CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中海發展股份有限公司

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

(Stock Code: 1138)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Financial Highlights

- Revenue increased by approximately 7.74% to approximately RMB12.157 billion
- Profit attributable to equity holders decreased by approximately 38.99% to approximately RMB1.047 billion
- Earnings per share was RMB0.3076
- A final dividend of RMB0.10 per share is recommended by the Board

The board (the "**Board**") of directors (the "**Directors**") of China Shipping Development Company Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2011 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2010. The Group's annual results have been audited by Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司) (Certified Public Accountants in Hong Kong), the Company's international auditor.

I. PRINCIPAL FINANCIAL DATA AND STATISTICS HIGHLIGHTS

The annual results of the Group for the Reporting Period as audited by Baker Tilly Hong Kong Limited and compared with those for the year ended 31 December 2010 set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011 *RMB'000*	**2010** *RMB'000*
Revenue		
Turnover	12,157,458	11,283,594
Operating costs	(10,636,688)	(8,930,842)
Gross Profit	1,520,770	2,352,752
Other income and gains	234,121	201,883
Marketing expenses	(51,735)	(42,887)
Administrative expenses	(368,237)	(315,759)
Other expenses	(64,069)	(36,007)
Share of profits of jointly-controlled entities	368,775	216,596
Finance costs	(414,574)	(205,170)
PROFIT BEFORE TAX	1,225,051	2,171,408
Tax	(146,287)	(449,445)
PROFIT FOR THE YEAR	1,078,764	1,721,963
Other comprehensive expenses		
Exchange realignment	(279,730)	(178,859)
Net loss on cash flow hedges	(3,143)	(13,642)
Share of other comprehensive expense of associates	(8)	—
Other comprehensive expenses for the year	(282,881)	(192,501)
Total comprehensive income for the year	795,883	1,529,462
Profit for the year attributable to:		
Equity holders of the Company	1,047,315	1,716,522
Non-controlling interests	31,449	5,441
	1,078,764	1,721,963
Total comprehensive income for the year attributable to:		
Equity holders of the Company	766,003	1,524,427
Non-controlling interests	29,880	5,035
	795,883	1,529,462
Earnings per share — basic	30.76 cents	50.42 cents
Earnings per share — diluted	29.31 cents	50.42 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	2011	2010
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investment properties	236,198	—
Property, plant and equipment	41,875,122	35,385,957
Investments in associates	—	—
Investments in jointly-controlled entities	3,562,519	2,574,217
Loan receivables	49,747	—
Available-for-sale investments	4,300	4,300
Total non-current assets	45,727,886	37,964,474
CURRENT ASSETS		
Bunker oil inventories	823,961	449,285
Trade and bills receivables	1,127,945	891,063
Prepayments, deposits and other receivables	483,330	343,618
Loan to a shareholder of a subsidiary	49,000	—
Cash and cash equivalents	3,376,692	1,061,735
Total current assets	5,860,928	2,745,701
CURRENT LIABILITIES		
Trade and bills payables	1,073,161	913,721
Other payables and accruals	828,385	1,146,208
Tax payable	4,463	78,604
Current portion of notes, interest-bearing bank and other borrowings	4,573,454	2,423,850
Total current liabilities	6,479,463	4,562,383
NET CURRENT LIABILITIES	(618,535)	(1,816,682)
TOTAL ASSETS LESS CURRENT LIABILITIES	45,109,351	36,147,792

	2011	2010
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	3,404,552	3,404,552
Reserves	19,893,810	18,595,219
Proposed final dividend	340,455	578,774
	23,638,817	22,578,545
Non-controlling interests	702,791	512,916
Total equity	24,341,608	23,091,461
NON-CURRENT LIABILITIES		
Other loans	515,603	429,934
Provisions	—	85,500
Derivative financial instruments	15,645	13,218
Notes, interest-bearing bank and other borrowings	16,754,515	12,122,219
Convertible bonds	3,110,598	—
Deferred tax liabilities	371,382	405,460
Total non-current liabilities	20,767,743	13,056,331
TOTAL EQUITY AND NON-CURRENT LIABILITIES	45,109,351	36,147,792

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	2011 *RMB'000*	**2010** *RMB'000*
Net cash inflow from operating activities	1,421,967	2,754,300
INVESTING ACTIVITIES		
Interest received	37,034	14,986
Acquisition of a subsidiary	—	(49,108)
Investments in associates	(8)	—
Payments for construction in progress	(8,280,555)	(7,927,479)
Purchases of property, plant and equipment	(93,608)	(95,057)
Proceeds from disposal of assets held for sale	—	87,864
Proceeds from disposal of property, plant and equipment	205,467	264,650
Loan to a shareholder of a subsidiary	(49,000)	—
Loan to associates	(49,747)	—
Dividends received from jointly-controlled entities	58,433	—
Dividends received from available-for-sale investments	1,512	1,343
Investments in jointly-controlled entities	(663,000)	(742,840)
Net cash outflow used in investing activities	(8,833,472)	(8,445,641)
FINANCING ACTIVITIES		
Interest paid	(673,355)	(363,888)
Dividend paid	(578,774)	(340,455)
Proceeds from other loans	108,060	—
Net proceeds from issue of convertible bonds	3,912,372	—
New bank loans	11,824,668	7,012,374
Repayment of bank loans	(4,988,998)	(1,871,627)
Contribution from non-controlling shareholders of subsidiaries	159,995	117,600
Net cash inflow from financing activities	9,763,968	4,554,004
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,352,463	(1,137,337)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,061,735	2,222,147
Effect of foreign exchange rate changes, net	(37,506)	(23,075)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,376,692	1,061,735
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,376,692	1,061,735

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

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

1.2 Basis of consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

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 losses control of a subsidiary, the profit or loss on disposal 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. Where certain of assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to consolidated statement of comprehensive income or transferred directly to retained profits). 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 instrument: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 consolidated statement of comprehensive income as incurred.

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in consolidated statement of comprehensive income 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 on a transaction by transaction basis.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective to the Group's financial year beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) − Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) − Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory effective date of HKFRS 9 and transaction disclosures[6]
	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]

HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Income taxes — Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2012.

[3] Effective for annual periods beginning on or after 1 July 2012.

[4] Effective for annual periods beginning on or after 1 January 2013.

[5] Effective for annual periods beginning on or after 1 January 2014.

[6] Effective for annual periods beginning on or after 1 January 2015.

3. REVENUE AND SEGMENT INFORMATION

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

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

(i) oil shipment;

(ii) dry bulk shipment;

— coal shipment

— iron ore shipment

— other dry bulk shipment

Business segments

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

	2011		2010	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment	6,230,194	462,965	6,097,958	1,150,397
Dry bulk shipment				
- Coal shipment	3,887,438	907,022	3,509,492	834,899
- Iron ore shipment	1,386,126	137,031	766,047	63,780
- Other dry bulk shipment	653,700	13,752	910,097	303,676
	5,927,264	1,057,805	5,185,636	1,202,355
	12,157,458	1,520,770	11,283,594	2,352,752
Other income and gains		234,121		201,883
Marketing expenses		(51,735)		(42,887)
Administrative expenses		(368,237)		(315,759)
Other expenses		(64,069)		(36,007)
Share of profits of jointly-controlled entities		368,775		216,596
Finance costs		(414,574)		(205,170)
Profit before tax		1,225,051		2,171,408
Total segment assets				
Oil shipment		23,775,961		21,605,564
Dry bulk shipment		23,525,486		15,853,841
Unallocated corporate assets		4,287,367		3,250,770
		51,588,814		40,710,175
Total segment liabilities				
Oil shipment		12,865,773		10,334,938
Dry bulk shipment		13,955,718		6,877,739
Unallocated corporate liabilities		425,715		406,037
		27,247,206		17,618,714

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment contribution represents the profit earned by each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of profits of associates, share of profits of jointly-controlled entities, other income and gains and finance costs. This is the measure reported to chief operating decision makers for the purposes of resource allocation and performance assessment.

