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 2012

Financial Highlights

- Revenue decreased by approximately 9.1% to approximately RMB11.054 billion
- Profit attributable to owners of the Company decreased by approximately 93.1% to approximately RMB 74 million
- Earnings per share was RMB0.0217
- The Directors do not recommend the payment of a final dividend for 2012.

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 2012 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2011. 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 2011 set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	2012 *RMB'000*	**2011** *RMB'000* *(restated)*
Revenue		
Turnover	11,053,628	12,157,458
Operating costs	(11,252,251)	(10,636,688)
Gross (loss)/profit	(198,623)	1,520,770
Other income and gains	663,340	250,613
Marketing expenses	(50,256)	(51,735)
Administrative expenses	(418,976)	(368,237)
Other expenses	(27,401)	(61,539)
Share of profits of jointly-controlled entities	293,701	368,775
Finance costs	(593,160)	(414,574)
(LOSS)/PROFIT BEFORE TAX	(331,375)	1,244,073
Tax credit/(charge)	469,144	(150,410)
PROFIT FOR THE YEAR	137,769	1,093,663
Other comprehensive income/(expenses)		
Exchange realignment	17,444	(279,730)
Net gain/(loss) on cash flow hedges	2,846	(3,143)
Gain on revaluation of properties	—	104,589
Share of other comprehensive expense of associates	—	(8)
Other comprehensive income/(expenses) for the year	20,290	(178,292)
Total comprehensive income for the year	158,059	915,371
Profit for the year attributable to:		
Owners of the Company	73,741	1,062,214
Non-controlling interests	64,028	31,449
	137,769	1,093,663
Total comprehensive income for the year attributable to:		
Owners of the Company	94,128	885,491
Non-controlling interests	63,931	29,880
	158,059	915,371
Earnings per share — basic	2.17 cents	31.20 cents
Earnings per share — diluted	2.17 cents	29.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000* *(restated)*	1 January 2011 *RMB'000*
NON-CURRENT ASSETS			
Investment properties	1,193,458	394,672	—
Property, plant and equipment	45,734,065	41,875,122	35,385,957
Investments in associates	—	—	—
Investments in jointly-controlled entities	4,020,369	3,562,519	2,574,217
Loan receivables	110,198	49,747	—
Available-for-sale investments	5,873	4,300	4,300
Deferred tax assets	241,801	—	—
	51,305,764	45,886,360	37,964,474
CURRENT ASSETS			
Inventories	934,159	823,961	449,285
Trade and bills receivables	1,484,866	1,127,945	891,063
Prepayments, deposits and other receivables	756,161	483,330	343,618
Loan to a shareholder of a subsidiary	—	49,000	—
Cash and cash equivalents	3,285,745	3,376,692	1,061,735
	6,460,931	5,860,928	2,745,701
Assets classified as held for sale	93,828	—	—
	6,554,759	5,860,928	2,745,701
CURRENT LIABILITIES			
Trade and bills payables	1,207,913	1,073,161	913,721
Other payables and accruals	916,965	828,385	1,146,208
Tax payable	3,206	4,463	78,604
Current portion of notes, interest-bearing bank and other borrowings	4,194,889	4,573,454	2,423,850
	6,322,973	6,479,463	4,562,383
NET CURRENT ASSETS/(LIABILITIES)	231,786	(618,535)	(1,816,682)
TOTAL ASSETS LESS CURRENT LIABILITIES	51,537,550	45,267,825	36,147,792

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	
EQUITY			
Equity attributable to owners of the Company			
Issued capital	3,404,553	3,404,552	3,404,552
Reserves	20,112,584	20,013,298	18,595,219
Proposed final dividend	—	340,455	578,774
	23,517,137	23,758,305	22,578,545
Non-controlling interests	868,426	702,791	512,916
Total equity	24,385,563	24,461,096	23,091,461
NON-CURRENT LIABILITIES			
Other loans	527,763	515,603	429,934
Provisions	—	—	85,500
Derivative financial instruments	12,758	15,645	13,218
Notes, interest-bearing bank and other borrowings	18,207,079	16,754,515	12,122,219
Bonds payable	8,229,218	3,110,598	—
Deferred tax liabilities	175,169	410,368	405,460
	27,151,987	20,806,729	13,056,331
TOTAL EQUITY AND NON-CURRENT LIABILITIES	51,537,550	45,267,825	36,147,792

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	2012	**2011**
	RMB'000	*RMB'000*
		(restated)
Net cash inflow from operating activities	891,308	1,421,967
INVESTING ACTIVITIES		
Interest received	60,897	37,034
Investments in associates	—	(8)
Payments for construction in progress	(6,101,907)	(8,280,555)
Purchases of property, plant and equipment	(69,953)	(93,608)
Proceeds from disposal of property, plant and equipment	253,147	205,467
Repayment from/ (loan to) a shareholder of a subsidiary	49,000	(49,000)
Loan to associates	(57,450)	(49,747)
Dividends received from jointly-controlled entities	226,850	58,433
Dividends received from available-for-sale investments	2,240	1,512
Investments in available-for-sale investments	(1,573)	—
Investments in jointly-controlled entities	(455,960)	(663,000)
Net cash outflow used in investing activities	(6,094,709)	(8,833,472)
FINANCING ACTIVITIES		
Interest paid	(744,280)	(673,355)
Dividend paid	(340,455)	(578,774)
Increase in other loans	13,452	108,060
Net proceeds from issue of convertible bonds	—	3,912,372
Net proceeds from issue of corporate bonds	4,959,500	—
Increase in bank loans	8,071,023	11,824,668
Repayment of bank loans	(6,949,889)	(4,988,998)
Contribution from non-controlling shareholders of subsidiaries	113,408	159,995
Distribution to non-controlling shareholders of subsidiaries	(12,107)	—
Net cash inflow from financing activities	5,110,652	9,763,968
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(92,749)	2,352,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,376,692	1,061,735
Effect of foreign exchange rate changes, net	1,802	(37,506)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,285,745	3,376,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,285,745	3,376,692

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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 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. Information is provided in the consolidated financial statement on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior periods reflected in these financial statements. Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the consolidated financial statement.

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

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). 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. 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.

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.

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, 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 benefits" 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

Impact of revised HKFRSs

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA that are effective to the Group's financial year beginning 1 January 2012.

HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets
HKAS 12 (Amendments)	Income taxes — Deferred tax: Recovery of underlying assets

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

Impact of HKFRSs issued but not yet effective

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

Improvements to HKFRSs	Annual improvements to HKFRSs 2009 — 2011 cycle, except for the amendments HKAS 1[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 19 (2011)	Employee benefits[2]
HKAS 27 (2011)	Separate financial statements[2]
HKAS 28 (2011)	Investments in associates and joint ventures[2]

HKAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income[1]
HKAS 32 (Amendments)	Presentation offsetting financial assets and financial liabilities[3]
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial positions.

3. CHANGES IN ACCOUNTING ESTIMATES

Effective from 1 January 2012, the Group adjusted the estimated useful lives of vessels from the range of 17 to 25 years to 25 years. Residual values of vessels were adjusted from USD180 (approximately RMB1,350) per light displacement ton to USD470 (approximately RMB2,960) per light displacement ton. As a result of these changes in accounting estimates, the depreciation decreased by approximately RMB592,479,000 for the year ended 31 December 2012.

4. CHANGE IN ACCOUNTING POLICY

In previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the seventeenth Board meeting of the Company held on 27 November 2012, with effect from 1 December 2012, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. In April 2011, owner-occupied properties with carrying amount of RMB238,728,000 were transferred from property, plant and equipment to investment properties after these had been leased out for rental income under operating leases. Relevant increase in fair value arising between the carrying amount at that date and the fair value amounted to RMB139,452,000. After recognition of deferred tax liabilities of RMB34,863,000, the net amount of RMB104,589,000 was recognised in other comprehensive income and accumulated in property revaluation reserve under equity. At the end of the reporting period in 2011, such investment properties were further revalued and net increase in fair value of RMB16,492,000 was recognised in profit or loss for the year ended 31 December 2011. Furthermore, depreciation recognised for these investment properties of RMB2,530,000 was reversed during the year ended 31 December 2011 after change in accounting policy in investment properties from cost to fair value model.

