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 2014

- Revenue of the Group for 2014 was approximately RMB12.274 billion, representing an increase of approximately 8.20% as compared to 2013
- Profit attributable to owners of the Company was RMB309 million as compared to loss attributable to owners of the Company of RMB2,234 million in 2013
- The basic and diluted profit per share for 2014 was RMB9.09 cents and RMB9.09 cents respectively
- The Board recommends the payment of a final dividend of RMB3.00 cents per share for 2014

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 2014 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2013. 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 2013 set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2014

	Note	**2014** *RMB'000*	**2013** *RMB'000*
Turnover	4	12,273,849	11,344,152
Operating costs		(10,885,620)	(11,524,839)
Gross profit/(loss)		1,388,229	(180,687)
Other income and gains	5	385,883	(612,389)
Marketing expenses		(57,470)	(49,309)
Administrative expenses		(441,583)	(489,151)
Other expenses		(45,349)	(44,933)
Share of profits of associates		91,083	—
Share of profits of joint ventures		205,902	111,581
Finance costs	6	(1,204,702)	(964,462)
Profit/(loss) before tax	7	321,993	(2,229,350)
Tax credit	8	79,834	11,903
Profit/(loss) after tax		401,827	(2,217,447)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		27,750	(128,401)
Net (loss)/profit on cash flow hedges		(434,784)	157,491
Share of other comprehensive income of joint ventures		4,613	—
Other comprehensive (expense)/income for the year		(402,421)	29,090
Total comprehensive expense for the year		(594)	(2,188,357)

	Note	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year attributable to:			
Owners of the Company		309,413	(2,234,106)
Non-controlling interests		92,414	16,659
		401,827	(2,217,447)
Total comprehensive expense for the year attributable to:			
Owners of the Company		166,444	(2,289,269)
Non-controlling interests		(167,038)	100,912
		(594)	(2,188,357)
Earnings/(loss) per share — basic	9	9.09 cents	(65.62) cents
Earnings/(loss) per share — diluted	9	9.09 cents	(65.62) cents

Details of the dividend for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investment properties	1,032,239	1,076,280
Property, plant and equipment	50,530,575	47,467,664
Investments in associates	1,711,702	—
Investments in joint ventures	4,790,637	4,552,714
Loan receivables	786,540	219,289
Available-for-sale investments	35,284	5,825
Derivative financial instruments	—	151,027
Deferred tax assets	408,052	297,590
	59,295,029	53,770,389
CURRENT ASSETS		
Inventories	835,304	888,287
Trade and bills receivables	1,746,263	1,750,285
Prepayments, deposits and other receivables	812,667	486,174
Pledged bank deposits	611,900	—
Cash and cash equivalents	2,449,240	1,919,204
	6,455,374	5,043,950
Assets classified as held for sale	—	28,140
	6,455,374	5,072,090

	2014	2013
	RMB'000	*RMB'000*
CURRENT LIABILITIES		
Trade and bills payables	990,669	1,542,733
Current portion of derivative financial instruments	—	1,940
Other payables and accruals	104,696	917,101
Current portion of provision for onerous contracts	142,287	175,287
Current portion of notes, interest-bearing bank and other borrowings	8,243,090	8,565,055
Current portion of other loans	44,714	29,874
Current portion of obligations under finance leases	43,979	41,479
Current portion of bonds payables	4,143,383	—
Tax payable	5,024	12,072
	13,717,842	11,285,541
NET CURRENT LIABILITIES	(7,262,468)	(6,213,451)
TOTAL ASSETS LESS CURRENT LIABILITIES	52,032,561	47,556,938
EQUITY		
Equity attributable to owners of the Company		
Issued capital	3,481,405	3,404,556
Reserves	18,347,595	17,822,815
	21,829,000	21,227,371
Non-controlling interests	818,729	984,506
TOTAL EQUITY	22,647,729	22,211,877