The carrying values of oil vessels and dry bulk vessels at 31 December 2011 amounted to RMB16,439,710,000 and RMB16,514,887,000 respectively (2010: RMB17,419,190,000 and RMB9,531,326,000 respectively).

Geographical segments

	2011		**2010**	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By geographical area :				
Domestic	7,391,558	1,780,901	7,223,435	1,973,829
International	4,765,900	(260,131)	4,060,159	378,923
	12,157,458	1,520,770	11,283,594	2,352,752
Other income and gains		234,121		201,883
Marketing expenses		(51,735)		(42,887)
Administrative expenses		(368,237)		(315,759)
Other expenses		(64,069)		(36,007)
Share of profits of jointly-controlled entities		368,775		216,596
Finance costs		(414,574)		(205,170)
Profit before tax		1,225,051		2,171,408
Turnover				
Total segment turnover		12,157,458		11,283,594
Less: inter-company transactions		—		—
Total consolidated turnover		12,157,458		11,283,594

Other information

	2011			
	Oil shipment	Dry bulk shipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	2,382,974	7,141,855	1,846	9,526,675
Depreciation	793,396	943,058	9,794	1,746,248
Gain / (loss) on disposal properly, plant and equipment	463	156,064	(71)	156,456
Interest income	6,724	9,880	20,430	37,034

	2010			
	Oil shipment	Dry bulk shipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	3,345,624	5,067,282	891	8,413,797
Depreciation	527,409	872,682	4,350	1,404,441
Gain / (loss) on disposal properly, plant and equipment	31,646	147,892	(985)	178,553
Interest income	3,460	4,292	7,234	14,986

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

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

4. OTHER INCOME AND GAINS

	Group 2011 RMB'000	Group 2010 RMB'000
Other income		
Bank interest income	35,497	14,986
Interest income from loan receivable	1,537	—
Government subsidies (Note)	34,258	31,346
Rental income from investment properties	8,778	—
Others	7,132	8,537
	87,202	54,869
Other gains/(losses)		
Gain on disposal of property, plant and equipment, net	156,456	178,553
Exchange losses, net	(13,406)	(41,687)
Dividends received from available-for-sale investments	1,512	1,343
Recovery of bad debts written off in prior years	1,168	—
Others	1,189	8,805
	146,919	147,014
Other income and gains	234,121	201,883

Note:

The Group received government subsidies for business development purpose. There were no unfulfilled conditions or contingencies relating to these subsidies.

5. PROFIT BEFORE TAX

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

	Group	
	2011	**2010**
	RMB'000	*RMB'000*
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	5,727,101	4,523,307
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amount disclosed separately below)	4,909,587	4,407,535
Depreciation	1,746,248	1,404,441
Operating lease rentals:		
Land and buildings	38,400	33,617
Vessels	578,325	351,692
Total operating lease rentals	616,725	385,309
Auditor's remuneration	3,200	3,039
Staff costs (including directors' remuneration):		
Wages, salaries, crew expenses and related expenses	1,626,025	1,419,013
Pension scheme contributions	142,694	137,811
Total staff costs	1,768,719	1,556,824
Gain on disposal of property, plant and equipment, net	(156,456)	(178,553)
Reversal of provision for bad and doubtful debts	—	(207)
Recovery of bad debts written off in prior years	(1,168)	—
Written off of bad and doubtful debts	—	1,169
Dry-docking and repairs	358,264	526,125
Government subsidies	(34,258)	(31,346)

6. FINANCE COSTS

	Group 2011 RMB'000	Group 2010 RMB'000
Total finance costs		
Interest expenses on :		
- Bank loans repayable within five years	259,270	94,351
- Bank loans repayable over five years	166,458	51,077
- Notes	204,302	199,825
- Hedge loan	10,396	12,676
- Convertible bonds	71,269	—
Other loan or borrowings costs and charges	43,305	5,959
	755,000	363,888
Less: Interest capitalised	(340,426)	(158,718)
Finance costs	414,574	205,170

7. TAX

Hong Kong Profits Tax

Hong Kong profits tax was not provided for in the consolidated financial statements as the Group did not have any assessable profits arising in Hong Kong during the years ended 31 December 2011 and 2010.

PRC Corporate Income Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The Company is entitled to a preferential income tax rate of 18%-24% effective from 1 January 2008. The existing preferential tax rate currently enjoyed by the Company is gradually transited to the new standard rate of 25% over a five-year transitional period. Accordingly, the PRC corporate income tax of the Company has been provided at the rate of 24% (2010:22%) on the estimated assessable profits for the year.

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

	Group 2011	Group 2010
	RMB'000	*RMB'000*
Current:		
Hong Kong	—	—
PRC		
- Charge for the year	180,220	366,682
- Under/(over) provision in prior years	145	(15)
Deferred tax	(34,078)	82,778
Total tax charge for the year	146,287	449,445

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB124,177,000 (2010: RMB77,962,000).

No income tax for the year attributable to the Group from the associates (2010: RMB Nil).

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company, its subsidiaries, associates and jointly-controlled entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	2011		2010	
	RMB'000	%	*RMB'000*	%
Profit before tax	1,225,051		2,171,408	
Tax at the statutory tax rate	294,012	24.0	477,710	22.0
Higher tax rate for specific provinces	25,513	2.1	14,884	0.7
Adjustments in respect of current tax of previous periods	145	0.0	(15)	0.0
Expenses not deductible for tax	26,036	2.1	15,650	0.7
Income not subject to tax	(199,419)	(16.3)	(58,784)	(2.7)
Tax charge at the Group's effective rate	146,287	11.9	449,445	20.7

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payable at the beginning of the year	78,604	9,745	74,488	10,028
Provision for Corporate Income Tax	180,220	366,682	169,593	361,368
Under/(over) provision in prior years	145	(15)	(934)	(14)
Income tax paid	(254,506)	(297,808)	(243,077)	(296,894)
Income tax payable at the end of the year	4,463	78,604	70	74,488

8. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2011 includes a profit of RMB730,631,000 (2010: RMB1,535,720,000) which has been dealt within the financial statements of the Company.

9. DIVIDEND

The dividend paid in 2011 was RMB578,774,000, representing 2010 final dividend of RMB0.17 per share (2010: Dividend paid in 2010 was RMB340,455,000, representing 2009 final dividend of RMB0.10 per share).

