,000)) which were provided to China Energy to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, interest-bearing at approximately 2.20% over 3 month Libor (2014: approximately 2.20% over 3 month Libor) per annum and repayable within fifteen years after the vessels construction projects are completed.

According to the contract signed between NLNG and its non-controlling shareholder, Petrochina International, USD2,729,070 (approximately RMB17,721,000) (2014: USD2,007,839 (approximately RMB12,286,000)) which was provided to NLNG to finance certain vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, interest-bearing at approximately 4.90% to 5.50% over 3 month Libor (2014: approximately 4.90% over 3 month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	**65,389**	68,977	**48,751**	43,979
– In the second year	**65,358**	68,977	**50,917**	46,630
– In the third to fifth year, inclusive	**196,073**	206,931	**167,253**	158,273
– Over five years	**142,988**	219,910	**135,833**	199,578
	469,808	564,795	**402,754**	448,460
Less: Future finance charges	**(67,054)**	(116,335)		
Present value of lease obligations	**402,754**	448,460		
Less: Amount due within one year shown under current liabilities			**(48,751)**	(43,979)
Amount due after one year			**354,003**	404,481

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

Interest rates underlying all under finance leases are at 10% discount to the PBC Benchmark interest rate (2014: 10% discount to the PBC Benchmark interest rate) per annum.

33. BONDS PAYABLE

	2015 RMB'000	2014 RMB'000
Convertible bonds	—	3,145,147
Corporate bonds	**3,978,488**	4,973,360
	3,978,488	8,118,507
Less: Current portion of bonds payable	—	(4,143,383)
Non-current portion of bonds payable	**3,978,488**	3,975,124

(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 six 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.

33. BONDS PAYABLE (Continued)

(a) Convertible bonds (Continued)

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

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 fifteen trading days out of the thirty 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 ended 31 December 2015 is set out below:

	RMB'000
Carrying amount at 1 January 2014	3,424,692
Interest charge	192,486
Interest paid	(35,586)
Conversion during the year	(436,445)
Carrying amount at 31 December 2014 and 1 January 2015	3,145,147
Interest charge	14,677
Conversion during the year	(3,120,694)
Redemption	(34,744)
Gain on early redemption of convertible bonds	(4,386)
Carrying amount at 31 December 2015	—

The fair value and effective interest rate of the liability component of the convertible bonds as at 31 December 2015 was RMBNil (2014: RMB3,145,147,000) and Nil% (2014: 5.6%) per annum respectively.

Interest expense of RMB14,677,000 (2014: RMB192,486,000) was recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2015.

33. BONDS PAYABLE (Continued)

(b) Corporate bonds

The movement of the corporate bonds for the year ended 31 December 2015 is set out below:

	RMB'000
Carrying amount at 1 January 2014	4,967,236
Interest charge	6,124
Carrying amount at 31 December 2014 and 1 January 2015	4,973,360
Interest charge	5,128
Redemption	(1,000,000)
Carrying amount at 31 December 2015	3,978,488
Current portion of corporate bonds	—
Non-current portion of corporate bonds	3,978,488
	3,978,488

As at 31 December 2015, the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond at initial recognition	At 31 December 2014	Interest charge	Redemption	At 31 December 2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 August 2012	3 years	1,000,000	991,400	998,236	1,764	(1,000,000)	—
3 August 2012	10 years	1,500,000	1,487,100	1,489,656	1,148	—	1,490,804
29 October 2012	7 years	1,500,000	1,488,600	1,491,727	1,550	—	1,493,277
29 October 2012	10 years	1,000,000	992,400	993,741	666	—	994,407
		5,000,000	4,959,500	4,973,360	5,128	(1,000,000)	3,978,488

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

The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% 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.

33. BONDS PAYABLE (Continued)

(b) Corporate bonds (Continued)

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

The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed 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.

34. ISSUED CAPITAL

	2015		2014	
	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	**2,185,405,286**	**2,185,405**	2,108,555,984	2,108,556
Conversion of convertible bonds	**550,627,575**	**550,628**	76,849,302	76,849
At 31 December	**2,736,032,861**	**2,736,033**	2,185,405,286	2,185,405
Total capital	**4,032,032,861**	**4,032,033**	3,481,405,286	3,481,405

During the year ended 31 December 2014, convertible bonds with principal amount of RMB2,000 were converted into 232 shares at a conversion price of 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.

During the year ended 31 December 2015, convertible bonds with principal amount of RMB3,435,928,000 were converted into 550,627,575 shares at a conversion price of RMB6.24 per share.

35. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	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 investments revaluation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 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 and 1 January 2015	4,414,124	270,254	(1,796)	2,877,435	1,176	93,158	1,019	766,025	9,262,927	17,684,322
Profit for the year	—	—	—	—	—	—	—	—	2,025,885	2,025,885
Conversion of convertible bonds	3,336,091	—	—	—	—	—	—	(766,025)	—	2,570,066
Dividends approved in respect of previous year	—	—	—	--	—	—	—	—	(120,961)	(120,961)
Utilisation of safety fund reserve	—	—	—	—	(1,176))	—	—	—	1,176	—
At 31 December 2015	7,750,215	270,254	(1,796)	2,877,435	—	93,158	1,019	—	11,169,027	22,159,312

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 Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company.

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 HKFRS. On this basis, as at 31 December 2015, before the proposed final dividend, the Company had reserve of RMB11,169,027,000 (2014: RMB9,262,927,000).

In addition, in accordance with the Company Law of the PRC, an amount of approximately RMB7,750,215,000 (2014: 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.

35. RESERVES (Continued)

Share premium

Share premium arises 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.

Capital reserve

The reserve arises from the acquisition of additional interests in a subsidiary.

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 be 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 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.