	2014	2013
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Provision for onerous contracts	139,528	174,407
Derivative financial instruments	291,553	4,689
Notes, interest-bearing bank and other borrowings	23,425,343	15,412,552
Other loans	930,946	714,234
Obligations under finance leases	404,481	448,456
Bonds payable	3,975,124	8,391,928
Deferred tax liabilities	217,857	198,795
	29,384,832	25,345,061
TOTAL EQUITY AND NON-CURRENT LIABILITIES	52,032,561	47,556,938

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	2014 *RMB'000*	**2013** *RMB'000*
Net cash inflow from operating activities	3,157,049	1,429,279
INVESTING ACTIVITIES		
Interest received	45,799	44,337
Payments for construction in progress	(6,638,604)	(3,740,322)
Purchases of property, plant and equipment	(95,766)	(122,277)
Proceeds from disposal of property, plant and equipment	372,663	243,621
Proceeds from held-to-maturity investments	20,000	212,000
Loan to associates	(68,857)	(106,774)
Loan to joint ventures	(482,729)	—
Dividends received from joint ventures	19,100	16,800
Dividends received from available-for-sale investments	298	1,772
Investments in held-to-maturity investments	(20,000)	(212,000)
Investments in available-for-sale investments	(29,455)	—
Investments in associates	(1,620,619)	—
Investments in joint ventures	(53,621)	(437,564)
Increase in pledged bank deposits	(611,900)	—
Net cash used in investing activities	(9,163,691)	(4,100,407)
FINANCING ACTIVITIES		
Interest paid	(1,269,966)	(993,795)
Increase in other loans	235,028	232,903
Repayment of other loans	(14,965)	—
Increase in bank and other borrowings	22,978,703	9,230,106
Repayment of notes, bank and other borrowings	(15,405,582)	(7,160,918)
Contribution from non-controlling shareholders of subsidiaries	1	14,708
Distribution to non-controlling shareholders of subsidiaries	—	(59)
Net cash inflow from financing activities	6,523,219	1,322,945

	2014	2013
	RMB'000	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	516,577	(1,348,183)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,919,204	3,285,745
Effect of foreign exchange rate changes, net	13,459	(18,358)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,449,240	1,919,204
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,449,240	1,919,204

Notes:

1. CORPORATE INFORMATION

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

a) investment holding; and / or
b) oil and cargo shipment along the PRC coast and international shipment; and / or
c) vessel chartering.

The Company's ultimate holding company is China Shipping (Group) Company ("China Shipping"), a state-owned enterprise established in the PRC.

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and The Shanghai Stock Exchange respectively.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

The consolidated financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are measured at fair values:

- Investment properties

- Derivative financial instruments

Asset classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

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

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

2.2 **Basis of consolidation**

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. APPLICATION OF NEW AND REVISED HKFRSs

Impact of new/revised HKFRSs

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting
HK (IFRIC) 21	Levies

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

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 July 2014.

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

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning in or after 1 January 2018.

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

4. REVENUE AND SEGMENT INFORMATION

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

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

(i) oil shipment; and
  - oil shipment
  - vessel chartering

(ii) dry bulk shipment
  - coal shipment
  - iron ore shipment
  - other dry bulk shipment
  - vessel chartering

Following the change in composition of the reportable segments, the corresponding segmental information for the year ended 31 December 2013 restated to conform with the current year's presentation. The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments.