	2011	**2010**
	RMB'000	*RMB'000*
Proposed final dividend: RMB0.10 (2010: RMB0.17) per share	340,455	578,774

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,047,315,000 (2010: RMB1,716,522,000) and the weighted average of 3,404,552,000 shares (2010: 3,404,552,000 shares) in issue during the year, calculated as follows:

	2011	**2010**
Profit attributable to equity holders of the Company (RMB'000)	1,047,315	1,716,522
Weighted average number of shares in issue (thousands)	3,404,552	3,404,552
Basic earnings per share (RMB cents per share)	30.76	50.42

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the diluted profit attributable to equity holders of the Company of RMB1,053,470,000 (2010: RMB1,716,522,000) and the diluted weighted average number of shares of 3,593,728,000 shares (2010: 3,404,552,000 shares), calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	2011	**2010**
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	1,047,315	1,716,522
After tax effect of effective interest on the liability component of convertible bonds	6,155	—
Profit attributable to equity holders (diluted)	1,053,470	1,716,522

(ii) Weighted average number of shares (diluted)

	2011	**2010**
	RMB'000	*RMB'000*
Weighted average number of shares at 31 December	3,404,552	3,404,552
Effect of conversion of convertible bonds	189,176	—
Weighted average number of shares (diluted) at 31 December	3,593,728	3,404,552

	2011	**2010**
Diluted earnings per share (RMB cents per share)	29.31	50.42

11. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	1,066,631	856,607	789,871	637,538
Due from jointly-controlled entities and fellow subsidiaries	61,314	34,456	58,786	35,002
	1,127,945	891,063	848,657	672,540

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

The amounts due from jointly-controlled entities and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

	Group			
	2011		**2010**	
	Balance	*Percentage*	*Balance*	*Percentage*
	RMB'000	%	RMB'000	%
1 - 3 months	1,110,985	98	813,110	92
4 - 6 months	12,604	1	65,631	7
7 - 9 months	4,047	1	10,690	1
10 - 12 months	309	—	1,615	—
1 - 2 years	—	—	17	—
	1,127,945	100	891,063	100

	Company			
	2011		2010	
	Balance	*Percentage*	*Balance*	*Percentage*
	RMB'000	%	RMB'000	%
1 - 3 months	832,763	98	608,954	90
4 - 6 months	12,059	1	58,484	9
7 - 9 months	3,835	1	5,051	1
10 - 12 months	—	—	51	—
	848,657	100	672,540	100

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

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

Included in trade and bills receivables are debtors with carrying value of approximately RMB16,960,000 (2010: RMB13,987,000) which are past due as at the end of the reporting period for which the Group had not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable (2010: RMB Nil).

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

	Group		Company	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 - 6 months	16,651	12,355	15,894	11,389
7 months — 12 months	309	1,632	—	51
	16,960	13,987	15,894	11,440

The Group normally allows an average credit period of 30 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.

IMPAIRMENT OF TRADE AND BILLS RECEIVABLES

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. In addition, impairment loss of RMBNil (2010: RMB1,169,000) was directly written off against the trade and bills receivables.

Movements on the provision for impairment of trade and bills receivables are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	207	—	—
Reversal of provision for bad and doubtful debts	—	(207)	—	—
At 31 December	—	—	—	—

The Group does not hold any collateral over these balances.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	678,595	621,511	611,675	547,577
USD	449,350	269,552	236,982	124,963
	1,127,945	891,063	848,657	672,540

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	118,796	29,818	24,265	8,070
Deposits and other receivables	153,395	186,005	98,617	148,403
Due from fellow subsidiaries	211,139	127,795	104,529	63,318
Due from subsidiaries	—	—	3,994,827	3,865,510
	483,330	343,618	4,222,238	4,085,301

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

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

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	275,046	120,091	3,329,934	3,561,863
RMB	172,103	186,138	868,020	503,774
AUD	19,874	14,100	8,484	3,786
JPY	10,898	11,265	10,898	11,224
HKD	2,903	7,350	2,408	961
EUR	1,653	1,258	1,874	1,237
GBP	341	1,479	341	1,479
Others	512	1,937	279	977
	483,330	343,618	4,222,238	4,085,301

13. TRADE AND BILLS PAYABLES

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	458,534	485,120	287,524	277,649
Due to subsidiaries	—	—	7,556	2,512
Due to fellow subsidiaries	614,627	428,601	515,131	427,496
	1,073,161	913,721	810,211	707,657

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

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

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

	Group			
	2011		**2010**	
	Balance	*Percentage*	*Balance*	*Percentage*
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	611,989	57	706,129	77
4 - 6 months	363,898	34	60,709	7
7 - 9 months	61,871	6	58,871	6
10 - 12 months	25,986	2	79,755	9
1 - 2 years	8,049	1	7,605	1
Over 2 years	1,368	—	652	—
	1,073,161	100	913,721	100

	Company			
	2011		**2010**	
	Balance	*Percentage*	*Balance*	*Percentage*
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	399,880	49	548,025	79
4 - 6 months	347,127	43	38,284	5
7 - 9 months	48,631	6	44,760	6
10 - 12 months	14,118	2	73,619	10
1 - 2 years	155	—	2,318	—
Over 2 years	300	—	651	—
	810,211	100	707,657	100

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

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	644,998	640,829	600,638	588,328
USD	410,284	250,190	198,936	111,549
JPY	6,525	4,446	4,814	1,057
HKD	5,736	7,239	3,779	4,714
AUD	3,408	6,893	327	252
EUR	1,030	1,495	847	476
GBP	24	608	24	548
Others	1,156	2,021	846	733
	1,073,161	913,721	810,211	707,657

14. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	46,443	123,120	41,158	117,496
Other payables	731,271	731,938	216,207	145,430
Due to subsidiaries	—	—	138,676	80,012
Due to fellow subsidiaries	50,671	291,150	39,473	274,700
	828,385	1,146,208	435,514	617,638

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

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

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

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	536,749	457,436	57,431	23,987
RMB	272,945	670,458	378,083	593,651
HKD	—	17,520	—	—
Others	18,691	794	—	—
	828,385	1,146,208	435,514	617,638

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group is principally engaged in the cargo shipping business. Cargo shipping mainly consists of the shipment of oil and dry bulk cargoes (primarily coal and iron ore), both domestically along the coastal regions of the PRC and internationally. At present, the Group is also developing Liquefied Natural Gas ("LNG") transportation business.

In 2011, against the background of slowing global economic growth and international volatile financial markets, fuel price (which was affected by a number of factors) continued to rise. Faced with pressures from freight rate reduction and rising cost at the same time, international shipping industry activities fell significantly again, and losses were reported for the industry.

As for the dry bulk cargo shipping market, global demand for shipping major bulk cargoes include iron ore, coal and grain showed a slowdown in growth. International dry bulk cargo shipping market fluctuated at low levels in 2011 due to the severe supply and demand imbalance. The Baltic Dry Bulk Freight Rate Index (the "BDI") reached its historical low since 2004 and averaged daily in 2011 at 1,549 points, down 43.8% compared with the same period last year.

The overall domestic coastal bulk shipping market was in a downturn during 2011. The coastal dry bulk freight index ("CBFI") averaged daily in 2011 at 1,368 points, down 6.3% compared with the same period in 2010.

In 2011, imbalance between the supply of and demand for shipping capacity in oil tanker shipping market was further exacerbated. Freight rate remained low and the whole international oil tanker operations recorded loss. In 2011, the Baltic Dirty Oil Tanker Freight Rate Index ("BDTI") averaged daily at 782 points, representing a decrease of 12.7% compared with the same period in 2010. The World Scale Index ("WSI") for shipping routes from the Middle East to Japan, being one of the freight rate indicators for very large crude oil carriers ("VLCC") in 2011 averaged daily at 53 points, representing a decrease of 26.0% compared with the same period in 2010. The average daily revenue for VLCC was USD8,525, decreasing by 73.4% compared with the same period in 2010.