35. RESERVES (Continued)

Hedging reserve

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

Available-for-sale investments revaluation reserve

The available-for-sale investments 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.

36. BUSINESS COMBINATIONS

Acquisition of a subsidiary

On 1 July 2015, the Group acquired 100% equity interests in Shanghai Huitong through Bulk Carrier, a wholly-owned subsidiary of the Company, at a consideration of RMB96,200. Shanghai Huitong is principally engaged in provision of vessels repair services.

(i) Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2015 RMB'000
Non-current assets	
Property, plant and equipment	4,595
Deferred tax assets	850
	5,445
Current assets	
Inventories	1,439
Trade and other receivables	14,429
Cash and cash equivalents	2,879
	18,747
Current liabilities	
Trade and other payables	(22,149)
Fair value of net identifiable assets acquired	2,043

36. BUSINESS COMBINATIONS (Continued)

Acquisition of a subsidiary (Continued)

(ii) Gain on bargain purchase arising from acquisition

	2015 RMB'000
Consideration transferred	
Cash paid	96
Net identifiable assets attributable to the equity interests acquired by the Group	(2,043)
Gain on bargain purchase	(1,947)

No acquisition-related costs arising from acquisition have been incurred.

Gain on bargain purchase of RMB1,947,000 was recognised upon completion of the acquisition of Shanghai Huitong in 2015. All the gain on bargain purchase was recognised in other income.

(iii) Net cash outflow on acquisition of a subsidiary

	2015 RMB'000
Consideration paid	96
Cash and cash equivalents of the subsidiary acquired	(2,879)
Cash inflow on acquisition	(2,783)

37. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Pursuant to equity transfer agreement which was effective on 6 November 2015, the Group acquired additional 49% equity interests in CS Puyuan, through CSDHK. Upon the completion of the transaction, CS Puyuan became a wholly-owned subsidiary of the Group.

The details of the changes in the equity interests in the subsidiary are summarised as follows:

	2015 RMB'000
Carrying amount of non-controlling interests acquired	(4,190)
Waive of loan from SH Puyuan	116,859
Consideration received from non-controlling interests	37,302
Excess of consideration received over carrying amount	149,971

The excess of consideration received to non-controlling interests over the carrying amount of non-controlling interests acquired of RMB149,971,000 has been credited to equity attributable to owners of the Company.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash generated from operating activities:

	2015 RMB'000	2014 RMB'000
Profit before tax	**592,006**	321,993
Adjustments for:		
Finance costs	**1,157,261**	1,204,702
Interest income	**(77,912)**	(45,799)
(Gain)/loss on revaluation of investment properties	**(56,420)**	44,041
Loss on disposal of property, plant and equipment, net	**1,373,345**	231,226
Dividends received from available-for-sale investments	**(978)**	(298)
Gain on early redemption of convertible bonds	**(4,386)**	—
Gain on bargain purchase	**(1,947)**	—
Waive of other payables	**—**	(24,355)
Written off of inventories	**—**	4,512
Impairment losses on investments in joint ventures	**193,971**	—
Depreciation	**1,902,617**	1,867,824
Provision for onerous contracts	**127,828**	107,358
Share of profits of associates	**(215,932)**	(91,083)
Share of profits of joint ventures	**(72,294)**	(205,902)
Operating profit before working capital changes	**4,917,159**	3,414,219
Decrease in inventories	**231,673**	48,471
(Increase)/decrease in trade and bills receivables	**(514,970)**	4,022
Increase in prepayments	**(10,003)**	(72,366)
Increase in deposits and other receivables	**(537,849)**	(163,694)
Decrease/(increase) in amounts due from associates	**3,427**	(3,427)
Increase in amounts due from joint ventures	**(25,154)**	(2,452)
Increase in amounts due from fellow subsidiaries	**(255)**	(60,368)
Decrease/(increase) in amounts due from related companies	**76,128**	(29,243)
Increase/(decrease) in trade and bills payables	**216,277**	(148,294)
Increase in other payables	**991,732**	979,952
Increase/(decrease) in accruals	**438**	(11,161)
Decrease in amount due to ultimate holding company	**(11,225)**	(70,560)
Increase in amounts due to joint ventures	**69,854**	2,518
Decrease in amounts due to fellow subsidiaries	**(85,146)**	(536,102)
Increase in amounts due to related companies	**185**	—
Decrease in provision for onerous contracts	**(142,287)**	(175,850)
Cash generated from operations	**5,179,984**	3,175,665
Income tax paid	**(95,000)**	(18,616)
Net cash generated from operating activities	**5,084,984**	3,157,049

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investment properties	**1,226,464**	1,156,841
Property, plant and equipment	**70,532**	78,145
Interests in subsidiaries	**16,569,619**	13,485,303
Investments in joint ventures	**379,198**	3,126,663
Loan receivables	**10,000,000**	7,000,000
Available-for-sale investments	**29,455**	29,455
	28,275,268	24,876,407
CURRENT ASSETS		
Inventories	—	3,424
Trade and bills receivables	—	2,553
Prepayments, deposits and other receivables	**10,469,015**	10,383,507
Loan receivables	**64,936**	1,000,000
Pledged bank deposits	—	611,900
Cash and cash equivalents	**375,221**	517,755
	10,909,172	12,519,139
CURRENT LIABILITIES		
Trade and bills payables	—	11,791
Other payables and accruals	**2,220,676**	176,274
Current portion of provision for onerous contracts	—	32,317
Current portion of interest-bearing bank and other borrowings	**824,680**	1,911,900
Current portion of bonds payable	—	4,143,383
	3,045,356	6,275,665
NET CURRENT ASSETS	**7,863,816**	6,243,474
TOTAL ASSETS LESS CURRENT LIABILITIES	**36,139,084**	31,119,881
EQUITY		
Issued capital	**4,032,033**	3,481,405
Reserves	**22,159,312**	17,684,322
TOTAL EQUITY	**26,191,345**	21,165,727

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES		
Provision for onerous contracts	—	29,558
Interest-bearing bank and other borrowings	**5,800,000**	5,800,000
Bonds payable	**3,978,488**	3,975,124
Deferred tax liabilities	**169,251**	149,472
	9,947,739	9,954,154
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**36,139,084**	31,119,881

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% to 22% (2014: 18% to 22%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the year ended 31 December 2015 amounted to RMB28,741,000 (2014: RMB62,425,000).