The effects of the change in accounting policy in the consolidated statement of comprehensive income for the year ended 31 December 2011, the consolidated statements of financial position at 31 December 2011 are set out below. No restatements to the consolidated and company statements of financial position at 31 December 2010 are necessary as the Group or the Company does not have investment properties in 2010.

Consolidated statement of comprehensive income for the year ended 31 December 2011

	2011 RMB'000 (as previously reported)	Effect of change in accounting policy RMB'000	2011 RMB'000 (as restated)
Revenue			
Turnover	12,157,458	—	12,157,458
Operating costs	(10,636,688)	—	(10,636,688)
Gross profit	1,520,770	—	1,520,770
Other income and gains	234,121	16,492	250,613
Marketing expenses	(51,735)	—	(51,735)
Administrative expenses	(368,237)	—	(368,237)
Other expenses	(64,069)	2,530	(61,539)
Share of profits of jointly-controlled entities	368,775	—	368,775
Finance costs	(414,574)	—	(414,574)
PROFIT BEFORE TAX	1,225,051	19,022	1,244,073
Tax	(146,287)	(4,123)	(150,410)
PROFIT FOR THE YEAR	1,078,764	14,899	1,093,663
Other comprehensive income / (expenses)			
Exchange realignment	(279,730)	—	(279,730)
Net loss on cash flow hedges	(3,143)	—	(3,143)
Gain on revaluation of properties	—	104,589	104,589
Share of other comprehensive expense of associates	(8)	—	(8)
Other comprehensive income / (expenses) for the year	(282,881)	104,589	(178,292)
Total comprehensive income for the year	795,883	119,488	915,371
Profit for the year attributable to:			
Owners of the Company	1,047,315	14,899	1,062,214
Non-controlling interests	31,449	—	31,449
	1,078,764	14,899	1,093,663
Total comprehensive income for the year attributable to:			
Owners of the Company	766,003	119,488	885,491
Non-controlling interests	29,880	—	29,880
	795,883	119,488	915,371
Earnings per share - basic	30.76 cents	0.44 cents	31.20 cents
Earnings per share - diluted	29.31 cents	0.42 cents	29.73 cents

Consolidated statement of financial position as at 31 December 2011

	2011 *RMB'000* *(as previously reported)*	Effect of change in accounting policy *RMB'000*	2011 *RMB'000* *(as restated)*
NON-CURRENT ASSETS			
Investment properties	236,198	158,474	394,672
Properties, plant and equipment	41,875,122	—	41,875,122
Investments in associates	—	—	—
Investments in jointly-controlled entities	3,562,519	—	3,562,519
Loan receivables	49,747	—	49,747
Available-for-sale investments	4,300	—	4,300
	45,727,886	158,474	45,886,360
CURRENT ASSETS			
Inventories	823,961	—	823,961
Trade and bills receivables	1,127,945	—	1,127,945
Prepayments, deposits and other receivables	483,330	—	483,330
Loan to a shareholder of a subsidiary	49,000	—	49,000
Cash and cash equivalents	3,376,692	—	3,376,692
	5,860,928	—	5,860,928
CURRENT LIABILITIES			
Trade and bills payables	1,073,161	—	1,073,161
Other payables and accruals	828,385	—	828,385
Tax payable	4,463	—	4,463
Current portion of notes, interest-bearing bank and other borrowings	4,573,454	—	4,573,454
	6,479,463	—	6,479,463
NET CURRENT LIABILITIES	(618,535)	—	(618,535)
TOTAL ASSETS LESS CURRENT LIABILITIES	45,109,351	158,474	45,267,825

	2011	Effect of change in accounting policy	2011
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
EQUITY			
Equity attributable to owners of the Company			
Issued capital	3,404,552	—	3,404,552
Reserves	19,893,810	119,488	20,013,298
Proposed final dividend	340,455	—	340,455
	23,638,817	119,488	23,758,305
Non-controlling interests	702,791	—	702,791
Total equity	24,341,608	119,488	24,461,096
NON-CURRENT LIABILITIES			
Other loan	515,603	—	515,603
Derivative financial instruments	15,645	—	15,645
Notes, interest-bearing bank and other borrowings	16,754,515	—	16,754,515
Convertible bonds	3,110,598	—	3,110,598
Deferred tax liabilities	371,382	38,986	410,368
	20,767,743	38,986	20,806,729
TOTAL EQUITY AND NON-CURRENT LIABILITIES	45,109,351	158,474	45,267,825

5. REVENUE AND SEGMENT INFORMATION

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

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

(i) oil shipment; and

(ii) dry bulk shipment

- — coal shipment
- — iron ore shipment
- — other dry bulk shipment

Business segments

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

	2012		**2011**	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(restated)
By principal activity:				
Oil shipment	5,592,795	(220,315)	6,230,194	462,965
Dry bulk shipment				
- Coal shipment	2,699,649	(149,717)	3,887,438	907,022
- Iron ore shipment	2,154,841	333,896	1,386,126	137,031
- Other dry bulk shipment	606,343	(162,487)	653,700	13,752
	5,460,833	21,692	5,927,264	1,057,805
	11,053,628	(198,623)	12,157,458	1,520,770
Other income and gains		663,340		250,613
Marketing expenses		(50,256)		(51,735)
Administrative expenses		(418,976)		(368,237)
Other expenses		(27,401)		(61,539)
Share of profits of jointly-controlled entities		293,701		368,775
Finance costs		(593,160)		(414,574)
(Loss)/profit before tax		(331,375)		1,244,073
Total segment assets				
Oil shipment		20,571,880		23,775,961
Dry bulk shipment		16,571,656		23,525,486
Unallocated corporate assets		20,716,987		4,445,841
		57,860,523		51,747,288
Total segment liabilities				
Oil shipment		14,230,822		12,865,773
Dry bulk shipment		13,923,313		13,955,718
Unallocated corporate liabilities		5,320,825		464,701
		33,474,960		27,286,192

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment contribution represents the gross (loss)/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 2012 amounted to RMB19,258,740,000 and RMB20,392,431,000 respectively (2011: RMB16,439,710,000 and RMB16,514,887,000 respectively).

Geographical segments

	2012		**2011**	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(restated)
By geographical area:				
Domestic	4,913,910	163,760	7,391,558	1,780,901
International	6,139,718	(362,383)	4,765,900	(260,131)
	11,053,628	(198,623)	12,157,458	1,520,770
Other income and gains		663,340		250,613
Marketing expenses		(50,256)		(51,735)
Administrative expenses		(418,976)		(368,237)
Other expenses		(27,401)		(61,539)
Share of profits of jointly-controlled entities		293,701		368,775
Finance costs		(593,160)		(414,574)
(Loss)/profit before tax		(331,375)		1,244,073
Turnover				
Total segment turnover		11,053,628		12,157,458
Less: inter-company transactions		—		—
Total consolidated turnover		11,053,628		12,157,458

Other information

	2012			
	Oil shipment	**Dry bulk shipment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	1,932,802	4,084,647	1,807	6,019,256
Depreciation	733,697	743,030	9,743	1,486,470
Gain / (loss) on disposal of property, plant and equipment	(16,752)	63,629	(8)	46,869
Interest income	7,871	10,622	45,601	64,094

	2011 (restated)			
	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	943,058	793,396	7,264	1,743,718
Gain / (loss) on disposal of property, plant and equipment	463	156,064	(71)	156,456
Interest income	6,724	9,880	20,430	37,034

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

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

6. OTHER INCOME AND GAINS

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Other income		
Government subsidies (Note)	99,085	34,258
Bank interest income	58,064	35,497
Rental income from investment properties	23,373	8,778
Interest income from loan receivable	6,030	1,537
Others	5,286	7,132
	191,838	87,202
Other gains/(losses)		
Gain on revaluation of investment properties	439,126	16,492
Gain on disposal of property, plant and equipment, net	46,869	156,456
Exchange gains/(losses), net	5,535	(13,406)
Dividends received from available-for-sale investments	2,240	1,512
Impairment losses on assets classified as held for sale	(27,963)	—
Recovery of bad debts written off in prior years	—	1,168
Others	5,695	1,189
	471,502	163,411
Other income and gains	663,340	250,613

Note:

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

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
- Bank loans and other borrowings repayable over five years	356,891	166,458
- Bank loans and other borrowings repayable within five years	248,118	259,270
- Convertible bonds	176,978	71,269
- Notes	173,870	204,302
- Corporate bonds	70,682	—
- Hedge loan	7,545	10,396
Other loan or borrowings costs and charges	63	43,305
	1,034,147	755,000
Less: Interest capitalised	(440,987)	(340,426)
Finance costs	593,160	414,574

8. (LOSS)/PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	6,410,526	5,727,101
Others (Including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	4,841,725	4,909,587
Depreciation	1,486,470	1,743,718
Operating lease rentals:		
Land and buildings	52,233	38,400
Vessels	616,386	578,325
Total operating lease rentals	668,619	616,725
Auditor's remuneration	4,026	3,200
Staff costs (including directors' remuneration):		
Wages, salaries, crew expenses and related expenses	1,685,035	1,626,025
Pension scheme contributions	131,506	142,694
Total staff costs	1,816,541	1,768,719
Dry-docking and repairs	386,791	358,264
Impairment losses on assets classified as held for sale	27,963	—
Government subsidies	(99,085)	(34,258)
Gain on disposal of property, plant and equipment, net	(46,869)	(156,456)
Recovery of bad debts written off in prior years	—	(1,168)

9. 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 2012 and 2011.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC. 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 25% (2011:24%) 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.