In 2011, the domestic economy grew and developed steadily at a relatively fast speed, and the overall domestic coastal oil shipment market remained stable. However, given the sustained downturn of the international oil shipping market and the macro control policy adopted by the central government of China, the competition in domestic oil transportation market intensified. Facing market changes, the Group persisted in the strategy of cooperation with large oil companies to vigorously expand new demand sources. The Group still occupied a market share of over 60% in 2011 and maintained its leading position in the domestic coastal oil shipping market.

2. **Review of Operating Results During the Reporting Period**

Despite the complex and volatile market environment in 2011, the Group firmly focused on its core business of domestic coastal coal shipping and oil shipping business, continued to adhere to its policy of "reinforcing coastal business and developing clean transportation", and put more effort into market expansion. The Group also enhanced its association and cooperation with customers and implemented refined management. As a result, the Group's operations and safety management worked smoothly, maintaining an overall sound and steady development and generating greater profit than the average level in the shipping industry.

During the Reporting Period, the shipping volume achieved by the Group was approximately 345.9 billion tonne-nautical miles, and the total revenue derived from shipment was approximately RMB12.157 billion, representing an increase of 28.2% and 7.74% as compared with those of the same period in 2010 respectively. The operating costs were approximately RMB10.637 billion, representing an increase of 19.1% as compared with that of the same period in 2010. Net profit attributable to equity holders of the Company was approximately RMB1.047 billion, representing a decrease of 38.99% as compared with that of the same period in 2010. Basic earnings per share was approximately RMB0.3076.

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2010	Increase in operating costs as compared with 2010	Increase/ (decrease) in gross profit margin as compared with 2010
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(%)*
Coal shipments	3,887,438	2,980,416	23.3%	10.8%	11.4%	-0.5%
Iron ore shipments	1,386,126	1,249,095	9.9%	80.9%	77.9%	1.6%
Other dry bulk shipments	653,700	639,948	2.1%	-28.2%	5.5%	-31.3%
Oil shipments	6,230,194	5,767,229	7.4%	2.2%	16.6%	-11.4%
Total	12,157,458	10,636,688	12.5%	7.7%	19.1%	-8.3%

Principal Operations by Geographical Regions

Regions	Revenue	Increase in revenue as compared with 2010
	(RMB'000)	*(%)*
Domestic shipment	7,391,558	2.3%
International shipment	4,765,900	17.4%

(1) **Shipping business - Dry bulk shipments**

In 2011, being confronted with sluggish market demand and increasingly intense competition, the Group made great efforts in market expansion, fleet optimization and staff training to achieve balanced growth in its three major segments, being coastal, offshore and joint ventures. In 2011, in spite of the challenging overall market conditions, the Group was able to deliver profit in both domestic and international dry bulk shipments, and successfully distinguished itself in the domestic and global dry bulk markets.

With respect to coastal shipping, the Group focused on thermal coal contracts of affreightment ("COA contracts") and actively expanded its customer base. In 2011, the Group has completed domestic trade bulk shipment volume of 61.03 million tons through COA contracts, with average benchmark freight rate up slightly from 2010, laying an important foundation for the operational efficiency of the Group.

With respect to offshore shipment, with the Group's VLOC vessels being put into operation successively, the Group's iron ore shipping amount increased gradually. In 2011, the Group completed a total freight volume of 23.41 million tons of iron ores, achieving revenue from shipping operations of RMB1,386 million, representing an increase of 80.9% as compared with the same period of 2010. This became a growth highlight of the Group's foreign trade shipping operations in 2011.

With respect to joint venture partnership, the Group continued to implement its strategies of cooperation with major customers and further expanded its association and cooperation coverage, which has consolidated the Group's control over coastal thermal coal shipping market. In 2011, the market share of the Group (including its associated companies) in domestic coal shipping market reached 26%, representing an increase of 3 percentage points over the same period last year.

In 2011, the Group achieved a shipping volume of approximately 158.6 billion tonne-nautical miles of dry bulk cargo, and derived revenue of approximately RMB5.927 billion, representing increases of 45.5% and 14.3% as compared with those of the same period in 2010 respectively.

An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by types

	In 2011 *(billion tonne nautical miles)*	**In 2010** *(billion tonne nautical miles)*	**Increase in volume as compared with 2010** *(%)*
Domestic Shipment	62.8	59.0	6.4%
Coal	52.1	50.5	3.2%
Iron ore	6.7	5.7	17.5%
Other dry bulk	4.0	2.8	42.9%
International Shipment	95.8	50.0	91.6%
Coal	14.1	4.4	220.5%
Iron ore	49.3	17.4	183.3%
Other dry bulk	32.4	28.2	14.9%
Total	158.6	109.0	45.5%

Revenue by shipments types

	In 2011 *(RMB million)*	In 2010 *(RMB million)*	Increase/ (decrease) in revenue as compared with 2010 *(%)*
Domestic Shipment	3,995	3,777	5.8%
Coal	3,458	3,296	4.9%
Iron ore	316	300	5.3%
Other dry bulk	221	181	22.1%
International Shipment	1,932	1,408	37.2%
Coal	429	213	101.4%
Iron ore	1,070	465	130.1%
Other dry bulk	433	730	-40.7%
Total	5,927	5,185	14.3%

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

(2) **Shipping business — Oil shipments**

In 2011, the international oil transportation market remained depressed and the competition in domestic oil transportation market intensified. Against such a backdrop, the Group adhered to its "large ships, big clients and great co-operation" strategy and focused on the execution and enforcement of COA contracts and, therefore, effectively securing a steady supply on a long term basis.

In the aspect of domestic oil shipments, the Group strengthened communication with competent government authority and major customers. Apart from stabilizing the major customer base, the Group also endeavored to explore and nurture potential and small to medium size clients, so as to broaden its source of profit growth.

In the second half of 2011, affected by a reduction in offshore oil production in Bohai Bay due to the oil spill accident at Penglai 19-3 oilfield, the Group's revenue from offshore oil shipments decreased by approximately RMB195 million, and its operating profit reduced by approximately RMB121 million.

In 2011, the Group achieved a shipping volume of approximately 187.3 billion tonne-nautical miles of oil shipment and the revenue achieved was approximately RMB6.230 billion, representing an increase of 16.6% and 2.1% as compared with that of the same period in 2010 respectively. An analysis of the transportation volume and revenue in terms of product types is as follow:

Transportation volume and revenue in terms of products types

	In 2011	**In 2010**	**Increase/ (decrease) in volume as compared with 2010**
	(billion tonne nautical miles)	*(billion tonne nautical miles)*	*(%)*
Domestic Shipment	25.5	26.8	-4.9%
Crude oil	18.1	20.7	-12.6%
Refined oil	7.4	6.1	21.3%
International Shipment	161.8	133.9	20.8%
Crude oil	136.6	105.3	29.7%
Refined oil	25.2	28.6	-11.9%
Total	187.3	160.7	16.6%

Revenue by product types

	In 2011 *(RMB million)*	In 2010 *(RMB million)*	Increase/ (decrease) in revenue as compared with 2010 *(%)*
Domestic Shipment	3,396	3,446	-1.5%
Crude oil	2,771	2,826	-1.9%
Refined oil	625	620	0.8%
International Shipment	2,834	2,653	6.8%
Crude oil	1,773	1,565	13.3%
Refined oil	1,061	1,088	-2.5%
Total	6,230	6,099	2.1%

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

In 2011, the Group achieved a breakthrough in the development of LNG projects. In July 2011, the Group and Mitsui OSK Lines reached a consensus on and signed an agreement for jointly establishing four single-vessel companies and building four LNG vessels for LNG shipments. All the four vessels will be delivered for use from 2015 to 2016, and are expected to bring stable investment returns for the Group. LNG projects will become the new growth drivers for the future development of the Group.