Business segments

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

	2014		2013	
	Turnover *RMB'000*	**Contribution** *RMB'000*	**Turnover** *RMB'000*	**Contribution** *RMB'000*
By principal activity :				
Oil shipment				
- Oil Shipment	5,164,370	805,289	5,203,327	(364,874)
- Vessel chartering	335,205	19,557	185,478	(16,755)
	5,499,575	824,846	5,388,805	(381,629)
Dry bulk shipment				
- Coal shipment	2,374,115	(14,503)	2,698,142	(9,904)
- Iron ore shipment	2,883,053	654,877	2,455,750	329,820
- Other dry bulk shipment	465,255	(43,618)	467,528	(27,800)
- Vessel chartering	1,051,851	(33,373)	333,927	(91,174)
	6,774,274	563,383	5,955,347	200,942
	12,273,849	1,388,229	11,344,152	(180,687)
Other income and gains		385,883		(190,444)
Impairment losses on assets classified as held for sale		—		(80,288)
Impairment losses on property, plant and equipment		—		(341,657)
Marketing expenses		(57,470)		(49,309)
Administrative expenses		(441,583)		(489,151)
Other expenses		(45,349)		(44,933)
Share of profits of associates		91,083		—
Share of profits of joint ventures		205,902		111,581
Finance costs		(1,204,702)		(964,462)
Profit/(loss) before tax		321,993		(2,229,350)
Total segment assets				
Oil shipment		23,033,979		21,855,835
Dry bulk shipment		31,157,194		27,751,581
Unallocated corporate assets		11,559,230		9,235,063
		65,750,403		58,842,479
Total segment liabilities				
Oil shipment		15,823,911		15,612,587
Dry bulk shipment		17,113,795		19,613,258
Unallocated corporate liabilities		10,164,968		1,404,757
		43,102,674		36,630,602

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

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

Geographical segments

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

Other information

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

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

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

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

5. OTHER INCOME AND GAINS

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

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

6. FINANCE COSTS

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

7. PROFIT/(LOSS) BEFORE TAX

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

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

8. TAX

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

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

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

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

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

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

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

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

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

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

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

(b) Diluted earnings/(loss) per share

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

10. DIVIDEND

At the Board meeting held on 27 March 2015, the Directors proposed a final dividend of RMB3.00 cents per share in respect of the year ended 31 December 2014. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, and has not been recognised as a liability at the end of the Reporting Period.

No dividend was paid or proposed during 2013.

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

For coastal dry bulk shipping market, affected by China's economic restructuring, decreased domestic demand for thermal power, inadequate demand in coastal bulk shipping market and continuous oversupply of capacity, freight rates for coastal dry bulk cargoes continued to decline, with Coastal Bulk Freight Index, an integrated freight rate index for coastal dry bulk shipment, falling from1,239 points in the beginning of the year to 901 points at the end of the year, which was the lowest point since the index was released in 2001. The annual average value was 990 points, representing a decrease of 12.1% as compared to 2013.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

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

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

(1) **Revenue from Principal Operations**

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

Principal Operations by Products Transported

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

Principal Operations by Geographical Regions

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

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

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

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

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

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

Transportation volume by types

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

Revenue by shipments types

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

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

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

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

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

Transportation volume by types

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

Revenue by shipments types

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

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

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

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

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

3. COSTS AND EXPENSES ANALYSIS

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

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

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

Regarding sea crew costs, in 2014, the Group implemented reform of its crew management system by entering into sea crew management agreements with China Shipping for the provision of sea crew and related services to the Group, which enabled the Group to reduce crew costs of approximately RMB157 million in 2014.

In addition, the Group further strengthened communication and coordination with ports, insurance companies and P&I Clubs. As a result, actual expenditures on port charges and insurance fees of the Group decreased by RMB196 million and RMB13.45 million respectively in 2014.

In 2014, the Group incurred depreciation of RMB1.843 billion, representing an increase of 12.3% year-on-year. Such increases were due to: (1) 13 new vessels with a total capacity of 1.452 million dead weight were delivered during the Reporting Period; (2) effective from 1 January 2014, the Group adjusted the residual values of vessels from USD470 (approximately RMB2,960) per light displacement ton to USD420 (approximately RMB2,560) per light displacement ton. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB57 million in 2014.

4. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

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

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

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

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

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

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

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

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

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

5. **Financial analysis**

(1) **Net cash inflow**

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

(2) **Capital commitments**

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

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

Note:

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

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

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB486,298,000 (2013: RMB895,929,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB3,225,137,000 (2013: RMB1,296,397,000); which are authorised but not contracted for amounted to RMB Nil (2013: RMB4,900,000).

