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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)

2015 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

Financial Highlights

- Turnover decreased by 7.66% to approximately RMB5,809 million
- Operating cost decreased by 12.97% to approximately RMB4,764 million
- Profit for the period attributable to owners of the Company was approximately RMB304.38 million
- Basic earnings per share was RMB0.0784

The board of directors (the “**Board**”) of China Shipping Development Company Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2014. The Group’s interim results have not been audited but have been reviewed by the Company’s international auditor, Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong).

I. MAJOR FINANCIAL DATA

The interim results of the Group for the Reporting Period have been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	5,808,809	6,290,693
Operating costs		<u>(4,763,966)</u>	<u>(5,474,088)</u>
Gross profit		1,044,843	816,605
Other income and net (losses)/gains	3	(69,711)	8,063
Marketing expenses		(31,376)	(22,727)
Administrative expenses		(171,743)	(195,234)
Other expenses		(32,113)	(18,490)
Share of profits of associates		100,801	—
Share of (losses)/profits of joint ventures		(38,773)	114,216
Finance costs	4	<u>(571,820)</u>	<u>(594,302)</u>
PROFIT BEFORE TAX	5	230,108	108,131
Tax credit/(charge)	6	<u>104,542</u>	<u>(34,645)</u>
PROFIT FOR THE PERIOD		<u>334,650</u>	<u>73,486</u>
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		(40,288)	32,837
Net profit/(loss) on cash flow hedges		33,934	(214,185)
Share of other comprehensive expense of associates		(6,275)	—
Share of other comprehensive income of joint ventures		<u>811</u>	<u>1,426</u>
Other comprehensive expense for the period		<u>(11,818)</u>	<u>(179,922)</u>
Total comprehensive income/(expense) for the period		<u>322,832</u>	<u>(106,436)</u>

		For the six months ended 30 June	
		2015	2014
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period attributable to:			
Owners of the Company		304,383	39,437
Non-controlling interests		<u>30,267</u>	<u>34,049</u>
		<u>334,650</u>	<u>73,486</u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		274,845	(13,957)
Non-controlling interests		<u>47,987</u>	<u>(92,479)</u>
		<u>322,832</u>	<u>(106,436)</u>
Earnings per share			
- Basic	7	<u>7.84 cents</u>	<u>1.16 cents</u>
- Diluted		<u>7.84 cents</u>	<u>1.16 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015	31 December 2014
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Investment properties	9	1,032,239	1,032,239
Property, plant and equipment	9	49,968,313	50,530,575
Investments in associates	10	2,074,192	1,711,702
Investments in joint ventures		4,722,760	4,790,637
Loan receivables		1,961,286	786,540
Available-for-sale investments		35,284	35,284
Deferred tax assets		<u>615,802</u>	<u>408,052</u>
		<u>60,409,876</u>	<u>59,295,029</u>
CURRENT ASSETS			
Inventories		570,109	835,304
Trade and bills receivables		2,119,423	1,746,263
Prepayments, deposits and other receivables		1,544,794	812,667
Pledged bank deposits		—	611,900
Cash and cash equivalents		<u>2,320,988</u>	<u>2,449,240</u>
		<u>6,555,314</u>	<u>6,455,374</u>
CURRENT LIABILITIES			
Trade and bills payables		1,134,734	990,669
Other payables and accruals		415,860	104,696
Dividends payable	8	83,219	—
Current portion of provision for onerous contracts		141,833	142,287
Current portion of interest-bearing bank and other borrowings		6,583,506	8,243,090
Bank overdrafts		336,203	—
Current portion of other loans		119,563	44,714
Current portion of obligations under finance leases		45,888	43,979
Current portion of bonds payable		999,713	4,143,383
Tax payable		<u>43,852</u>	<u>5,024</u>
		<u>9,904,371</u>	<u>13,717,842</u>
NET CURRENT LIABILITIES		<u>(3,349,057)</u>	<u>(7,262,468)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>57,060,819</u></u>	<u><u>52,032,561</u></u>

	30 June 2015 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2014 <i>(Audited)</i> <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	4,032,033	3,481,405
Reserves	<u>21,069,945</u>	<u>18,347,595</u>
	25,101,978	21,829,000
Non-controlling interests	<u>861,456</u>	<u>818,729</u>
TOTAL EQUITY	<u>25,963,434</u>	<u>22,647,729</u>
NON-CURRENT LIABILITIES		
Provision for onerous contracts	149,344	139,528
Derivative financial instruments	257,490	291,553
Interest-bearing bank and other borrowings	25,103,196	23,425,343
Other loans	1,000,185	930,946
Obligations under finance leases	377,670	404,481
Bonds payable	3,976,766	3,975,124
Deferred tax liabilities	<u>232,734</u>	<u>217,857</u>
	<u>31,097,385</u>	<u>29,384,832</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u><u>57,060,819</u></u>	<u><u>52,032,561</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2015*