	2012	**2011**
	RMB'000	*RMB'000*
		(restated)
Current:		
Hong Kong	—	—
PRC		
- Charge for the year	(4,700)	(180,220)
- Under provision in prior years	(3,156)	(145)
Deferred tax	477,000	29,955
Total tax credit / (charge) for the year	469,144	(150,410)

Income tax for the year of jointly-controlled entities attributable to the Group amounted to RMB107,578,000 (2011: RMB124,177,000).

No income tax for the year attributable to the Group from the associates (2011: RMBNil).

A reconciliation of the tax credit / (charge) applicable to (loss) / 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 is as follows:

	2012	**2011**
	RMB'000	*RMB'000*
		(restated)
(Loss)/profit before tax	(331,375)	1,244,073
Tax at the statutory tax rate	82,844	(298,578)
Tax effect of share of profits of jointly-controlled entities	107,578	124,177
Expenses not deductible for tax	(67,996)	(23,581)
Income not subject to tax	28,543	79,596
Adjustments in respect of current tax of previous periods	(3,156)	(145)
Unused tax losses not recognised	(6,363)	(6,031)
Temporary differences not recognised	(44)	(54)
Different tax rate of subsidiaries operating in other jurisdiction	(17,341)	(25,794)
Reversal of deferred tax liabilities on unremitted earnings	345,079	—
Tax credit / (charge)	469,144	(150,410)

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

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payable at the beginning of the year	4,463	78,604	70	74,488
Provision for Corporate Income Tax	4,700	180,220	—	169,593
Under/(over) provision in prior years	3,156	145	2,486	(934)
Income tax paid	(9,113)	(254,506)	(2,556)	(243,077)
Income tax payable at the end of the year	3,206	4,463	—	70

10. DIVIDEND

The dividend paid in 2012 was RMB340,455,000, representing 2011 final dividend of RMB0.10 per share (Dividend paid in 2011 was RMB578,774,000, representing 2010 final dividend of RMB0.17 per share)

	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend: RMBNil (2011: RMB0.10 per share) per share	—	340,455

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

11. 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 RMB73,741,000 (2011 (restated): RMB1,062,214,000) and the weighted average of 3,404,553,000 shares (2011: 3,404,552,000 shares) in issue during the year, calculated as follows:

	2012	2011
		(restated)
Profit attributable to owners of the Company (RMB'000)	73,741	1,062,214
Weighted average number of shares in issue (thousands)	3,404,553	3,404,552
Basic earnings per share (RMB cents per share)	2.17	31.20

(b) **Diluted earnings per share**

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

In 2011, the calculation of diluted earnings per share is based on the restated diluted profit attributable to owners of the Company of RMB1,068,369,000 and the diluted weighted average number of shares of 3,593,728,000 shares, calculated as follows:

(i) Profit attributable to owners of the Company (diluted)

	2011
	RMB'000
	(restated)
Profit attributable to owners of the Company	1,062,214
After tax effect of effective interest on the liability component of convertible bonds	6,155
Profit attributable to owners of the Company (diluted)	1,068,369

(ii) Weighted average number of shares (diluted)

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

	2011
	(restated)
Diluted earnings per share (RMB cents per share)	29.73

12. TRADE AND BILLS RECEIVABLES

	Group			Company		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	1,445,631	1,066,631	856,607	480,322	789,871	637,538
Due from jointly-controlled entities and fellow subsidiaries	39,235	61,314	34,456	1,077	58,786	35,002
Trade and bills receivables	1,484,866	1,127,945	891,063	481,399	848,657	672,540

The carrying amounts 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			
	2012		2011	
	Balance	Percentage	Balance	Percentage
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	1,345,645	91	1,110,985	98
4 - 6 months	131,054	9	12,604	1
7 - 9 months	6,751	—	4,047	1
10 - 12 months	1,075	—	309	—
1 - 2 years	341	—	—	—
	1,484,866	100	1,127,945	100

	Company			
	2012		2011	
	Balance	**Percentage**	**Balance**	**Percentage**
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	466,109	97	832,763	98
4 - 6 months	13,093	3	12,059	1
7 - 9 months	1,232	—	3,835	1
10 - 12 months	835	—	—	—
1 - 2 years	130	—	—	—
	481,399	100	848,657	100

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

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

Included in trade and bills receivables are debtors with carrying amount of approximately RMB58,132,000 (2011: RMB16,960,000) 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 (2011: RMBNil).

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 - 6 months	56,716	16,651	4,325	15,894
7 - 12 months	1,416	309	965	—
	58,132	16,960	5,290	15,894

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

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

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

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	860,363	678,595	454,314	611,675
USD	624,503	449,350	27,085	236,982
	1,484,866	1,127,945	481,399	848,657

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			**Company**		
	31 December 2012	**31 December 2011**	**1 January 2011**	**31 December 2012**	**31 December 2011**	**1 January 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	114,007	118,796	29,818	22,732	24,265	8,070
Deposits and other receivables	437,952	153,395	186,005	342,944	98,617	148,403
Due from fellow subsidiaries	204,202	211,139	127,795	71,151	104,529	63,318
Due from subsidiaries	—	—	—	5,789,575	3,994,827	3,865,510
	756,161	483,330	343,618	6,226,402	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 amounts of the prepayments, deposits and other receivables of the Group and Company are denominated in the following currencies:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	465,669	172,103	2,671,269	868,020
USD	240,603	275,046	3,550,228	3,329,934
AUD	31,714	19,874	1,963	8,484
JPY	216	10,898	378	10,898
Others	17,959	5,409	2,564	4,902
	756,161	483,330	6,226,402	4,222,238

14. TRADE AND BILLS PAYABLES

	Group			Company		
	31 December 2012	**31 December 2011**	**1 January 2011**	**31 December 2012**	**31 December 2011**	**1 January 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	404,687	458,534	485,120	154,476	287,524	277,649
Due to subsidiaries	—	—	—	6,705	7,556	2,512
Due to fellow subsidiaries	803,226	614,627	428,601	297,056	515,131	427,496
	1,207,913	1,073,161	913,721	458,237	810,211	707,657

The carrying amounts 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.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	666,759	644,998	292,378	600,638
USD	498,892	410,284	157,179	198,936
HKD	31,516	5,736	2,070	3,779
JPY	5,395	6,525	2,365	4,814
EUR	3,904	1,030	3,852	847
Others	1,447	4,588	393	1,197
	1,207,913	1,073,161	458,237	810,211

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

	Group			
	2012		**2011**	
	Balance	**Percentage**	**Balance**	**Percentage**
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	1,083,462	90	611,989	57
4 - 6 months	79,132	6	363,898	34
7 - 9 months	27,010	2	61,871	6
10 - 12 months	3,620	—	25,986	2
1 - 2 years	8,288	1	8,049	1
Over 2 years	6,401	1	1,368	—
	1,207,913	100	1,073,161	100

	Company			
	2012		2011	
	Balance	Percentage	Balance	Percentage
	RMB'000	*%*	*RMB'000*	*%*
1 - 3 months	405,971	89	399,880	49
4 - 6 months	28,807	6	347,127	43
7 - 9 months	19,383	4	48,631	6
10 - 12 months	2,155	1	14,118	2
1 - 2 years	1,662	—	155	—
Over 2 years	259	—	300	—
	458,237	100	810,211	100

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

15. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	51,049	46,443	123,120	27,570	41,158	117,496
Other payables	755,221	731,271	731,938	429,155	216,207	145,430
Due to ultimate holding company	63,474	—	—	63,474	—	—
Due to fellow subsidiaries	46,184	50,671	291,150	91,031	39,473	274,700
Due to jointly control entities	1,037	—	—	—	—	—
Due to subsidiaries	—	—	—	135,533	138,676	80,012
	916,965	828,385	1,146,208	746,763	435,514	617,638

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

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

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	586,631	536,749	11,543	57,431
RMB	326,960	272,945	735,220	378,083
HKD	3,374	—	—	—
Others	—	18,691	—	—
	916,965	828,385	746,763	435,514

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2012, amid a depressed global economy, the international shipping market continued to be hovering at the bottom, and the whole industry was still faced with losses.