To further strengthen the cooperation with China Petroleum & Chemical Corporation in LNG shipping, the Company's wholly-owned subsidiary, China Shipping Group Liquefied Natural Gas Investment Company Limited entered into a joint venture agreement with Kantons Investment, a wholly-owned subsidiary of Sinopec Kantons in December 2011, by which the parties agreed to set up a jointly-controlled entity in Hong Kong and to make further investment into the jointly-controlled entity on a pro rata basis by way of equity investments, shareholders' loans, bank financing or otherwise, in order to participate in the investment on building and the management of LNG vessels with a joint effort.

(4) **Costs analysis**

In 2011, international oil price continued to rise and fluctuated at high levels. Under the impact of global inflation, various kinds of costs increased at different extent, and posed challenges to the Group on cost control and operation management. In 2011, the Group continued to focus on "increasing revenue, reducing expenses, controlling costs and improving efficiency", further refined management, steadily carried out comprehensive budget management and reinforced control on operating costs. Through initiatives taken in various aspects, the Group effectively controlled major transportation costs such as fuel cost, port charges and repair expenses.

The total operating costs incurred in 2011 was approximately RMB10.637 billion, an increase of 19.1% as compared with 2010. The composition of the main operating costs is as follows:

Item	**In 2011**	**In 2010**	**Increase/ (decrease)**	**Composition Ratio in 2011**
	(RMB million)	*(RMB million)*	*(%)*	*(%)*
Fuel cost	5,016	3,845	30.5%	47.1%
Port cost	861	818	5.3%	8.1%
Labor cost	1,453	1,314	10.6%	13.7%
Lubricants expenses	132	232	-43.1%	1.2%
Depreciation	1,751	1,364	28.4%	16.5%
Insurance expenses	242	224	8.0%	2.3%
Repair expenses	359	526	-31.7%	3.4%
Charter cost	584	352	66.0%	5.5%
Others	239	256	-7%	2.2%
Total	10,637	8,931	19.1%	100.0%

The fuel cost incurred by the Group in 2011 was approximately RMB5,016 million, an increase of 30.5% as compared with 2010, representing 47.1% of the total operating cost. Such change was due to the significant increase of international oil prices as compared with 2010. The average price of Singapore 380CST fuel for 2011 increased to USD648 per ton, up 39.4% as compared with the same period in 2010. In 2011, the Group further enhanced its fuel saving, and in light of the total shipping turnover volume increase of 28.2%, the total fuel consumption of the Group amounted to 1.13 million tons, representing an increase of 16.6% as compared with the same period in 2010. The fuel consumption per thousand nautical miles was 3.27 kg, representing a decrease of 9.1% as compared with that of the same period in 2010.

The Group's depreciation expenses incurred in 2011 amounted to approximately RMB1,751 million, an increase of 28.4% as compared with that of the same period in 2010, representing 16.5% of the total operating costs. Such change was due to the daily average capacity increase of 17.4% as a result of the delivery of 3 new tankers and 20 new bulk vessels.

The charter cost incurred by the Group in 2011 was approximately RMB584 million, representing an increase of approximately 66.0% as compared with the same period in 2010, accounting for 5.5% of the total operating cost. The main reason for such change was that the Group chartered in 2 VLCCs with a capacity of 298,000 deadweight tones each in 2011.

(5) **Operating results of the jointly-controlled entities**

In 2011, the Group has recognised its profits in its jointly-controlled shipping entities of approximately RMB343 million, representing an increase of 66.04% as compared with that of the same period in 2010. The main reason for such change was due to the fleet expansion and the remarkable increase in the operating results achieved by the 5 jointly-controlled shipping entities of the Group. In 2011, the 5 jointly-controlled shipping entities achieved a shipping volume of 98.2 billion tonne-nautical miles, an increase of 61.9% as compared with the same period in 2010. The turnover achieved by the 5 jointly-controlled shipping entities in 2011 was approximately RMB8.067 billion, with a net profit of approximately RMB702 million, representing an increase of 52.1% and 61.6% as compared with the same period in 2010 respectively.

As at 31 December 2011, the 5 jointly-controlled shipping entities owned 50 bulk vessels with a total capacity of 2,510,000 deadweight tonnes and 46 vessels under construction with the capacity of 2,200,000 deadweight tonnes.

The operating results achieved by the 5 jointly-controlled shipping entities in 2011 are as follows:

Company name	**Interest held by the Company**	**2011 Shipping volume** *(billion tonne nautical miles)*	**2011 Operating revenue** *(RMB'000)*	**2011 Net profit** *(RMB'000)*
Shenhua Zhonghai Marine Co., Limited	49%	55.8	5,098,504	498,138
Shanghai Times Shipping Co., Limited	50%	32.3	2,284,729	152,072
Shanghai Friendship Marine Co., Limited	50%	1.6	163,648	14,989
Huahai Petrol Transportation & Trading Co., Limited	50%	1.6	150,860	6,726
Guangzhou Development Shipping Co., Limited	50%	6.9	369,565	30,472

In 2011, the net profit achieved by China Shipping Finance Co., Limited ("CS Finance"), a non-shipping jointly-controlled entity, with 25% interest held by the Company, was RMB 101,129,000.

3. **Financial analysis**

(1) **Net cash inflow**

The net cash inflow from operating activities of the Group decreased from approximately RMB2,754,300,000 for the year ended 31 December 2010 to approximately RMB1,421,967,000 for the year ended 31 December 2011, representing a decrease of approximately 48.37%.

(2) **Capital commitments**

The Group and the Company had capital commitments as at 31 December 2011, of which RMB6,514,365,000 (2010: RMB3,478,709,000) from the Group and RMB2,520,067,000 (2010: RMB793,814,000) from the Company will be due within one year.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorized and contracted for:				
Construction and purchases of vessels (Note 1)	11,299,626	20,436,403	4,351,747	9,214,159
Equity Investments (Note 2)	1,486,735	2,111,649	1,486,735	2,111,649
	12,786,361	22,548,052	5,838,482	11,325,808

In addition to the above, the Group's share of the capital commitments of its associate, which are contracted for but not provided amounted to RMB 1,589,308,000 (2010:RMBNil). The Group's share of the capital commitments of its jointly-controlled entity, which are contracted for but not provided amounted to RMB2,176,696,000 (2010: RMB913,786,000) which are authorised but not contracted for amounted to RMB 2,100,538,000 (2010: RMB3,904,340,000).

Note 1: According to the construction or purchase agreements entered into by the Group in 2007 to 2011, these capital commitments will fall due as from 2012 to 2013 respectively.

Note 2: Included in capital commitments in respect of equity investments is the commitment to invest in a jointly-controlled entity, Shenhua Zhonghai Marine Co., Limited, of RMB1,470,668,000 (2010: RMB2,058,668,000).