(3) **Capital structure**

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

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

(4) **Cash and cash equivalents**

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

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

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

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

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

Pledged bank deposits are denominated in the following foreign currency:

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

(5) TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

(7) TRADE AND BILLS PAYABLES

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

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

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

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

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

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

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

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

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

(8) OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

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

(9) PROVISION FOR ONEROUS CONTRACTS

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

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

As at 31 December 2014, the committed charterhire expenses of non-cancellable chartered-in oil tankers and dry bulk vessel contracts with lease term expiring over 24 months from the end of the Reporting Period and with period not being covered by chartered-out oil tankers and dry bulk vessels contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB2,709,313,000 (2013: RMB3,031,793,000).

(10) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

(11) NOTES, INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) OTHER LOANS

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

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

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

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

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

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

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

(13) OBLIGATIONS UNDER FINANCE LEASES

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

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

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

(14) BONDS PAYABLE

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

(a) Convertible bonds

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

On 17 May 2012, the Company declared a 2011 final dividend of RMB0.10 per share (before tax). According to the terms of issuance of the convertible bonds and relevant regulations by China Securities Regulatory Commission, the Company changed the conversion price from RMB8.70 per share to RMB8.60 per share effective from 1 June 2012.

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

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

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

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

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

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

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

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

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

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

(b) Corporate bonds

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

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

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

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

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

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

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

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

(15) CONTINGENT LIABILITIES

(i) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group has set up a Limitation of Liability for Maritime Claims Fund amounting to RMB22,250,000. Since the Group had been insured, all compensations will be borne by the insurance company. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(ii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 31 December 2014, claims on damage caused by the fuel leakage amounted to an aggregate of RMB19,370,000 plus court costs. Of which, RMB11,250,000 had been fully settled by insurance companies. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensations will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(iii) ELNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and NLNG, a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG"). Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. After the completion of the LNG vessels, the four companies would, in accordance with time charters to be signed, lease the LNG vessels to the following charterers:

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

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

According to the term of the lease guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB50.18 million).

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

(iv) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. In March 2014, the claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

(v) On 23 December 2013, five of the Group's oil tankers "Danchi", "Baichi", "Daiqing 71", "Daiqing 72" and "Ruijintan" extracted oil from "Bohaiyouyihao". This act was sued by a group of plaintiffs for ocean pollution. As at 23 April 2014, claims on damage caused by ocean pollution amounted to an aggregate of RMB47,452,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. As at 31 December 2014, the Group was still in the process of settling all the issues concerned.

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

(16) **Foreign exchange risk management**

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

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

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

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

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

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

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

7. **Others**

(1) **Fleet expansion projects**

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

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

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

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

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

(2) **Material asset disposals**

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

8. **Outlook and highlights for 2014**

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

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

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

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

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

(3) **Operational plans**

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

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

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

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

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

B. Innovative operating philosophy and model to realize a new breakthrough in operating level. Facing tough market conditions, the Group will continue to adhere to the strategy of "major clients, great co-operation and comprehensive services", increase service awareness continuously and strive to satisfy customer needs and create values for customers actively.

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

For bulk cargo shipment operations, the Company will actively response to the major trend of adjustment in PRC economic structure and energy structure, and increase the structure of cargo sources. The Company will focus on improving the pricing mechanism and contract performance mechanism for COA contracts, improve customer management, consolidate benefits from associated companies, strengthen communication with senior staff of partners, and maintain good cooperation results with associated companies. Meanwhile, the Group will make good use of the unified platform for bulk cargo operations to allocate shipping capacities reasonably between long-term chartering and spot market contracts, further improve the market share of offshore shipment operations.