Enterprise annuity scheme

In 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 five 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 2015 amounted to RMB7,408,000 (2014: RMB12,197,000).

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.

40. PENSION AND ENTERPRISE ANNUITY SCHEMES (Continued)

(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% (2014: 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. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year ended 31 December 2015 amounted to RMB931,000 (2014: RMB4,766,000).

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 2015, 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. On 24 July 2015, the court announced the final claims on damage to be RMB4,000,000 and the Group agreed to settle the issues concerned with the amount. The final leakage incident in relation to the "Daiqing 75" tanker was resolved after the Group settled such amount.

41. CONTINGENT LIABILITIES (Continued)

(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 aforesaid 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 agreements 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 holds by the Company in the four companies listed above, the amount of leases guaranteed by the Company is limited to USD8,200,000 (approximately RMB53,248,000).

The guarantee period is limited to that of the lease period, which is twenty 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, 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 2015, the Group was still in the process of settling all the issues concerned.

41. CONTINGENT LIABILITIES (Continued)

(v) On 23 December 2013, five oil tankers of the Group, "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. On 3 November 2015, the court approved the plaintiffs to withdraw the claims after an arbitration on 28 August 2015.

(vi) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charters agreements and supplementary 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 charters agreements and supplementary 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 RMB3,181,864,000). 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 RMB41,559,000).

(vii) At the 2015 sixth Board meeting held on 28 April 2015, the Company approved Bulk Carrier guarantee not more than 50% of the total debt of Guangzhou Shipping, a joint venture of the Group, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable.

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 one to three years (2014: one to three years).

As at 31 December 2015, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**207,669**	224,248
In the second to fifth year, inclusive	**7,469**	25,834
	215,138	250,082

42. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels, vehicles and buildings. The leases are negotiated for terms ranging from one to fifteen years (2014: one to fifteen years).

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**503,182**	425,821
In the second to fifth year, inclusive	**1,504,681**	1,479,051
Over five years	**1,979,457**	2,121,233
	3,987,320	4,026,105

43. CAPITAL COMMITMENTS

	2015 **RMB'000**	2014 RMB'000
Authorised and contracted for:		
Construction and purchases of vessels (note 1)	**5,764,137**	5,430,061
Equity investments (note 2)	**777,517**	539,668
	6,541,654	5,969,729

In addition to the operating lease commitments detailed in note 42 to the consolidated financial statements, the Group had capital commitments as at 31 December 2015, of which RMB2,918,629,000 (2014: RMB1,112,199,000) from the Group will be due within one year.

Note:

(1) According to the construction or purchase agreements entered into by the Group from April 2013 to June 2015 (2014: January 2007 to December 2014), these capital commitments will fall due in 2016 to 2018 (2014: 2015 to 2017).

(2) Included capital commitments in respect of equity investments is commitment to invest in an associate, China Ore Shipping, and a joint venture, Shenhua Zhonghai, of the Group.

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 RMB121,975,000 (2014: RMB486,298,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB2,929,925,000 (2014: RMB3,225,137,000); which are authorised but not contracted for amounted to RMB382,200 (2014: RMBNil).

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, transactions entered into the ordinary course of business between the Group and China Shipping and its subsidiaries other than the Group (together the "China Shipping Group"), associates and joint ventures of the Group, joint ventures of ultimate holding company, joint ventures of fellow subsidiaries as well as other related parties for the year ended 31 December 2015 and 2014, which are also considered by the directors as related party transactions, are as follows:

(1) In October 2012, the Company entered into a services agreement with China Shipping which became effective subsequent to the approval by independent shareholders at an extraordinary general meeting held on 18 December 2012. Pursuant to the services agreement, China Shipping Group and its joint ventures agreed to provide necessary supporting shipping materials and services for the ongoing operations of the oil transportation business and dry bulk cargo transportation business including dry-docking and repair services, supply of lubricating oil, fresh water, raw materials, bunker oil as well as other services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The services agreement will be effective for a term of three years commencing from 1 January 2013 to 31 December 2015. The fees for the supporting shipping materials and services payable by the Group to China Shipping Group and its joint ventures will be determined by reference to, depending on applicability and availability, the state-fixed price, market price or cost.

In September 2015, the Company entered into a new services agreement with China Shipping which became effective subsequent to the approval by independent shareholders at an extraordinary general meeting held on 28 December 2015. Pursuant to the new services agreement, China Shipping Group and its joint ventures will continue to provide the Group with similar materials and services provided for in the services agreement entered into in October 2012 for a further three years commencing from 1 January 2016 to 31 December 2018.

In addition, included in the new services agreement the management services of sea crew provided by China Shipping Group and its joint ventures has covered two services agreements entered between Bulk Carrier and CS Tanker, two wholly-owned subsidiaries of the Company, and China Shipping International Ship Management Co., Ltd. ("CSISM"), a wholly-owned subsidiary of China Shipping, in April 2014 (details are outlined in note 44(2) below).

Except for the management services of sea crew included in the new services agreement, there is no significant changes in the major terms compared to the services agreement entered into in October 2012.

44. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

Further details of the principal amounts paid by the Group to China Shipping Group and its joint ventures in respect of the services agreement for the year ended 31 December 2015 and 2014 are set out below:

	Pricing basis	2015 Total value RMB'000	2014 Total value RMB'000
Supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats	Market prices	**2,342,506**	3,507,214
Oil removal treatment, maintenance, telecommunication and navigational services	State-fixed prices	**63,776**	86,698
Dry-docking, repairs, special coating and technical improvements of vessels	State-fixed prices or market prices	**79,926**	283,609
Management services of sea crew	Market prices	**—**	141,671
Accommodation, lodging, medical services and transportation for employees	State-fixed prices or market prices	**—**	5,228
Agency commissions	Market prices	**74,522**	60,103
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**4,811**	4,182
Miscellaneous management services	Market prices	**27,923**	34,779

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to its fellow subsidiaries and joint ventures of ultimate holding company from time to time.

44. RELATED PARTY TRANSACTIONS (Continued)

(2) In April 2014, CSISM entered into two services agreements with Bulk Carrier and CS Tanker respectively which both services agreements became effective subsequent to the approval by independent shareholders at an annual general meeting held on 6 June 2014. Pursuant to the services agreements, CSISM agreed to provide to the Group the sea crew management services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The fees for the sea crew management services payable by the Group to CSISM will be determined by reference to market price.

The new services agreement outlined in note 44(1) above entered between the Company and China Shipping Group and its joint ventures has covered the above mentioned sea crew management services of which the new services agreements will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018.

During the year ended 31 December 2015, the total crew management fee paid to CSISM was approximately RMB1,245,832,000 (2014: RMB1,196,866,000).

(3) In addition to the related party transactions outlined in note 44(1) and 44(2) above, details of the Group's related party transactions with China Shipping Group, associates and joint ventures of the Group and other related companies are as follows:

	Notes	**2015** **RMB'000**	2014 RMB'000
Shipment income		**100,729**	224,160
Vessel chartering income		**204,156**	58,493
Vessel chartering charges	(i)	**202,947**	396,420
Sale of vessels		**12,113**	—
Construction of vessels	(ii)	**371,959**	1,175,048
Vessel management income		**6,341**	1,822
Technical services income		**5,232**	3,669
Sales of materials		**56,509**	276
Rental income, including business tax and surcharge		**22,591**	20,721
Interest income from associates		**46,665**	12,170
Interest income from joint ventures		**5,382**	2,186
Loan interest payment	(iii)	**315,981**	462,319

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note:

The Group has entered into the following agreements:

(i) On 21 November 2013, Bulk Carrier entered into two bareboat charters agreements with Dalian Shipping Group Co., Limited ("Dalian Shipping"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease two dry bulk vessels, namely "Qing Feng Ling" and "Shi Long Ling", from Dalian Shipping for a term of three years commencing from 1 December 2013 to 30 November 2016. The annual aggregate charter payment for each of the bareboat charters agreement is RMB12,154,500.

On 23 December 2013, Bulk Carrier entered into a framework agreement with China Shipping (Hong Kong) Holding Co., Limited ("CSHK"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease total of twenty-one dry bulk vessels from CSHK for a term of six months commencing from 1 January 2014 to 30 June 2014. The aggregate charter payment under the framework agreement for the six months shall be no more than USD70,000,000 and it has been renewed for a further six months until 31 December 2014.

On 15 April 2014, CS Bulk Carrier (HK), an indirect wholly-owned subsidiary of the Company, entered into four bareboat charters agreements with Dong Fang International Asset Management Limited ("Dong Fang"), an indirect wholly-owned subsidiary of China Shipping, whereby CS Bulk Carrier (HK) will lease four dry bulk vessels from Dong Fang for a term of ten years commencing from the date of delivery of the respective dry bulk vessels to CS Bulk Carrier (HK). The annual charter payment for each bareboat charters agreement is USD2,499,780. A dry bulk vessel under one of the bareboat charters agreements was delivered to CS Bulk Carrier (HK) in October 2015. The other three dry bulk vessels were still under construction as at 31 December 2015.

On 29 April 2015, Bulk Carrier entered into a framework agreement with China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd ("CS Haisheng"), a non-wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease six dry bulk vessels from CS Haisheng for a term of eight months commencing from 1 May 2015 to 31 December 2015. The aggregate charter payment under the framework agreement for the eight months shall be no more than RMB70,000,000.

On 29 April 2015, Bulk Carrier entered into three bareboat charters agreements with China Shipping Industry Co., Ltd. ("CS Industry"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease three dry bulk vessels from CS Industry for a term of eight months commencing from 1 May 2015 to 31 December 2015. The aggregate charter payment under the three bareboat charters agreements for the eight months shall be no more than RMB15,000,000.

Other remaining vessel chartering charges represented number of transactions during the year ended 31 December 2015.

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

(ii) On 28 September 2010, the Company entered into twelve agreements with CS Industry and China Shipping Industry (Jiangsu) Co., Ltd. ("CS Industry (Jiangsu)"), two wholly-owned subsidiaries of China Shipping, for the construction of twelve dry bulk vessels. The total consideration for the construction of the dry bulk vessels is RMB2,553,600,000. The construction of six dry bulk vessels was completed in prior years. The construction of remaining six dry bulk vessels was completed during the year ended 31 December 2015.

On 13 January 2012, CSDHK, a wholly-owned subsidiary of the Company, entered into an agreement with CS Industry and CS Industry (Jiangsu) for the construction of an oil tanker. The total consideration for the construction of the oil tanker is approximately USD53,280,000. The construction of the oil tanker was completed in 2014.

On 15 June 2012, Shanghai Yinhua, an indirect and non-wholly-owned subsidiary of the Company, entered into an agreement with CS Industry (Jiangsu) for the construction of a dry bulk vessel. The total consideration for the construction of the dry bulk vessel is RMB182,800,000. The construction of the dry bulk vessel was completed in 2014.