As for the dry bulk cargo shipping market, affected by factors such as weak international economy, high oil prices and a large number of new vessels delivered, the international dry bulk cargo shipping market remained sluggish in 2012 due to the severe supply and demand imbalance. The Baltic Dry Bulk Freight Rate Index ("BDI") reached a record low and averaged daily in 2012 at 920 points, down 40.6% compared with the same period last year.

The domestic coastal bulk shipping market continued the weak trend from its low levels in 2011, with the relatively prominent imbalance between supply and demand for shipping. The Coastal Bulk Freight Index ("CBFI") averaged daily in 2012 at 1,099 points, down 19.7% compared with the same period in 2011.

In 2012, the shipping volumes of international crude oil and refined oil experienced a slight increase. Although the growth in the scale of oil tanker fleets slowed down year-on-year, the problem of oversupply of shipping capacity still existed. In 2012, the Baltic Dirty Tanker Index ("BDTI") averaged daily at 719 points, representing a decrease of 8.1% compared with the same period in 2011. 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 2012, averaged daily at 47.6 points, representing a decrease of 10.3% compared with the same period in 2011. The average daily revenue for VLCC was USD11,329, representing an increase of 32.9% compared with the same period in 2011.

As for coastal oil shipment, affected by the construction of crude oil terminals and pipelines, the trans-shipment volume of imported crude oil fell significantly. Also, due to the consequential impact of the accident at Penglai 19-3 oilfield in Bohai Bay, the offshore oil shipping volume decreased year-on-year. Overall, the coastal oil shipment market remained relatively stable. 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 approximately 60% in the domestic crude oil shipping market in 2012 and maintained its leading position in the domestic coastal oil shipping market.

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

In 2012, faced with a severe downturn of the market environment, the Group firmly focused on its core operation of domestic coastal thermal coal shipping and oil shipping businesses, continued to adhere to the core strategy of "major clients", and put considerable effort into market expansion. The Group also enhanced its association and cooperation with customers to reduce operating costs and improve operating efficiency. 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 389.4 billion tonne-nautical miles, representing an increase of 12.6% as compared with that of the same period in 2011; the total revenue (after business tax and surplus) derived from shipment was approximately RMB11.054 billion, representing a decrease of 9.1% as compared with that of the same period in 2011. The total operating costs incurred from shipping operations was approximately RMB11.252 billion, representing an increase of 5.8% as compared with that of the same period in 2011. Net profit attributable to owners of the Company was approximately RMB74 million, representing a decrease of approximately 93.1% as compared with that of the same period in 2011. Basic earnings per share was approximately RMB0.0217.

(1) **Revenue from Principal Operations**

In 2012, overall details of the Group's principal operations by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2011	Increase/ (decrease) in operating costs as compared with 2011	Increase/ (decrease) in gross profit margin as compared with 2011
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(%)*
Coal shipments	2,699,649	2,849,366	-5.5	-30.6	-4.4	-28.8
Iron ore shipments	2,154,841	1,820,945	15.5	55.5	45.8	5.6
Other dry bulk shipments	606,343	768,830	-26.8	-7.2	20.1	-28.9
Oil shipments	5,592,795	5,813,110	-3.9	-10.2	0.8	-11.4
Total	11,053,628	11,252,251	-1.8	-9.1	5.8	-14.3

Principal Operations by Geographical Regions

Regions	Revenue	Increase/ (decrease) in revenue as compared with 2011
	(RMB'000)	*(%)*
Domestic shipment	4,913,910	-33.5%
International shipment	6,139,718	28.8%

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

In 2012, the Group reorganised its internal dry bulk business, and established China Shipping Bulk Carrier Co., Ltd. As a result, an intensive and professional operation management platform has been set up, and the equity transfer of 5 subsidiaries, 2 jointly-controlled entities and 2 available-for sale investments has been completed. The Group has made great efforts in the operation and management of the dry bulk vessels so as to build-up the "China Shipping Dry Bulk" brand.

Confronted with unfavorable factors such as sluggish market demand and intense market competition, the Group strengthened its marketing activities to increase revenue and reduce expenses, and enhanced its management and staff training, so as to promote a balanced growth in its three major segments, being coastal, offshore and joint ventures, and achieve better operational efficiency than other players in the shipping industry.

With respect to coastal shipment, the Group insisted to focus on thermal coal contracts of affreightment ("COA contracts") and reinforced the customer manager accountability system to improve the fulfillment rate of COA contracts. Meanwhile, it actively explored new cargo sources for marketed coal, ore and grain in trans-shipment from new and existing customers. In 2012, the Group completed domestic trade bulk shipment volume of 43 million tonnes through COA contracts, and the average benchmark freight rate decreased by approximately 6.67% as compared with that of the same period in 2011, higher than the market level of freight rates.

With respect to offshore shipment, with the Group's very large ore carrier ("VLOC") vessels being put into operation successively, its offshore shipping capacity was significantly enhanced, which has currently exceeded 50% of the total capacity for dry bulk. In 2012, the Group concentrated on its advantages and focused on the operation of VLOC, actively finalised the demand sources from various steel companies and expanded the Pacific, Atlantic and other foreign trade markets. Under the extremely depressed market condition, the Group's international dry bulk shipment recorded a profit of approximately RMB 311 million, which became a growth highlight of the Group's foreign trade shipping operations in 2012.

With respect to joint venture partnership, the Group continued to implement its strategies of cooperation with major customers and strengthened the management, guidance, supervision and services for the associated companies. In 2012, with the joint efforts of the associated companies, the market share of the Group (including its associated companies) in the domestic coal shipping market reached 27%, representing an increase of approximately 0.8 percentage points over the same period last year. Meanwhile, against the backdrop of extreme market downturn, the bulk associates of the Group achieved a total profit of approximately RMB 870 million, which played an important role for the Group to consolidate the coastal market and increase operational efficiency.

In 2012, the Group achieved a shipping volume of approximately 191.13 billion tonne-nautical miles of dry bulk cargo, representing an increase of approximately 20.5% as compared with that of the same period in 2011; revenue derived from dry bulk cargo transportation was approximately RMB5.461 billion, representing a decrease of 7.9% as compared with that of the same period in 2011.

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

Transportation volume by types

	In 2012	**In 2011**	**Increase/ (decrease) in volume as compared with 2011**
	(billion tonne nautical miles)	*(billion tonne nautical miles)*	*(%)*
Domestic Shipment	63.46	62.76	1.1
Coal	51.68	52.14	-0.9
Iron ore	6.35	6.73	-5.6
Other dry bulk	5.43	3.89	39.6
International Shipment	127.67	95.81	33.3
Coal	19.08	14.13	35.0
Iron ore	86.48	49.32	75.3
Other dry bulk	22.11	32.36	-31.7
Total	191.13	158.57	20.5

Revenue by shipments types

	In 2012 *(RMB million)*	In 2011 *(RMB million)*	Increase/ (decrease) in revenue as compared with 2011 *(%)*
Domestic Shipment	2,719	3,995	-31.9
Coal	2,138	3,458	-38.2
Iron ore	265	316	-16.1
Other dry bulk	316	221	43.0
International Shipment	2,742	1,932	41.9
Coal	561	429	30.8
Iron ore	1,890	1,070	76.6
Other dry bulk	291	433	-32.8
Total	5,461	5,927	-7.9

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

2) **Shipping business — Oil shipments**

In 2012, the international oil shipment market remained depressed and the competition in the domestic oil shipment market intensified. Under such circumstances, the Group set up a specialized marketing department to seek for and secure the supply, while continuously deepening its cooperation with major clients to execute COA contracts with major refineries and more customers. In 2012, the Group's shipping volume and revenue from cargo shipment of three major oil companies accounted for nearly 70% of its total oil shipping volume and revenue from oil shipments. In the foreign trade market, the Group made strong efforts to promote diversified operations, strengthen the efficiency estimates of shipping routes, optimise the route configuration, and actively take over the backhaul supply and triangular route supply, with the aim to improve the efficiency of its vessels.