(3) **Capital structure**

The Group's and Company's net debt-to-equity ratio at 31 December 2011 and 2010 was as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	24,954,170	14,976,003	14,706,498	9,318,606
Less: Cash and cash equivalents	(3,376,692)	(1,061,735)	(1,795,817)	(402,137)
Net debt	21,577,478	13,914,268	12,910,681	8,916,469
Total equity	24,341,608	23,091,461	21,763,769	20,738,869
Debt to equity ratio	89%	60%	59%	43%

As at 31 December 2011, the equity attributable to the equity holders of the Company and net debts (as total debt (which includes interest-bearing bank borrowings, notes, other loan and convertible bonds) less cash and cash equivalents) amounted to approximately RMB24,341,608,000 and approximately RMB21,577,478,000 respectively. The debt-to-equity ratio was 88.64% (31 December 2010: 60.26%).

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

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

	Annual Effective interest	Maturity	Group		Company	
			2011	**2010**	**2011**	**2010**
	(%)		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities						
(i) Bank loans						
Secured	10% discount to the People's Bank of China ("PBC") Benchmark interest rate, Libor + 0.38% to 1.60%	2012	922,423	561,041	35,614	35,539
Unsecured	Libor + 0.35% to 4.00%, 5.904%	2012	686,993	662,809	—	231,794
			1,609,416	1,223,850	35,614	267,333
(ii) Notes						
Unsecured	4.18%	2012	1,998,038	—	1,998,038	—
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 5.904% to 6.56%	2012	966,000	1,200,000	941,000	1,200,000
Notes, interest-bearing bank and other borrowings - current portion			4,573,454	2,423,850	2,974,652	1,467,333

	Annual Effective interest (%)	Maturity	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Non-current liabilities						
(i) Bank loans						
Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.38% to 1.60%	2013-2022	7,185,601	4,590,795	284,160	319,849
Unsecured	Libor + 1.35% to 1.70%	2013-2019	1,231,826	—	—	—
			8,417,427	4,590,795	284,160	319,849
(ii) Notes						
Unsecured	3.90%	2014	2,995,537	4,989,873	2,995,537	4,989,873
(iii) Other borrowings						
Unsecured	10% discount to the PBC Benchmark interest rate, 4.86% to 6.51%	2013-2018	5,341,551	2,541,551	5,341,551	2,541,551
Notes, interest-bearing bank and other borrowings - Non-current portion			16,754,515	12,122,219	8,621,248	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 22 vessels (2010: 15 vessels) and another 9 vessels under construction (2010: 2 vessels under construction) with total net carrying value of RMB13,044,293,000 (2010: RMB7,585,649,000) as at 31 December 2011.

The Company's bank loan are secured by pledges or mortgages of the Company's 2 vessels (2010: 2 vessels) with total net carrying value of RMB428,817,000 (2010: RMB 447,353,000) as at 31 December 2011.

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

Except for secured bank loans of RMB7,788,252,000 (2010: RMB4,796,448,000) and unsecured bank loans of RMB1,861,916,000 (2010: RMB649,010,000) which are denominated in USD, all borrowings are denominated in RMB.

(b) At 31 December 2011, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
(i) Bank loans:				
Within one year or on demand	1,609,416	1,223,850	35,614	267,333
In the second year	1,389,529	612,084	35,614	35,539
In the third to fifth year, inclusive	3,028,983	1,866,396	106,842	106,617
Over five years	3,998,915	2,112,315	141,704	177,693
	10,026,843	5,814,645	319,774	587,182
(ii) Notes:				
Within one year or on demand	1,998,038	—	1,998,038	—
In the second year	—	1,995,946	—	1,995,946
In the third to fifth year, inclusive	2,995,537	2,993,927	2,995,537	2,993,927
	4,993,575	4,989,873	4,993,575	4,989,873

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(iii) Other borrowings:				
Within one year or on demand	966,000	1,200,000	941,000	1,200,000
In the second year	1,500,000	200,000	1,500,000	200,000
In the third to fifth year, inclusive	841,551	2,341,551	841,551	2,341,551
Over five years	3,000,000	—	3,000,000	—
	6,307,551	3,741,551	6,282,551	3,741,551
	21,327,969	14,546,069	11,595,900	9,318,606

Included in other borrowings represent an amount of RMB1,607,551,000 (2010: RMB1,441,551,000) were borrowed from CS Finance, a jointly controlled entity of the Group. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMB566,000,000 (2010: RMB200,000,000) and RMB1,041,551,000 (2010: RMB1,241,551,000) respectively.

Included in other borrowings represent an amount of RMB4,300,000,000 (2010: RMB2,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2011, the current and non-current portion of this borrowing amounted to RMBNil (2010: RMB1,000,000,000) and RMB4,300,000,000 (2010: RMB1,300,000,000) respectively.

Included in other borrowings represent an amount of RMB400,000,000 (2010: RMB Nil) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2011, the current portion of this borrowing amounted to RMB400,000,000 (2010: RMB Nil).

(c) Details of the notes at 31 December 2011 are as follows:

	Group and Company	
	2011	**2010**
	RMB'000	*RMB'000*
Principal amount	5,000,000	5,000,000
Notes issuance cost	(14,496)	(14,496)
Proceeds received	4,985,504	4,985,504
Accumulated amortisation	8,071	4,369
	4,993,575	4,989,873

Notes with principal amount of RMB3,000,000,000 and RMB2,000,000,000 were issued by the Group to investors on 3 August 2009 and 26 November 2009 respectively. The notes carried a fixed interest yield of 3.90% and 4.18% per annum respectively and were issued at a price of 100 per cent of their principal amount, resulting in no discount on the issue. The notes bear interest from 4 August 2009 and 27 November 2009 respectively, payable annually in arrears on 4 August and 27 November of each year respectively. The notes will mature on 3 August 2014 and 26 November 2012 respectively at their principal amount.

(5) **Cash and cash equivalents**

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

Included in cash and cash equivalents represent an amount of RMB209,470,000 (2010: RMB307,451,000) of bank balance deposited with CS Finance, a jointly- controlled entity of the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	2,644,443	705,513	1,602,403	315,905
USD	729,157	351,880	192,555	85,130
HKD	1,736	1,376	37	41
EUR	799	1,021	799	1,021
SGD	534	1,905	—	—
GBP	22	33	22	33
JPY	1	7	1	7
	3,376,692	1,061,735	1,795,817	402,137

(6) **Risk on foreign currency**

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

At 31 December 2011, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2011 would have been RMB73,562,000 (2010: RMB45,689,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated trade receivables and payables and cash and cash equivalents.

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

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

(7) **Cash flow and fair value interest rate risk**

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

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

At 31 December 2011, 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 RMB86,097,000 (2010: RMB53,640,000) lower/higher, the Company's post-tax profit for the year would have been RMB21,827,000 (2010: RMB15,855,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

4. **Others**

(1) **Fleet expansion projects**

In 2011, the Group has achieved further improvement in its fleet expansion.

In 2011, the total investment of the Group was approximately RMB9,495,037,000, of which approximately RMB8,374,163,000 was paid for the purchase of fixed assets (vessels) and respective construction in progress in cash.

In terms of fleet expansion, 3 new tankers with a total capacity of 460,000 deadweight tonnes and 20 new bulk vessels with a total capacity of 1,990,000 deadweight tonnes have been delivered for use in 2011. In addition, to cope with the changes in shipping market, the Group has upgraded 10 old vessels with total net assets of approximately RMB378,080,000 in 2011, and approximately RMB81,390,000 has been paid for the transformation of these old vessels.