On 23 December 2014, Bulk Carrier entered into an assignment agreement with CS Industry, CS Industry (Jiangsu) and 廣州振興船務有限公司("廣州振興"), of which 廣州振興 is a 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 a construction agreement dated 28 September 2010 to engage CS Industry and CS Industry (Jiangsu) for the construction of a dry bulk vessel. The total consideration for the construction of the dry bulk vessel is RMB158,000,000. The construction of the dry bulk vessel was completed during the year ended 31 December 2015.

During the year ended 31 December 2015, the total consideration paid for the construction of certain vessels was approximately RMB371,959,000 (2014: RMB1,175,048,000).

(iii) On 30 March 2010, the Company entered into a loan agreement with CS Finance whereby CS Finance provided a loan in the amount up to RMB1,500,000,000 to the Company for the construction of twenty-two dry bulk vessels. The loan has a term of five years commencing from 1 April 2010 to 1 April 2015. The annual interest rate of the loan is 10% discount to the 5-year term PBC Benchmark interest rate on the drawdown date, and the interest rate will be adjusted annually. Two loan assignment agreements were entered by the Company with Bulk Carrier and Bulk Carrier Shanghai, two wholly-owned subsidiaries of the Company, on 31 May 2012. Pursuant to the loan assignment agreements, the Company has assigned the outstanding loan balances on that date under the loan agreement dated 30 March 2010 of RMB436,560,000 and RMB109,140,000 (totalling RMB545,700,000) to Bulk Carrier and Bulk Carrier Shanghai respectively. The loan assigned to Bulk Carrier was early repaid in 2013 and the loan assigned to Bulk Carrier Shanghai was fully repaid on 1 April 2015.

On 8 August 2011, the Company entered into an 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 to 8 August 2018. The interest rate of the entrusted loan is at fixed rate of 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum. A supplementary agreement was signed on 20 March 2015 and pursuant to the supplementary agreement, the interest rate of the entrusted loan was revised from fixed rate of 6.51% to 6.15% per annum.

44. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

(iii) (Continued)

On 26 March 2012, the Company entered into an 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 to 26 March 2015. The interest rate of the entrusted loan is at fixed rate of 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 the supplementary agreement, the interest rate was revised from 5.02% 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 rate of 5.02% per annum. The entrusted loan was early and fully repaid in 2014.

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 loan in the amount of RMB53,600,000 with a term of ten years to Shanghai Jiahe. The loan is used to finance the construction of two dry bulk vessels. The interest rate of the loan is at 5% discount to the PBC Benchmark interest rate per annum. In March 2013, a further drawdown of RMB4,000,000 was made by Shanghai Jiahe from CS Finance. RMB11,200,000 was repaid during the year ended 31 December 2015.

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 to 30 June 2014. The interest rate of the loan is at 3 month Libor plus 1.6% per annum. The loan was fully repaid in 2014.

On 30 June 2014, the Company entered into a loan agreement with China Shipping whereby China Shipping provided a loan in the amount of RMB400,000,000 to the Company. The loan has a term of six months and the interest rate of the loan is at fixed rate of 5.27% per annum. The loan was fully repaid in 2014.

On 30 June 2014, CSDHK entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of USD100,000,000 to CSDHK. The entrusted loan has a term of three years and the interest rate of the entrusted loan is at 6 month Libor plus 2.50% per annum.

On 31 July 2014, the Company entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB300,000,000 to the Company. The loan has a term of six months commencing from 31 July 2014 to 31 January 2015. The interest rate of the entrusted loan is at fixed rate of 5.32% per annum. The entrusted loan was early and fully repaid in 2014.

During the year ended 31 December 2015, the related interest expenses of RMB315,981,000 (2014: RMB462,319,000) were included in the finance costs.

44. RELATED PARTY TRANSACTIONS (Continued)

(4) In October 2012, the Company entered into a financial services framework agreement with CS Finance which became effective subsequent to the approval by independent shareholders at an extraordinary general meeting held on 18 December 2012. Pursuant to the financial services framework agreement, China Shipping may 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 will be effective for a term of three years commencing from 1 January 2013 to 31 December 2015 and will be automatically renewed for another three years commencing from 1 January 2016 to 31 December 2018 unless either party chooses not to renew the financial services framework agreement.

In September 2015, the Company entered into a new financial services framework agreement with CS Finance which became effective subsequent to the approval by independent shareholders at an extraordinary general meeting on held on 28 December 2015. Pursuant to the new financial services framework agreement, CS Finance will continue to provide the Group with similar services provided for in the financial services framework agreement entered into in October 2012 for a further three years commencing from 1 January 2016 to 31 December 2018. The new financial services framework agreement will be automatically renewed for another three years commencing from 1 January 2019 to 31 December 2021 unless either party chooses not to renew the new financial services framework agreement.

(5) On 30 July 2014, CS Tanker entered into an equity transfer agreement with Shanghai Shipping, to acquire 20% equity interests in Shanghai Beihai from Shanghai Shipping 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. The equity transfer transaction was completed in 2014.

(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 19, 23, 24, 25, 26, 27 and 30 to the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS (Continued)

(7) Compensation to directors and other members of key management personnel of the Group during the year are as follows:

	2015	2014
	RMB'000	RMB'000
Directors' fees	**975**	575
Other emoluments:		
Salaries, allowances and benefits in kind	**4,564**	5,553
Discretionary bonuses	**3,815**	40
Pension scheme contributions	**323**	224
	9,677	6,392

Details of directors' and supervisors' emoluments are included in note 9 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 Main Board Listing Rules.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include interest-bearing bank and other borrowings, cash and cash equivalents, available-for-sale investments and derivative financial instruments. The main purpose of these financial instruments is to raise fund 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 transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance.