In 2012, the Group achieved a shipping volume of approximately 198.28 billion tonne-nautical miles of oil shipment, representing an increase of 5.9% as compared with that of the same period in 2011; the revenue achieved was approximately RMB5.593 billion, representing a decrease of 10.2% as compared with that of the same period in 2011. An analysis of the transportation volume and revenue in terms of product types is as follow:

Transportation volume in terms of products types

	In 2012	**In 2011**	**Increase/ (decrease) in volume as compared with 2011**
	(billion tonne nautical miles)	*(billion tonne nautical miles)*	*(%)*
Domestic Shipment	17.84	25.53	-30.1
Crude oil	12.60	18.11	-30.4
Refined oil	5.24	7.42	-29.4
International Shipment	180.44	161.79	11.5
Crude oil	148.82	136.58	9.0
Refined oil	31.62	25.21	25.4
Total	198.28	187.32	5.9

Revenue by product types

	In 2012	**In 2011**	**Increase/ (decrease) in revenue as compared with 2011**
	(RMB million)	*(RMB million)*	*(%)*
Domestic Shipment	2,195	3,396	-35.4
Crude oil	1,796	2,771	-35.2
Refined oil	399	625	-36.2
International Shipment	3,398	2,834	19.9
Crude oil	2,023	1,773	14.1
Refined oil	1,375	1,061	29.6
Total	5,593	6,230	-10.2

3) **Progress made in LNG shipments**

In 2012, the Group continued to promote the LNG shipments, and it is currently preparing to establish its own LNG fleet while actively participating in the construction of four LNG vessels for Mitsui OSK Lines. The Group has established China Energy Shipping Investment Co., Ltd. (中國能源運輸投資有限公司), a subsidiary company incorporated in Hong Kong, with Kantons Investment, a wholly-owned subsidiary of Sinopec Kantons. In addition, it has set up a vessel management company and six single-vessel companies to deal with the basic preliminary work for building LNG shipping vessels.

3. **Costs and Expenses Analysis**

In 2012, international oil prices continued to fluctuate at high levels. The WTI prices averaged daily at USD94.1 per barrel, representing a year-on-year decrease of 1%. Under the impact of global inflation, various kinds of costs increased at different extent, which posed serious challenges to the Company on cost control and operation management.

In 2012, the Group steadily promoted comprehensive budget management. By adhering to the development approach of "Green, Low Carbon", the Group thoroughly implemented energy conservation and discharge reduction measures, and increased incomes and decreased expenditures through different ways:

1) established a fuel management team, strengthened the centralised procurement of fuel and timely purchased fuel oil at locking prices;

2) introduced energy-saving management approaches, fully implemented the policy of economic speed, appropriate arrangement for vessel repairing projects and fuel supply;

3) controlled the salaries and costs of crew members, and adjusted the teams of crew and their allowances;

4) disposed the small and high energy consumption vessels which were close to retirement age so as to eliminate the operating losses therefrom;

5) signed preferential rates with ports to strictly control the port costs; and

6) strictly implemented comprehensive internal budget management systems to ensure all expenses to be controlled within budget targets.

The total operating costs incurred in 2012 was approximately RMB11.252 billion, representing an increase of 5.8% as compared with that of 2011. The composition of the main operating costs is as follows:

Item	**In 2012**	**In 2011**	**Increase/ (decrease)**	**Composition ratio in 2012**
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*
Fuel cost	5,303,973	5,016,390	5.7	47.1
Port cost	1,106,553	861,360	28.5	9.8
Labor cost	1,545,480	1,452,920	6.4	13.7
Lubricants expenses	244,858	132,490	84.8	2.2
Depreciation	1,448,173	1,751,410	-17.3	12.9
Insurance expenses	260,733	241,510	8.0	2.3
Repair expenses	386,791	358,600	7.9	3.4
Charter cost	623,567	583,930	6.8	5.5
Others	332,123	238,078	39.5	3.1
Total	11,252,251	10,636,688	5.8	100.0

The fuel cost incurred by the Group in 2012 was approximately RMB5,304 million, an increase of 5.7% as compared with 2011, representing 47.1% of the total operating cost. In 2012, the Group further enhanced its fuel saving, and in light of the total shipping volume increase of 12.6%, the total fuel consumption of the Group amounted to 1.177 million tons, representing an increase of 4.2% as compared with the same period in 2011. The fuel consumption per thousand nautical miles was 3.02 kg, representing a decrease of 7.6% as compared with that of the same period in 2011.

4. **Change in accounting policy**

In previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the seventeenth Board meeting of the Company held on 27 November 2012, with effect from 1 December 2012, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. In April 2011, owner-occupied properties with carrying amount of RMB238,728,000 were transferred from property, plant and equipment to investment properties after these had been leased out for rental income under operating leases. Relevant increase in fair value arising between the carrying amount at that date and the fair value amounted to RMB139,452,000. After recognition of deferred tax liabilities of RMB34,863,000, the net amount of RMB104,589,000 was recognised in other comprehensive income and accumulated in property revaluation reserve under equity. At the end of the reporting period in 2011, such investment properties were further revalued and net increase in fair value of RMB16,492,000 was recognised in profit or loss for the year ended 31 December 2011. Furthermore, depreciation recognised for these investment properties of RMB2,530,000 was reversed during the year ended 31 December 2011 after change in accounting policy in investment properties from cost to fair value model.

The effects of the change in accounting policy in the consolidated statement of comprehensive income for the year ended 31 December 2011, the consolidated and company statements of financial position at 31 December 2011 are set out in the consolidated financial statements. No restatements to the consolidated and company statements of financial position at 31 December 2010 are necessary as the Group or the Company does not have investment properties in 2010.

5. **Operating results of the jointly-controlled entities**

In 2012, the Group has recognised its profits in its jointly-controlled entities of approximately RMB294 million, representing a decrease of 20.4% as compared with that of the same period in 2011. In 2012, the 5 jointly-controlled shipping entities achieved a shipping volume of 127.73 billion tonne-nautical miles, representing an increase of 30.1% as compared with the same period in 2011. The turnover achieved by the 5 jointly-controlled shipping entities in 2012 was approximately RMB7,033 million, with a net profit of approximately RMB546 million, representing a decrease of 12.8% and 22.2% as compared with those of the same period in 2011 respectively. The jointly-controlled entities of the Group which operate bulk cargo related business played an important role for the Group to consolidate its coastal market share and increase operational efficiency.

As at 31 December 2012, the 5 jointly-controlled shipping entities owned 53 bulk vessels with a total capacity of 2,771,000 deadweight tonnes and 48 vessels under construction with the capacity of 1,946,000 deadweight tonnes.

The operating results achieved by the 5 jointly-controlled shipping entities in 2012 are as follows:

Company name	**Interest held by the Group**	**2012 Shipping volume**	**2012 Operating revenue**	**2012 Net profit/(loss)**
		(billion tonne nautical miles)	*(RMB'000)*	*(RMB'000)*
Shenhua Zhonghai Marine Co., Limited	49%	82.59	4,319,809	507,819
Shanghai Times Shipping Co., Limited	50%	34.30	2,097,866	47,255
Shanghai Friendship Marine Co., Limited	50%	1.40	113,526	(20,911)
Huahai Petrol Transportation & Trading Co., Limited	50%	1.77	148,444	10,873
Guangzhou Development Shipping Co., Limited	50%	7.67	353,037	1,261

In 2012, 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 approximately RMB151,018,000.

6. **Financial analysis**

(1) **Net cash inflow**

The net cash inflow from operating activities of the Group decreased from approximately RMB1,421,967,000 for the year ended 31 December 2011 to approximately RMB891,308,000 for the year ended 31 December 2012, representing a decrease of approximately 37.32%.