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

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

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

E. Strengthen funds management and expand financing channels to secure development funds and strive for reduce capital costs. According to the new vessel delivery plans, the capital expenditure of the Company in 2015 and 2016 will be approximately RMB4.37 billion and RMB1.84 billion, respectively. In this connection, the Company will further strengthen cooperation with banks, fully utilize both domestic and international markets and reasonably use financial instruments to secure the required capital funds, and will continuously enhance operating benefits and efficiency of capital operations, reduce financing costs and maintain a relatively sound financial structure, so as to prevent financial risk and capital risk practicably.

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

9. OTHER SIGNIFICANT EVENTS

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

The H share register of members of the Company will be closed from Tuesday, 19 May 2015, to Thursday, 18 June 2015, both days inclusive, during which period no transfer of H shares will be effected and registered. Shareholders whose names appear on the H share register of members of the Company on Thursday, 18 June 2015 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2015.

To ascertain shareholders' entitlement to the proposed final dividend, the H share register of members of the Company will be closed from Friday, 26 June 2015 to Thursday, 2 July 2015, both days inclusive, during which period no transfer of H shares will be effected and registered. Shareholders whose names appear on the Company's H share register of members on Thursday, 2 July 2015 will be qualified for the proposed final dividend. In order to qualify for the proposed final dividend, shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the share registrar of the Company's H shares, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 25 June 2015. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) is to be payable on or before Monday, 20 July 2015 to shareholders whose names appear on the H share register of members of the Company on Thursday, 2 July 2015.

(2) Medical insurance scheme

As required by the regulations of the PRC local 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% (2013: 18%-22%) of the basic salaries of the Group's employees. Contributions by the Group to the Scheme for the year ended 31 December 2014 amounted to RMB62,425,000 (2013: RMB153,675,000).

Enterprise annuity scheme

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

The enterprise annuity scheme is effective as on 1 January 2008. According to the scheme, actual amount incurred as labour cost in 2014 amounted to RMB12,197,000 (2013: RMB50,779,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, 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 an MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000 from 1 June 2012 to 31 May 2014 and HKD30,000 effective as on 1 June 2014 (2013: HKD25,000). Contributions to the MPF Scheme vest immediately. Contributions by the Group to the Scheme for the year ended 31 December 2014 amounted to RMB4,766,000 (2013: RMB15,002,000).

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

As at 31 December 2014, none of the Directors, supervisors, chief 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 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 Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014.

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and any other committees (as appropriate) to attend. However, in the annual general meeting held on 6 June 2014 ("2014 AGM"), Chairman Mr. Xu Lirong was unable to attend the 2014 AGM as he had prior business commitments. Mr. Han Jun, executive Director and General manager of the Company, chaired the 2014 AGM on the behalf of the chairman. Further, Mr. Ruan Yongping, Mr. Wang Wusheng and Mr. Lin Junlai, all being independent non-executive Directors and chairman of each of the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee were invited to attend the 2014 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings. Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Huang Xiaowen, Mr. Ding Nong and Mr. Qiu Guoxuan, the executive Directors, and Mr. Zhang Jun, an independent non-executive Director, were unable to attend the 2014 AGM due to prior business 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 and Appraisal 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 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 and Appraisal Committee**

The remuneration and appraisal committee of the Company comprised of four independent non-executive Directors of the Company. The remuneration and appraisal 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**

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

As at 31 December 2014, the Company had 8,805 employees (as at 31 December 2013: 7,536). During the Reporting Period, the total staff cost was approximately RMB1,844 million (The same period in 2013: approximately RMB1,901 million).

(11) **Events after Reporting Period**

The following are the significant events after Reporting Period:

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

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

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

(12) **Update of the Articles of Association**

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

(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 2013 and 2014, 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 2014, 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
Xu Lirong
Chairman

27 March 2015
Shanghai, the PRC

As at the date of this announcement, the board of directors of the Company comprises Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan, Mr. Yu Zenggang, Mr. Han Jun and Mr. Qiu Guoxuan as executive Directors, Mr. Zhang Jun, Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi and Mr. Wang Guoliang as independent non-executive Directors.