As at 31 December 2011, the Group owned 189 vessels with a total capacity of 13,250,000 deadweight. The composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes *('000)*	Average age *(years)*
Tankers	72	6,850	8.5
Dry bulk vessels	117	6,400	15.7
Total	189	13,250	12.8

(2) **Material asset disposals**

In 2011, the Group disposed of 10 old bulk vessels of an aggregate 280,000 deadweight tonnes. The details of such disposals are as follows:

Assets sold	Price of Disposal *(RMB'000)*	Profit arising from disposal of assets *(RMB'000)*	Connected transaction *(Yes/No)*	Pricing Policy
Hai Zhou	23,633	21,069	No	Market price
Liu Zhou	24,688	21,890	No	Market price
Hua Kai	37,536	33,684	No	Market price
Hua Ge	24,164	22,624	No	Market price
Cang Zhou	38,627	22,951	No	Market price
Zi Yunshan	20,418	9,054	No	Market price
Jin Panling	17,449	7,492	No	Market price
Hong Qi 123	16,664	6,678	Yes	Market price

Assets sold	Price of Disposal (RMB'000)	Profit arising from disposal of assets (RMB'000)	Connected transaction (Yes/No)	Pricing Policy
Hong Qi 120	16,563	6,496	Yes	Market price
Hong Qi 124	16,676	6,379	Yes	Market price
Total	236,418	158,317		

5. **Outlook and highlights for 2012**

(1) **Prediction and analysis of international and domestic shipping market**

In 2012, the continual of complicated international political economy added uncertainties to global economic recovery. While growth in world trade will remain low, there will be a slight increase in the import and export trade of China. The situation of excessive shipping capacity supply in the international shipping market is unlikely to have fundamental improvement in the short-term, and the world's oil transportation and dry bulk shipping markets are expected to fluctuate at low levels. Meanwhile, international oil price is expected to continue fluctuating at high levels in 2012, and the pressure of rising operating costs on shipping enterprises will continue to increase.

(2) **Initial planning for the coming years**

In the coming years, the Group will steadily reinforce its fleet composition adjustment strategy. According to the current ranking in the industry, the Group's oil tanker fleet and dry bulk fleet are both among the top 10 independent shipowners in the world. As new vessels are gradually being delivered for use, the Group will continue to dispose the old vessels which are of high fuel consumption, small deadweight tonnes and low market competitiveness by stages in a timely manner, so as to further optimize its fleet composition and enhance the integrated capacity of the Group's fleets.

In accordance with the signed book orders for new vessels, the delivery of new vessels of the Group are as follows:

	In 2012		In 2013		In 2014	
	Numbers	*Capacity (deadweight tones)*	*Numbers*	*Capacity (deadweight tones)*	*Numbers*	*Capacity (deadweight tones)*
Tankers	13	800,000	3	750,000	—	—
Bulk vessels	31	3,220,000	11	1,050,000	4	720,000

(3) **Operational target for 2012**

In 2012, 44 new vessels of the Group with a total tonnage of 4,020,000 deadweight tonnes are scheduled to be delivered for use, including 13 tankers of 800,000 deadweight tonnes and 31 bulk vessels of 3,220,000 deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the Group's operations in 2012 is expected to be 15.25 million deadweight tonnes, representing an increase of 18.7% as compared with that of the same period in 2011.

As at 15 March 2012, the Group had signed contracts of affreightment in respect of dry bulk cargo transportation for 2012 (COA Contracts) with the contract volume of 42.55 million tons and a certain decrease in the basic shipping rates.

Based on its view of the domestic and overseas shipping markets in 2012, and taking into account of the delivery of new vessels, the Group's operating targets are as follows: shipping volume of approximately 444.6 billion tonne nautical miles, an increase of 28.8% as compared with 2011; estimated turnover of approximately RMB14.62 billion, an increase of 18.8%; operating costs of approximately RMB13.26 billion, an increase of 25.3% as compared with 2011.

(4) **Work initiatives in 2012**

To cope with the current market situation, the Group will:

i) make efforts in consolidating internal resources. The execution of strategic consolidation of resources is in the top priority list of the Group for the year. The Group's principal businesses are oil shipments, dry bulk shipments and LNG shipments. The Group is intended to establish two wholly-owned subsidiaries to specialize in operating dry bulk shipments and oil shipments respectively and to take the lead in completing the consolidation of the dry bulk assets of the Company. The Board believes that a clearer and smoother management system will enable the Group to provide clients with better quality services with improved efficiency, and to achieve higher operation efficiency.

ii) greatly enhance marketing efforts, continue to strengthen cooperation with strategic customers and further consolidate and expand the Group's shares in both domestic and international shipping markets. In 2012, the Group will adhere to its strategy of reinforcing coastal business and developing offshore business, seek to change the development mode based on stable supply and market expansion. For bulk cargoes transportation, the Company will continue to promote strategic cooperation with Huaneng, Shenhua, Baosteel, Shougang, China Resources, Shenergy, Shanghai Electric Power and Guangzhou Holding through joint venture partnerships and other means, with an aim to expand its size of controllable capacity and enhance control of the coastal thermal coal transportation market as well as its market presence. For oil product transportation, the Group will endeavor to strengthen cooperation with domestic and foreign large oil companies, and to leverage on the execution of the cooperation agreement entered into with Sinopec Corp., actively carry on negotiations with CNPC and CNOOC to facilitate deeper cooperation, in order to expand the Group's market shares in China's self-produced oil shipping market.

iii) strengthen its cost control system to enhance cost effectiveness. In 2012, the Group will continue to strengthen control over fuel costs, management and other fees. Fuel costs are one of the Group's major costs. The Group will continue to strengthen energy-saving and the use of energy-saving technologies, implement the policy of economic speed and strive to control fuel costs.

iv) put efforts in implementing adjustments to vessel composition and delivering new vessels, enhance vessel management and endeavor to nurture talents. 2012 is the peak year for the Group to take delivery of new vessels. The Group will implement adjustments to vessel composition based on the fleet development planning, and focus on training selected personnel who are familiar with the international operation of transocean activities and crew for large vessels, so as to ensure the Group's staff training is in line with or ahead of its fleet expansion and build a solid foundation for the optimization of fleet composition.

v) expand its financing sources to secure development funds for the Company. According to the Group's shipbuilding plans, the capital expenditure of the Group from 2012 to 2014 is RMB9.39 billion, RMB3.18 billion and RMB0.8 billion respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increases. In this connection, the Company will further strengthen cooperation with banks to maintain smooth financing channels.

vi) continue to strengthen safety and security. We will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures, and improve the building and operating of comprehensive security system.

III. OTHER SIGNIFICANT EVENTS

(1) Results, dividends and closure of the H Share register

The net profit of the Company for 2011, as determined in accordance with PRC GAAP, was approximately RMB1,040,974,000, 10% of which will be transferred to the statutory surplus reserve. 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 PRC GAAP and the amount determined under HK GAAP.

The Directors recommended the payment of a final dividend of RMB0.10 per share in respect of the year 2011 to shareholders on the register of members at the close of business on Tuesday, 29 May 2012. There was no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position. Upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 17 May 2012, the final dividend will be paid on or around Friday, 29 June 2012.

The H share register of members of the Company will be closed from Tuesday, 17 April 2012 to Thursday, 17 May 2012, both days inclusive, during which period no transfer of H shares will be effected and registered. Shareholders whose names appear on the H share register of members of the Company on Thursday, 17 May 2012 will be eligible to attend and vote at the annual general meeting of the Company. In order to be entitled to attend and vote at the annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company's H shares, Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 April 2012.