(2) **Capital commitments**

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for:				
Construction and purchases of vessels (Note 1)	6,742,053	11,299,626	2,245,880	4,351,747
Equity Investments (Note 2)	1,029,703	1,486,735	1,029,703	1,486,735
	7,771,756	12,786,361	3,275,583	5,838,482

The Group and the Company had capital commitments as at 31 December 2012, of which RMB6,742,053,000 (2011: RMB6,514,365,000) from the Group and RMB2,245,880,000 (2011: RMB2,520,067,000) from the Company will be due within one year.

Note:

(1) According to the construction or purchase agreements entered into by the Group in 2007 to 2012, these capital commitments will fall due in 2013.

(2) Included capital commitments in respect of equity investments is commitment to invest in jointly-controlled entities, Shenhua Zhonghai Marine Co., Limited of RMB1,029,668,000 (2011: RMB1,470,668,000) and a subsidiary, China Energy Shipping Investment Co., Limited of RMB35,000 (2011 : RMBNil) respectively.

In addition to the above, the Group's share of the capital commitments of its associates in 2012 which are contracted for but not provided amounted to RMB1,561,350,000 (2011: RMB1,589,308,000). The Group's share of the capital commitments of its jointly-controlled entity in 2012 which are contracted for but not provided amounted to RMB2,353,458,000 (2011: RMB2,176,696,000); which are authorised but not contracted for amounted to RMB1,286,211,000 (2011: RMB2,100,538,000).

(3) **Capital structure**

The Group's and Company's net debt-to-equity ratio at 31 December 2012 and 2011 was as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	31,158,949	24,954,170	18,154,979	14,706,498
Less: Cash and cash equivalents	(3,285,745)	(3,376,692)	(1,278,982)	(1,795,817)
Net debt	27,873,204	21,577,478	16,875,997	12,910,681
Total equity	24,385,563	24,461,096	21,728,801	21,883,257
Debt to equity ratio	114%	88%	78%	59%

(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 31 December 2012	Group 31 December 2011	Group 1 January 2011	Company 31 December 2012	Company 31 December 2011	Company 1 January 2011
		(%)		*RMB'000*	*RMB'000*	*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 + 0.40% to 1.70%, 6.46%	2013	1,069,328	922,423	561,041	—	35,614	35,539
	Unsecured	Libor + 0.40% to 4.00%, 3.5%	2013	1,678,164	686,993	662,809	628,550	—	231,794
				2,747,492	1,609,416	1,223,850	628,550	35,614	267,333
(ii)	**Notes**								
	Unsecured	4.18%	2012	—	1,998,038	—	—	1,998,038	—
(iii)	**Other borrowings**								
	Secured	5.89%, 6.46%	2013	18,657	—	—	—	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2013	1,428,740	966,000	1,200,000	1,300,000	941,000	1,200,000
				1,447,397	966,000	1,200,000	1,300,000	941,000	1,200,000
Notes, interest-bearing bank and other borrowings - current portion				4,194,889	4,573,454	2,423,850	1,928,550	2,974,652	1,467,333

		Annual effective interest	Maturity	Group 31 December 2012	31 December 2011	1 January 2011	Company 31 December 2012	31 December 2011	1 January 2011
		(%)		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities									
(i)	**Bank loans**								
	Secured	10% discount to the PBC Benchmark interest rate, Libor + 0.40% to 1.70%, 6.46%	2014-2024	8,327,379	7,185,601	4,590,795	—	284,160	319,849
	Unsecured	Libor + 0.40% to 1.70%, 6.55%	2019-2024	1,257,236	1,231,826	—	—	—	—
				9,584,615	8,417,427	4,590,795	—	284,160	319,849
(ii)	**Notes**								
	Unsecured	3.90%	2014	2,997,211	2,995,537	4,989,873	2,997,211	2,995,537	4,989,873
(iii)	**Other borrowings**								
	Secured	5.89%, 6.46%	2023	188,663	—	—	—	—	—
	Unsecured	10% discount to the PBC Benchmark interest rate, 3.90% to 6.51%	2014-2022	5,436,590	5,341,551	2,541,551	5,000,000	5,341,551	2,541,551
				5,625,253	5,341,551	2,541,551	5,000,000	5,341,551	2,541,551
Notes, interest-bearing bank and other borrowings - Non-current portion				18,207,079	16,754,515	12,122,219	7,997,211	8,621,248	7,851,273

The Group's bank loans are secured by pledges or mortgages of the Group's 31 vessels (2011: 22 vessels) and another 6 vessels under construction (2011: 9 vessels under construction) with total net carrying value of RMB16,073,385,000 (2011: RMB13,044,293,000) as at 31 December 2012.

The Company's bank loans were secured by pledges or mortgages of the Company's 2 vessels with total net carrying value of RMB428,817,000 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 RMB8,924,947,000 (2011: RMB7,788,252,000), unsecured bank loans of RMB1,964,098,000 (2011: RMB1,861,916,000) and unsecured other borrowings of RMB628,550,000 (2011: RMBNil) which are denominated in USD, all borrowings are denominated in RMB.

(b) **At 31 December 2012, the Group's notes, interest-bearing bank and other borrowings were repayable as follows:**

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
(i) Bank loans:				
Within one year or on demand	2,747,492	1,609,416	628,550	35,614
In the second year	1,254,148	1,389,529	—	35,614
In the third to fifth year, inclusive	3,595,355	3,028,983	—	106,842
Over five years	4,735,112	3,998,915	—	141,704
	12,332,107	10,026,843	628,550	319,774
(ii) Notes:				
Within one year or on demand	—	1,998,038	—	1,998,038
In the second year	2,997,211	—	2,997,211	—
In the third to fifth year, inclusive	—	2,995,537	—	2,995,537
	2,997,211	4,993,575	2,997,211	4,993,575
(iii) Other borrowings:				
Within one year or on demand	1,447,397	966,000	1,300,000	941,000
In the second year	86,554	1,500,000	—	1,500,000
In the third to fifth year, inclusive	2,407,994	841,551	2,000,000	841,551
Over five years	3,130,705	3,000,000	3,000,000	3,000,000
	7,072,650	6,307,551	6,300,000	6,282,551
	22,401,968	21,327,969	9,925,761	11,595,900

Included in other borrowings represent an amount of RMB562,930,000 (2011: RMB1,607,551,000) were borrowed from CS Finance, a jointly-controlled entity of the Group. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB59,200,000 (2011: RMB566,000,000) and RMB503,730,000 (2011: RMB1,041,551,000) respectively.

Included in other borrowings represent an amount of RMB6,300,000,000 (2011: RMB4,300,000,000) were borrowed from the Company's ultimate holding company. As at 31 December 2012, the current and non-current portion of this borrowing amounted to RMB1,300,000,000 (2011: RMBNil) and RMB5,000,000,000 (2011: RMB4,300,000,000) respectively.

Included in other borrowings represent an amount of RMBNil (2011: RMB400,000,000) were borrowed from Guangzhou Marine Transport (Group) Co., Ltd, a fellow subsidiary of the Company. As at 31 December 2012, the current portion of this borrowing amounted to RMBNil (2011: RMB400,000,000).

(c) **Details of the notes at 31 December 2012 are as follows:**

	Group and Company	
	2012	**2011**
	RMB'000	*RMB'000*
Principal amount	3,000,000	5,000,000
Notes issuance cost	(8,245)	(14,496)
Proceeds received	2,991,755	4,985,504
Accumulated amortisation	5,456	8,071
	2,997,211	4,993,575

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 become interest bearing since 4 August 2009 and 27 November 2009 respectively, payable annually in arrears on 4 August and 27 November of each year respectively. The note with principal amount of RMB3,000,000,000 will mature on 3 August 2014 and the other note with principal amount of RMB2,000,000,000 matured on 26 November 2012.

(5) **Other loans**

	Group		
	31 December 2012	**31 December 2011**	**1 January 2011**
	RMB'000	*RMB'000*	*RMB'000*
Baosteel Resources International Company Limited ("Baosteel Resources International")	437,318	30,874	—
Shanghai Puyuan Shipping Co., Limited	76,993	77,186	—
Kantons International Investment Limited	12,574	—	—
Petrochina International Co., Limited	878	—	—
Baosteel Resources Co., Ltd ("Baosteel")	—	407,543	429,934
	527,763	515,603	429,934

According to the contract signed between Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao") and its non-controlling shareholder, Baosteel, USD64,680,000 was provided to Hai Bao to finance the construction of vessels. The loan is unsecured, non-interest bearing before the date of transferring the vessels and repayable in year 2018. In 2012, this loan was fully assigned to Baosteel Resources International, the subsidiary of Baosteel, with the terms remain unchanged.