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

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

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

(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 2015, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB52,885,000 (2014: RMB175,485,000) higher/lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and other loans.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(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 interest-bearing bank and other borrowings, other loans and obligation under finance leases. Borrowings at fixed rates expose the Group to fair value interest rate risk.

Borrowings at floating rates expose the Group to cash flow interest rate risk. Details of the Group's borrowings have been disclosed in notes 30, 31 and 32 to the consolidated financial statements. To minimise its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

As at 31 December 2015, 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 RMB211,388,000 (2014: post-tax profit of RMB165,076,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from pledged bank deposits, cash and cash equivalents, trade and bills receivables and prepayments, deposits 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 2015 and 2014, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and a non-bank financial institution which is a related party of the Group. In view of strong state support provided to those government-related financial institutions, the directors of the Company are of the opinion that there is no significant credit risk on such assets being exposed.

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)

As at 31 December 2015, trade and bills receivables due from top five debtors amounted to RMB470,128,000 (2014: RMB562,127,000), representing 21% (2014: 32%) of the total trade and bills receivables.

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 times.

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 as at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2015

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000
Trade and bills payables	904,438	904,438	904,438	—	—
Derivative financial instruments	411,893	411,893	508	—	411,385
Other payables and accruals (excluding interest payable on bank and other borrowings)	485,087	485,087	485,087	—	—
Interest-bearing bank and other borrowings	33,657,753	34,696,856	8,421,231	6,433,407	19,842,218
Interest payable on bank and other borrowings	245,844	245,844	245,844	—	—
Other loans	1,199,539	1,354,083	12,600	578,530	762,953
Obligations under finance leases	402,754	469,808	65,389	65,358	339,061
Bonds payable	3,978,488	5,190,600	202,550	202,550	4,785,500
	41,285,796	43,758,609	10,337,647	7,279,845	26,141,117

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

At 31 December 2014

	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000
Trade and bills payables	990,669	990,669	990,669	—	—
Derivative financial instruments	291,553	291,553	—	2,037	289,516
Other payables and accruals (excluding interest payable on bank and other borrowings)	447,603	447,603	447,603	—	—
Interest-bearing bank and other borrowings	31,668,433	34,762,266	8,867,693	4,253,156	21,641,417
Interest payable on bank and other borrowings	147,195	147,195	147,195	—	—
Other loans	975,660	1,136,507	59,092	95,686	981,729
Obligations under finance leases	448,460	564,795	68,977	68,977	426,841
Bonds payable	8,118,507	9,929,416	4,738,816	202,550	4,988,050
	43,088,080	48,270,004	15,320,045	4,622,406	28,327,553

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. 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:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities:				
Derivative financial instruments	**—**	**411,893**	**—**	**411,893**

	2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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)

During the years ended 31 December 2015 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 swap agreements as derivative financial instruments 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 assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

46. CAPITAL 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 dividends 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, other loans, obligations under finance leases and bonds payable less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2015 and 2014 was as follows:

	2015	2014
	RMB'000	RMB'000
Total debts	**39,238,534**	41,211,060
Less: Cash and cash equivalents	**(2,085,889)**	(2,449,240)
Net debt	**37,152,645**	38,761,820
Total equity	**26,523,203**	22,647,729
Net debt-to-equity ratio	**140%**	171%

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) On 29 March 2016, the Board announced that the Company entered into an asset transfer agreement with China Ocean Shipping (Group) Company and China COSCO Bulk Shipping (Group) Co., Ltd which has superseded and replaced the framework agreement announced on 11 December 2015; and entered into a compensation agreement with China Ocean Shipping (Group) Company which has superseded and replaced the compensation agreement announced on 11 December 2015, pursuant to which the parties have agreed that the consideration of acquisition of Dalian Ocean Shipping Company Limited is RMB6,628,455,200, and the consideration of disposal of Bulk Carrier is RMB5,392,221,600.

(ii) Pursuant to the resolution passed at the meeting of the Board on 29 March 2016, the Board passed the “Resolution on Changes in Accounting Estimates” to change the estimation of the residual value of the vessels. The net residual value of vessels is changed from USD420/LDT to USD280/LDT, which were adopted with effect from 1 January 2016.

CORPORATE INFORMATION

Legal name:	中海發展股份有限公司
English name:	China Shipping Development Company Limited
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	7th Floor, No. 670 Dong Da Ming Road, Hongkou District, Shanghai, The People's Republic of China
Postal Code:	200080
Tel:	(8621) 65967678
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

CORPORATE INFORMATION (Continued)

Legal advisors:	Jun He Law Offices Shanghai Office 25th floor, Building No.3, Jingan Kerry Centre 1228 Middle Yan'an Road, Shanghai, The People's Republic of China Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138 A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Secretary's Office of the Board China Shipping Development Company Limited 7th Floor, 670 Dong Da Ming Road, Shanghai, The People's Republic of China
Company's website:	www.cnshippingdev.com

EXECUTIVE DIRECTORS

Xu Lirong

Mr. Xu Lirong, born in July 1957 and aged 58, is a senior engineer. He is currently the chairman and an executive Director of the Company, chairman of the Strategy Committee of the Company, the Chairman of the Board and Party Secretary of China COSCO Shipping Corporation Limited. Mr. Xu had been the marine captain of COSCO Shanghai Company, the general manager of COSCO Shanghai 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. He was a director, executive president and a member of the Party Committee of China Shipping (Group) Company from August 2011 to November 2013, an executive director and vice chairman of China Shipping Container Lines Co., Ltd. (the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code 601866) and the main board of the Hong Kong Stock Exchange (stock code 2866) respectively) ("CSCL") from November 2011 to December 2013. Mr. Xu is the Chairman of the Board and Party Secretary of China Shipping (Group) Company from November 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.