Shareholders whose names appear on the H share register of members of the Company on Tuesday, 29 May 2012, will qualify for the proposed final dividend. The Company's H share transfer books and H share register of members will be closed from Thursday, 24 May 2012 to Tuesday, 29 May 2012 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company's H shares, Hong Kong Registrars Limited at 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Wednesday, 23 May 2012. The H shares of the Company will trade ex-dividend on Tuesday, 22 May 2012.

(2) **Medical insurance scheme**

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

Since 1 July 2010, the Company has developed a defined medical insurance scheme according to the spirit of the State to advocate the establishment of a multi-level enterprise medical security system and of the "Notice on Enterprise

Income Tax Policies Relating to Defined Contribution Retirement Insurance and Defined Medical Insurance (Cai Shui [2009] No. 27). Under the scheme, the Company shall make a provision of 5% of the total salary of employees, which shall be deposited into a special account for defined medical insurance fund.

(3) **Pension and Enterprise annuity schemes**

i) **PRC (other than Hong Kong)**

Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 18%-22% (2010: 18%-22%) of the basic salaries of the Group's employees, after certain adjustments on individual employee's salaries in accordance with applicable regulations. Contributions by the Group to the Scheme for the year ended 31 December 2011 amounted to RMB134,482,000 (2010: RMB133,291,000).

Enterprise annuity scheme

In the year 2009, after the resolution held between the representatives of the Group's Labour Union and the Board, a scheme on the enterprise annuity has been set up. The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be 5 times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2009. According to the scheme, actual amount incurred as labour cost in 2011 amounted to RMB46,050,000 (2010: RMB46,822,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the directors of the Group, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

ii) **Hong Kong**

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2011 amounted to RMB8,212,000 (2010: RMB4,520,000).

(4) **Directors' and supervisors' interests and short positions in shares and underlying shares of the Company**

As at 31 December 2011, none of the Directors, supervisors, chief executives or, to the best knowledge of the Directors, 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 otherwise required to be 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 (the "Model Code").

(5) **Purchase, sale or redemption of the Company's listed securities**

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

(6) **Compliance with the Code on Corporate Governance Practices**

During the Reporting Period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(7) **Audit Committee**

In compliance with Rule 3.21 of the Listing Rules, the Company has established an audit committee to review the financial reporting procedures and internal control and to provide guidance thereto. The audit committee of the Company comprises the four independent non-executive Directors of the Company.

The audit committee has reviewed the annual results of the Company for the Reporting Period.

(8) **Remuneration Committee**

The remuneration committee comprised of the four independent non-executive Directors of the Company. The remuneration committee of the Company has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

(9) **Compliance with the Model Code as set out in Appendix 10 to the Listing Rules**

The Company has adopted a code of conduct regarding Directors' securities transactions in accordance with the required standard set out in the Model Code.

Following specific enquiries made with the Directors, supervisors and chief executive of the Company, the Company has confirmed that each of them has complied with the Model Code during the Reporting Period.

(10) **Employees**

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

As at 31 December 2011, the Company had 6,317 employees. During the Reporting Period, the total staff cost was approximately RMB1,768,719,000 (In 2010: RMB1,556,824,000).

(11) **Contingent Liabilities**

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which sunk afterward. The Group is in a progress to setup a Limitation of Liability for Maritime Claims amounting to RMB22,250,000. Since the Group had been insured, all compensations will be borne by the insurance company. At 31 December 2011, the Group is still in the process of settling all the issues concerned.

(ii) In March 2009, Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping") signed a thirteen-year loan agreement in the amount not exceeding RMB500,000,000 with a commercial bank for the construction of two 57,000 deadweight tons vessels. Guangzhou Development Industry (Holdings) Co., Limited ("Guangzhou Holdings") entered into a guarantee contract with the commercial bank to provide guarantees to secure the bank loan in the maximum amount of RMB500,000,000. The guarantee period given by Guangzhou Holdings is the same as the period of the loan agreement.

On 16 August 2010, the Company acquired 50% registered capital of Guangzhou Shipping, a wholly owned subsidiary of Guangzhou Development Coal Investment Co., Limited. At the 14th board meeting in 2010, the Company passed the resolution to offer a counter-guarantee letter in the maximum amount of RMB250,000,000 to Guangzhou Holdings, in accordance with the joint venture agreement signed with Guangzhou Development Coal Investment Co., Limited signed on 16 August 2010.

(iii) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies as set out below entered into Ship Building Contracts for the construction of one LNG vessel. After the completion of the LNG vessels, four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following Charterers:

Company name	Charterer
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four leases with guarantee ("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.

Accordingly to lease term, taking into account of the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guarantee provided by the Company is limited to USD8.2 million (approximately RMB53 million).

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

(12) **Events after Reporting Period**

The following are the significant events after the reporting period.

(i) According to the first Board meeting of the Company in 2012, the Board approved CSHK Development, a wholly owned subsidiary of the Company, entered into an agreement with China Shipping Industrial Co., Ltd. and CS Industrial (Jiangsu), both are related parties of the Group, for the construction of the tanker of 110,000 dead weight tons for the transportation of crude oil and refined oil on 13 January 2012. The total consideration for the construction of the tanker is approximately USD53,280,000.

(ii) According to the second Board meeting of the Company in 2012, the Board agreed as part of the Company's strategy to establish two wholly-owned subsidiaries, which will be responsible for the operation of dry bulk transportation and oil products transportation respectively, and to gradually inject the Company's dry bulk vessel and oil tank related businesses into the two wholly-owned subsidiaries.

(iii) According to the third Board meeting of the Company in 2012, the Board approved the funds of RMB 380,000,000 arise from A-Share convertible bonds issued on 1 August 2011 to be used as working capital of the Company for not more than 6 months.

(iv) According to the forth Board meeting of the Company held on 15 March 2012, the Company will transfer RMB104,097,000, being 10% of its net profit of RMB1,040,974,000 determined under PRC GAAP to the statutory surplus reserve. The Directors also proposed to pay a final dividend for the year 2011 of RMB0.10 per share (before tax) based on the number of shares issued as at a date determined by the Company. The proposed final dividend is subject to the Company's Shareholders' approval at the forthcoming annual general meeting.

(v) According to the forth Board meeting of the Company held on 15 March 2012, effective from 1 January 2012, the Board approved to revise the estimated useful life of vessels to be 17 to 25 years. The estimated useful life of new vessels is 25 years, where the useful life of used vessels was determined based on actual remaining useful life. Residual values of vessels were determined based on USD470 (approximately RMB2,960) per light displacement ton.

(13) **Publication of annual results on the internet website of the Company and The Stock Exchange of Hong Kong Limited**

An annual report of the Company containing all the financial and relevant information as required under the Listing Rules will be posted on the website of the Company and the Hong Kong Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2010 and 2011, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the year ended 31 December 2011, which will contain an unqualified auditors' report, will be delivered to the Companies Registry, and delivered to shareholders as well as made available on the Company's website at http://www.cnshippingdev.com.

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

15 March 2012

Shanghai, the PRC

As at the date of this announcement, the board of directors of the Company is comprised of Mr. Li Shaode, Mr. Xu Lirong, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Yan Zhichong and Mr. Qiu Guoxuan as executive directors, Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Wang Wusheng as independent non-executive directors.