Included in loan from Baosteel Resources International represents an amount of USD4,900,000 (2011: USD4,900,000) was provided to Hai Bao to finance the construction of vessels and daily operation. The loan is unsecured, bears interest at 3% per annum and repayable in 2014.

According to the contract signed between CS Puyuan Marine Co., Limited ("CS Puyuan") and its non-controlling shareholder Shanghai Puyuan Shipping Co., Limited, USD12,250,000 was provided to CS Puyuan to finance the construction of vessels. The loan is unsecured, non-interest bearing and repayable within 5 years after delivery of the vessels.

According to the contract signed between East China LNG Shipping Investment Co., Limited ("ELNG") and its non-controlling shareholder Kantons International Investment Limited, USD2,000,431 was provided to ELNG to finance the vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, bearing interest at approximately 3 months LIBOR plus 3.3% over 3 months LIBOR per annum and have to repay within 20 years after such vessels construction projects completed.

According to the contract signed between North China LNG Shipping Investment Co., Limited ("NLNG") and its non-controlling shareholder Petrochina International Co., Limited, USD139,753 was provided to NLNG to finance the vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, bearing interest at approximately 3 months LIBOR plus 4.9% over 3 months LIBOR per annum and have to repay within 20 years after such vessels construction projects completed.

(6) **Bonds payable**

	Group and Company		
	31 December 2012	**31 December 2011**	**1 January 2011**
	RMB'000	*RMB'000*	*RMB'000*
Convertible bonds	3,267,823	3,110,598	—
Corporate bonds	4,961,395	—	—
	8,229,218	3,110,598	—

(a) **Convertible bonds**

The Company's A-share Convertible bonds amounting to RMB3,950,000,000 were issued on 1 August 2011, with a term of 6 years, by 39,500,000 number of bonds at 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.

If the convertible bonds have not been converted, they will be redeemed at 105% of par value within five trading days after the maturity of the convertible bonds. The convertible bonds bear interest at 0.5% for the first year, 0.7% for the second year, 0.9% for the third year, 1.3% for the fourth year, 1.6% for the fifth year and 2% for the sixth year. The interests are payable annually in arrears on 1 August of each year starting from 2012.

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

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

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

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

	RMB'000
Issued during the year of 2011	3,039,329
Interest charge	71,269
Carrying amount at 31 December 2011	3,110,598
Interest charge	176,978
Interest paid	(19,750)
Conversion during the year	(3)
Carrying amount at 31 December 2012	3,267,823

The fair value and effective interest rate of the liability component of the convertible bonds at 31 December 2012 are RMB3,267,823,000 (2011: RMB3,110,598,000) and 5.6% (2011: 5.6%) per annum respectively.

Interest expense of RMB176,978,000 (2011: RMB71,269,000) has been recognised in the consolidated statement of comprehensive income in respect of the Company's A-share convertible bonds for the year ended 31 December 2012.

(b) **Corporate bonds**

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

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

As at 31 December 2012, the balances of bonds payable are as follows:

Issue date	**Term of the bond**	**Total principal value**	**Book value of bond**	**Interest charge**	**At 31 December 2012**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
3 August 2012	3 years	1,000,000	991,400	1,127	992,527
3 August 2012	10 years	1,500,000	1,487,100	419	1,487,519
29 October 2012	7 years	1,500,000	1,488,600	244	1,488,844
29 October 2012	10 years	1,000,000	992,400	105	992,505
		5,000,000	4,959,500	1,895	4,961,395

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

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

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

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

(7) **Cash and cash equivalents**

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

Included in cash and cash equivalents is an amount of RMB1,437,942,000 (2011: RMB209,470,000) 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**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	2,377,782	2,644,443	1,174,135	1,602,403
USD	899,247	729,157	103,979	192,555
SGD	4,731	534	—	—
HKD	3,154	1,736	37	37
Others	831	822	831	822
	3,285,745	3,376,692	1,278,982	1,795,817

(8) **Deferred taxation**

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000* (*restated*)	*RMB'000*	*RMB'000* (*restated*)
Deferred tax assets	241,801	—	152,852	—
Deferred tax liabilities	(175,169)	(410,368)	(148,866)	(38,986)
	66,632	(410,368)	3,986	(38,986)

The Group

	Tax losses	**Unremitted earnings**	**Revaluation of investment properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	—	(405,460)	—	(405,460)
Credited/(charged) to profit or loss during the year	—	34,078	(4,123)	29,955
Charged to other comprehensive income during the year	—	—	(34,863)	(34,863)
At 31 December 2011 and at 1 January 2012 (restated)	—	(371,382)	(38,986)	(410,368)
Credited/(charged) to profit or loss during the year	241,801	345,079	(109,880)	477,000
At 31 December 2012	241,801	(26,303)	(148,866)	66,632

The Company

	Tax losses	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	—	—	—
Charged to profit or loss during the year	—	(4,123)	(4,123)
Charged to other comprehensive income during the year	—	(34,863)	(34,863)
At 31 December 2011 and 1 January 2012 (restated)	—	(38,986)	(38,986)
Credit/(charged) to profit or loss during the year	152,852	(109,880)	42,972
At 31 December 2012	152,852	(148,866)	3,986

A deferred tax asset in respect of tax losses approximating RMB113,271,000 (2011: RMB82,378,000) has not been recognised in these financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB64,773,000 (2011: RMB49,871,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

(9) **Market risk**

(i) **Exchange risk**

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

At 31 December 2012, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year 2012 would have been RMB140,559,000 (2011: RMB73,562,000) 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.

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

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

Borrowings at floating rates expose the Group to fair value interest rate risk. 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 2012, 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 RMB163,840,000 (2011: RMB86,097,000) lower/higher, the Company's post-tax profit for the year would have been RMB40,250,000 (2011: RMB21,827,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

7. **Others**

(1) **Fleet expansion projects**

In 2012, the Group has achieved further improvement in its fleet expansion.

In 2012, the total investment of the Group was approximately RMB6.612 billion which has been paid for construction of new vessels, transformation of old vessels and capital increases into joint ventures of the Company, including approximately RMB6.053 billion paid for the purchase of new vessels.

In terms of fleet expansion, 9 new oil tankers with a total capacity of approximately 480,000 deadweight tonnes and 14 new bulk vessels with a total capacity of approximately 1,987,000 deadweight tonnes have been delivered for use in 2012.

As at 31 December 2012, the composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes *('000)*	Average age *(years)*
Oil Tankers	77	7,214	8.7
Dry bulk vessels	118	8,134	12.4
Total	195	15,348	10.7

(2) **Material asset disposals**

In 2012, the Group disposed of 14 vessels of an aggregate 392,700 deadweight tones, including 2 oil tankers 73,500 deadweight tonnes and 12 bulk vessels of 319,200 deadweight tonnes respectively.

8. **Outlook and highlights for 2012**

(1) **Competitive landscape and development trend in the industry**

In 2013, the international economic condition is expected to remain complicated. The world economy has turned from rapid development before the outbreak of the economic crisis to slow recovery in the post-crisis stage, and therefore the growth of global trade also slows down. Although the global ship-owners have reduced new orders and accelerated the pace of ship scrapping, the problem of excessive supply of shipping capacity in the world still exists in 2013. Therefore, it is expected that the shipping market will remain in difficult times in 2013, and the operating environment will be more complex and volatile, with the co-existence of challenges and opportunities.

(2) **Development strategies of the Company**

Under the current market conditions, the Group will continue to focus on progress while maintaining stability in 2013. On the basis of increased cooperation with large customers, the Group will adapt to the large vessels and low carbon development trends to make scientific and reasonable adjustment to the fleet structure so as to improve core competitiveness. The Company currently has 50 old vessels of over 20 years of age with capacity of approximately 1,900,000 deadweight tonnes. The Company will further optimise its fleet structure step-by-step by timely disposing old vessels with high fuel consumption, small tonnage and low market competitiveness.