Huang Xiaowen

Mr. Huang Xiaowen, born in May 1962 and aged 53, is a senior engineer. Mr. Huang is currently an executive Director of the Company, a member of the Strategy Committee of the Company, the deputy general manager and a member of the Party Committee of China COSCO Shipping Corporation Limited and the vice chairman and an executive director of CSCL and a non-executive director and the chairman of the Board of COSCO Pacific Limited. 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, the deputy general manager, Managing Director and the vice Party Secretary of CSCL. Mr. Huang is an Executive Vice President of China Shipping (Group) Company from May 2015. Mr. Huang was a director of China Shipping Haisheng Co., Ltd. (being a company listed on the Shanghai Stock Exchange with stock code 600896) from April 2014 to August 2015. 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.

Ding Nong

Mr. Ding Nong, born in May 1961 and aged 54, has a master degree and is now an executive Director of the Company, a member of the Strategy Committee of the Company, the deputy general manager and a member of the Party Committee of China COSCO Shipping Corporation Limited 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, the general manager of China Shipping International Ship Management Co., Ltd.. Mr. Ding is an Executive Vice President of China Shipping (Group) Company from May 2012. Mr. Ding joined the Company as an executive Director in December 2012.

Yu Zenggang

Mr. Yu Zenggang, born in December 1963 and aged 52, is an MBA holder and a senior engineer. Mr. Yu is now an executive Director of the Company, a member of the Strategy Committee of the Company, the deputy general manager and a member of the Party Committee of China COSCO Shipping Corporation Limited and a non-executive director of CSCL. 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 Office of China Shipping (Group) Company, secretary of the board, director of the Office of the Board of Directors, director of General Office of China Shipping (Group) Company. Mr. Yu is an vice general manager, party committee member of China Shipping (Group) Company from February 2014. Mr. Yu was a director of China Shipping Haisheng Co., Ltd. from April 2014 to August 2015. Mr. Yu joined the Company as an executive Director in June 2014.

Yang Jigui

Mr. Yang Jigui, born in September 1966 and aged 49, has a university education background with a MBA degree and is also a senior accountant. Mr. Yang is currently the deputy Chief Financial Officer of China COSCO Shipping Corporation Limited, a non-executive director of CSCL and a director of China Shipping Haisheng Co., Ltd. Before that, Mr. Yang has served successively as: deputy chief of Accounting Section, deputy chief of Finance Section under Finance Department of Guangzhou Maritime Transport (Group) Co., Ltd.; manager of Finance Department of Guangzhou Marine Transport (Group) Co., Ltd. Shenzhen Shipping Branch; chief accountant of Supply and Trade Division of Guangzhou Maritime Transport (Group) Co., Ltd.; head of Finance Department of China Shipping Supply and Trade Co., Ltd.; deputy director of Planning and Finance Department of China Shipping (Group) Company; general manager of Planning and Finance Department of China Shipping (Group) Company; general manager of Finance Department of China Shipping (Group) Company. In March 2014, Mr. Yang became the general manager assistant of China Shipping (Group) Company and general manager of Finance Department of China Shipping (Group) Company. From July 2015, he is the deputy Chief Financial Officer of China Shipping (Group) Company Limited. Mr. Yang is also a non-executive director of China Everbright Bank Company Limited (the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code 601818) and the main board of the Hong Kong Stock Exchange (stock code 6818) respectively).Mr. Yang joined the Company as an executive Director in December 2015.

Han Jun

Mr. Han Jun, born in March 1965 and aged 51, has a 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 of the Company and the general manager of the Company, and the assistant to the general manager of China COSCO Shipping Company Limited. and an non-executive director of CSCL. 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 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 manager 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.

Qiu Guoxuan

Mr. Qiu Guoxuan, born in August 1957 and aged 58, is an MBA and is a senior engineer. He is currently an executive Director, a member of the Strategy Committee of the Company and the deputy general manager of the Company. 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, the general manager of China Shipping Development Co., Ltd. Tramp Co., and the general manager of China Shipping Bulk Shipping Company Limited. Mr. Qiu was elected as an executive Director of the Company since May 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Wusheng

Mr. Wang Wusheng, born in March 1951 and aged 65, is currently an independent non-executive Director of the Company, 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.

Ruan Yongping

Mr. Ruan Yong Ping, born in September 1973 and aged 42, 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 code 002511) from December 2008 to January 2015. Mr. Ruan joined the Company as an independent non-executive Director in March 2014.

Ip Sing Chi

Mr. Ip Sing Chi, born in August 1953, aged 62, is currently an independent non-executive Director of the Company, the chairman of the Company's Remuneration and Appraisal Committee, a member of the Company's Strategy Committee, 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.

Rui Meng

Mr. Rui Meng, born in November 1967 and aged 48, is a Ph.D. of Finance, an independent non-executive Director of the Company, a member of each of the Strategy Committee, Remuneration and Appraisal Committee, Audit Committee and Nomination Committee of the Company, 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 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. Mr. Rui joined the Company as an independent non-executive Director in June 2015.

Teo Siong Seng

Mr. Teo Siong Seng, was born in Singapore in December 1954, aged 61,is an independent non-executive Director of the Company, a member of each of the Strategy Committee and Remuneration and Appraisal Committee of the Company. Mr. Teo graduated from Glasgow University in the United Kingdom in 1979 with a First Class Honours Degree in Naval Architecture & Ocean Engineering. He is the managing director of Pacific International Lines (Pte) Ltd., the chairman and chief executive officer of Singamas Container Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 716). He is the former president of the Singapore Chinese Chamber of Commerce & Industry and a nominated member of parliament of the Singapore Government. He was the founding chairman of Singapore Maritime Foundation and president of Singapore Shipping Association. He was an independent non-executive director of China COSCO Holding Company Limited from June 2008 to May 2014 (where its A shares are listed on the Shanghai Stock Exchange (stock code 601919) and its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 1919)) and an independent non-executive director of CSCL from June 2013 to May 2015. He is currently the chairman of the Singapore Business Federation, honorary consul of the United Republic of Tanzania in Singapore, the chairman of The Singapore Maritime Institute Board of Directors and Chairman of the Governing Council, the director of Business China (Singapore), and chairman of the Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd. Mr. Teo joined the Company as an independent non-executive Director in December 2015.