As the current oversupply condition of the shipping market is yet to improve, the Company will also be under relatively greater pressure to deliver new vessels. To this end, the Company will actively negotiate with shipyards to delay the construction and delivery schedule of part of the new vessels while lowering depreciation charges and finance costs. Meanwhile, the Company will further enhance digitised and streamlined management, strengthen risk management capacity and various cost controls to continuously improve the overall strength of the Group.

In 2013, the Company will continue to promote its LNG business. On the basis of participation in the project of MOL's four LNG vessels and leveraging on the long-term cooperative relationships of the Company with Petrochina and Sinopec, the Company will actively explore new LNG transportation projects and commence estabishment of its own LNG fleet.

(3) **Operational plans**

31 new vessels of the Group with a total tonnage of 2,776,000 deadweight tonnes are scheduled to be delivered for use in 2013, including 6 tankers of 642,000 deadweight tonnes and 25 bulk vessels of 2,134,000 deadweight tonnes. As a result, the total shipping capacity of the Group which could be used in the its operations in 2013 is expected to be approximately 16.60 million deadweight tonnes, representing an increase of 16.5% as compared with that of the same period in 2012.

As of 19 March 2013, the Group had signed contracts of affreightment in respect of dry bulk cargo transportation for 2013 ("COA Contracts") with the contract volume of approximately 36 million tonnes and additional COA Contracts with the cargo volume of approximately 24 million tones are under negotiation.

Based on the market conditions of the domestic and overseas shipping industry in 2013, and taking into account of the delivery of new vessels, the Group's major operating plans are as follows: shipping volume of approximately 430.4 billion tonne nautical miles, an increase of 10.5% as compared with 2012; estimated turnover of approximately RMB12.94 billion, an increase of 17.1% as compared with 2012; operating costs of approximately RMB11.88 billion, an increase of 5.6% as compared with 2012.

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

To cope with the current market situation, in 2013, the Group will:

1) enhance marketing efforts, deepen the cooperation with major customers and strengthen customer management and customer services. In the face of tough market condition in 2013, the Company will continue to adhere to the strategy of "major clients and great co-operation", carry out systematic coordination and communication with major clients at all levels, and enhance the executive ability on the management of major clients. Meanwhile, the Company will increase its efforts on the development of customer base, so as to integrate small and medium-sized customers into major client to facilitate management, nurture its potential customers and short-term customers to establish a fixed long-term relationship with the Company.

   The tanker companies under the Group will focus on promoting the cooperation projects with large domestic oil companies to increase presence in the offshore oil incremental market and enhance its coastal market share. China Shipping Dry Bulk will strengthen the profitability of the associated companies, improve its communication with the senior management of all partners, and maintain the results of joint venture partnerships. It will also make good use of the unified platform for bulk business, enhance the share of offshore shipping business, improve the supply structure and increase the shipping volumes of grain and fertilizer.

2) strengthen its cost management to control cost indicators. In 2013, the Group will continue to foster the awareness of resource conservation, and make great efforts to implement various measures to save energy and reduce discharge. It will cut down the expenses and expenditures, and strengthen its control on fuel costs, management fees and ship and onshore staff costs, as well as further strengthen and improve the financial management system, in order to provide an institutional guarantee for cost control.

3) attach importance to personnel cultivation, adhere to promoting the Group's development on the basis of its talents, and establish human resources management strategy to ensure the availability of talents for the sustainable development of the Company. Firstly, it will strengthen the cultivation on operational personnel to create an excellent marketing team. Secondly, it will enhance the training on its management in respect of specialized skills to maximize their full potential. Thirdly, it will set up a crew team with high quality to ensure the safety and security of vessels and improve the service quality for its customers.

4) expand its financing sources to secure development funds for the Company. According to the Group's new vessels delivery plans, the capital expenditure of the Group from 2013 to 2014 is approximately RMB6.08 billion and RMB1.68 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.

5) continue to strengthen security and stability. The Group will implement various safety measures based on the quality and safety management system. The Group will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures to achieve the safety targets without PSC detention or material FSC safety defects throughout the year.

III. OTHER SIGNIFICANT EVENTS

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

The net profit of the Company for 2012, as determined in accordance with PRC GAAP, was approximately RMB159,391,000, 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 did not recommend the payment of a final dividend in respect of the year 2012 to shareholders.

The H share register of members of the Company will be closed from Monday, 29 April 2013 to Wednesday, 29 May 2013, 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 Wednesday, 29 May 2013 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 Friday, 26 April 2013.

(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 basic 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.

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% (2011: 18%-22%) of the basic salaries of the Group's employees. Contributions by the Group to the Scheme for the year ended 31 December 2012 amounted to RMB117,261,000 (2011: RMB134,482,000).

Enterprise annuity scheme

In the year 2008, after the resolution held between the representatives of the Group's Labour Union and the Board, a scheme on the enterprise annuity has been set up. The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be 5 times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2008. According to the scheme, actual amount incurred as labour cost in 2012 amounted to RMB39,317,000 (2011: RMB46,050,000).

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 HKD20,000 from 1 January 2012 to 31 May 2012 and HKD25,000 effective as on 1 June 2012 (2011: HKD20,000). Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2012 amounted to RMB14,245,000 (2011: RMB8,212,000).

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

As at 31 December 2012, 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 Corporate Governance Code**

The Board is committed to the principles of corporate governance for a value-driven management that is focused on enhancing shareholders' value. In order to enhance independence, accountability and responsibility, the posts of Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment views.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in the former Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") effective prior to 1 April 2012, and the new Corporate Governance Code set out in the revised Appendix 14 to the Listing Rules, effective since 1 April 2012 throughout the corresponding effective periods.

Under the revised code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 17 May 2012 ("2012 AGM"), Chairman Mr. Li shaode was unable to attend the 2012 AGM as he had to attend to other business commitments. Mr. Yan Zhichong, Chief Executive Officer of the Company, was elected to to chair the 2012 AGM on the behalf of the chairman. Further Mr. Lu Wenbin and Mr. Wang Wusheng, both being independent non-executive directors and members of Audit Committee and Nomination Committee, were invited to attend the 2012 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in the revised 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. 2 independent non-executive directors, Mr. Zhu Yongguang and Mr. Zhang Jun were unable to attend the 2012 AGM due to prior commitments.

Looking ahead, the Company will keep its corporate governance practices under continuous review to ensure its consistent compliance and will continue to improve its practices having regard to the latest developments including any new amendments to the Code.

The Company has established four professional committees under the Board, including the Audit Committee, Remuneration Committee, Strategy Committee and the Nomination Committee with defined terms of reference.

(7) **Audit Committee**

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.

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

(8) **Remuneration Committee**

The remuneration committee of the Company 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 Corporate Governance Code 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 confirms 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 2012, the Company had 6,879 employees. During the Reporting Period, the total staff cost was approximately RMB1,816,541,000 (In 2011: RMB1,768,719,000).

(11) **Contingent Liabilities**

(i) In August 2011, one of the Group's dry bulk cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" sunk afterwards. The Group is in a progress 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. As at 31 December 2012, the Group is 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 2012, claims on damage caused by the fuel leakage is RMB21,810,000. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensations will be borne by the insurance companies. As at 31 December 2012, the Group was still in the process of settling all the issues concerned.

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

Company name	**Charterer**
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC

Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four guaranteed leases ("the lease guarantees"). According to the lease guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of lease guarantees and taking into account of the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB52 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) The first Board meeting of the Company held on 21 January 2013 resolved to utilise a portion of proceeds from the issuance of the Company's A-share convertible bonds on 1 August 2011 in the amount of RMB380,000,000 as general working capital for a period of not more than six months. Details of this resolution are also set out in the Company's announcement of 22 January 2013.

(ii) According to the third Board meeting of the Company held on 28 February 2013, the Board approved to appoint Mr. Han Jun as the Company's General Manager with effective on 28 February 2013 for a period of three years and Mr. Yan Zhichong retired on the same day. Mr. Qiu Guoxuan, Mr.Tan Weixin and Mr. Zhuang Deping continued to be the Company's deputy general managers; Mr. Wang Kang Tian continued to be the deputy general manager and the chief financial controller of the Company, with effect from 28 February 2013 for a period of three years.

(13) **Publication of annual results on the website of 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 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 2011 and 2012, 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 2012, 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

19 March 2013
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. Zhang Guofa, Mr. Wang Daxiong, Mr. Ding Nong 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.