DIRECTOR TO BE ELECTED IN THE AGM

Sun Jiakang

Mr. Sun Jiakang, born in March 1960 and aged 56. He is currently the Vice President and Party Committee Member of China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司). He is currently also an executive director of China COSCO Holdings Company Limited. Mr. Sun was an executive director and the chairman of COSCO International Holdings Limited (where its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 0517)) from September 2013 to March 2016. He was formerly the vice Deputy Head of Shipping Division of COSCO Tianjin, the Deputy Manager (and later the Manager) of Container Transport Division III, Manager of Container Transport Division II of COSCO Container Lines Headquarters, General Manager of Transportation Division of COSCO Group, Assistant to the President of COSCO Group, Spokesperson of COSCO Group, Executive Vice President of COSCO Hong Kong(Group) Ltd., Vice-Chairman and President of COSCO Pacific Co., Ltd, Executive Vice President and Deputy Secretary of The CPC Committee of China COSCO Holdings Co., Ltd ("China COSCO"), President of COSCO Container Lines Ltd ("COSCON"), Deputy Secretary of the CPC Committee of COSCON. He also worked as the Executive Vice President, Member of Party Committee, and Secretary of the Board of Directors of the COSCO Group. He has been working in shipping industry for over 30 years, and has abundant expertise in container shipping, terminal operation, vessel chartering, and logistics, as well as abundant experience in corporation management, capital operation, and listed company management. Mr. Sun Jiakang is a senior engineer, and holds the Master's Degree of Dalian Maritime University. He studied transportation planning and management. The Board announced that it resolved to appoint Mr. Sun as an executive Director of the Company on 8 March 2016 subject to the Company's shareholders' approval at the upcoming annual general meeting to be held on 20 May 2016.

SUPERVISORS

Xu Wenrong

Mr. Xu Wenrong, born in June 1961 and aged 54, 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 of China National Petroleum Corporation and the chairman of the supervisory committee of CSCL. 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 from June 2011 to January 2016. Mr. Xu joined the Company as a Supervisor in June 2012.

Chen Jihong

Mr. Chen Jihong, born in May 1957 and aged 58, 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 CSCL. Mr. Chen began his career in March 1975. He was formerly the Secretary of the Communist Party of China 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 Party Secretary and vice general manager of Tanker Branch of the Company. Mr. Chen was appointed as a Supervisor of the Company in May 2013.

Luo Yuming

Mr. Luo Yuming, born in December 1967 and aged 48, is a senior engineer. He is currently a Supervisor of the Company as a representative of employees, 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 employees since October 2007.

Chen Xiuling

Ms. Chen Xiuling, born in May 1965 and aged 50, has a master degree. She is currently a Supervisor of the Company as a representative of employees and the general manager of Legal Affair & Commerce Division in China Shipping Bulk Carrier Co. Ltd. Ms. Chen graduated from Wuhan University of Technology in May 1990 majoring in transportation management. She was formerly an office clerk of the transportation department, then a director and assistant head of the container transportation department in Guangzhou BOMTA Southern Company. In 1998, she joined the Company and served as a deputy chief of business department, a section chief of shipping department and served as a part-time director of operation department, the section chief of business department in China Shipping Development Co., Ltd Tramp Co. She has served as a Supervisor of the Company as a representative of staff since May 2006.

SENIOR EXECUTIVES

Han Jun

Mr. Han Jun, born in March 1965 and aged 51, has a 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 of the Company and the general manager of the Company, and the assistant to the general manager of China COSCO Shipping Company Limited. and an non-executive director of CSCL. 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 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 manager 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.

Qiu Guoxuan

Mr. Qiu Guoxuan, born in August 1957 and aged 58, is an MBA and is a senior engineer. He is currently an executive Director, a member of the Strategy Committee of the Company and the deputy general manager of the Company. 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, the general manager of China Shipping Development Co., Ltd. Tramp Co., and the general manager of China Shipping Bulk Shipping Company Limited. Mr. Qiu was elected as an executive Director of the Company since May 2009.

Wang Kangtian

Mr. Wang Kangtian, born in March 1966 and age 50, 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.

Tan Weixin

Mr. Tan Weixin, born in July 1958 and age 57, 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.

Zhuang Deping

Mr. Zhuang Deping, born in December 1959 and age 56, 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).

Qin Jiong

Mr. Qin Jiong, born in September 1968 and aged 47, has a college degree and is a sea captain. He is now a deputy general manager of the Company. Mr. Qin was formerly a sea captain of Shanghai Maritime Bureau, deputy general manager of Container Transport Division I and director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., and the general manager of the Operation Management Department of China Shipping (Group) Company Limited. Mr. Qin joined the Company as a deputy general manager in March 2016.

Yao Qiaohong

Ms. Yao Qiaohong, born in September 1969 and aged 46, is an economic engineer. She is the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao joined Shanghai HaiXing Shipping Company Limited in 1997. Ms. Yao joined the Company in 2002 and has been the Securities Affairs Representative of the Company, Vice Manager and Manager of the secretary office of the Board of the Company. Ms. Yao graduated from Shanghai Maritime University in 1997 with a master degree in literature.

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