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>2,139,616</u>	<u>1,473,310</u>
INVESTING ACTIVITIES		
Interest received	25,120	16,294
Purchases of property, plant and equipment	(1,872,888)	(4,329,933)
Proceeds from disposal of property, plant and equipment	315,146	286,108
Proceeds from disposal of held-to-maturity investments	—	20,000
Loans to associates	(1,162,350)	(51,534)
Loans to joint ventures	(3,416)	—
Dividends received from joint ventures	33,525	19,100
Dividends received from available-for-sale investments	217	298
Investments in held-to-maturity investments	—	(20,000)
Investments in associates	(266,411)	(830,240)
Investments in joint ventures	—	(52,722)
Investments in available-for-sale investments	—	(29,455)
Decrease in pledged bank deposits	<u>611,900</u>	<u>—</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,319,157)</u>	<u>(4,972,084)</u>

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
Interest paid	(345,506)	(395,378)
Dividends paid	(37,742)	—
Dividends paid to non-controlling shareholders of subsidiaries	(6,860)	—
Increase in other loans	127,268	100,149
Repayment of other loans	—	(15,074)
Increase in bank and other borrowings	6,146,532	10,055,088
Repayment of notes, bank and other borrowings	(6,109,415)	(4,644,933)
Capital element of finance lease rental paid	(30,694)	(20,434)
Redemption of convertible bonds	<u>(34,744)</u>	<u>—</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(291,161)</u>	<u>5,079,418</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(470,702)	1,580,644
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,449,240	1,919,204
Effect of foreign exchange rate changes, net	<u>6,247</u>	<u>9,826</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>1,984,785</u></u>	<u><u>3,509,674</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,320,988	3,509,674
Bank overdrafts	<u>(336,203)</u>	<u>—</u>
	<u><u>1,984,785</u></u>	<u><u>3,509,674</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA.

The interim financial information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2014 set out in the Company’s 2014 annual report.

1.2 Significant accounting policies

The interim financial information has been prepared on the historical cost basis, except that investment properties and derivative financial instruments are measured at fair values.

A number of new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) are effective for the financial year beginning on 1 January 2015. Except as described below (Note 1.3), the same accounting policies, presentation and methods of computation have been followed in this interim financial information for the six months ended 30 June 2015 as were applied in the preparation of the Company’s consolidated financial statements for the year ended 31 December 2014.

1.3 Impact of new and revised HKFRSs and changes in accounting policies

Impact of revised HKFRSs

In the current period, the Group has adopted the following revised HKFRSs issued by the HKICPA that are effective and relevant to the Group’s financial year beginning 1 January 2015. The adoption of these revised HKFRSs has had no material effect on the interim financial information of the Group for the current and previous accounting periods.

HKAS 19 (2011) (Amendments)	Defined benefit plans: Employee contributions
Improvement to HKFRSs	Annual improvements to HKFRSs 2010 — 2012 Cycle
Improvement to HKFRSs	Annual improvements to HKFRSs 2011 — 2013 Cycle

Impact of HKFRSs issued but not yet effective

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

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

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on 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.

2. 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.

In order to improve the Group's ability to grasp the market opportunity and rhythm, the Group has developed a more sound market research mechanism. This mechanism not only promotes vessel chartering business but also improves the Group's ability to stabilise the market risk. Accordingly, the Group has changed the composition of its reportable segments as follows:

(i) oil shipment

- oil shipment
- vessel chartering

(ii) dry bulk shipment

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

Following the change in composition of the reportable segments, the corresponding segmental information for the six months ended 30 June 2014 has been restated to conform with the current period'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 from operating activities by principal activity and geographical area of operations for the period is set out as follows:

	For the six months ended 30 June			
	2015		2014	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	Turnover	Contribution	Turnover	Contribution
	RMB'000	RMB'000	RMB'000	RMB'000
By principal activity:				
Oil shipment				
- Oil shipment	2,614,395	978,450	2,697,499	407,026
- Vessel chartering	393,163	65,190	121,577	1,410
	3,007,558	1,043,640	2,819,076	408,436
Dry bulk shipment				
- Coal shipment	750,980	(7,330)	1,221,838	38,604
- Iron ore shipment	1,106,443	128,284	1,459,597	373,924
- Other dry bulk shipment	279,186	(27,510)	299,754	(25,918)
- Vessel chartering	664,642	(92,241)	490,428	21,559
	<u>2,801,251</u>	<u>1,203</u>	<u>3,471,617</u>	<u>408,169</u>
	<u>5,808,809</u>	1,044,843	<u>6,290,693</u>	816,605
Other income and net				
(losses)/gains		(69,711)		8,063
Marketing expenses		(31,376)		(22,727)
Administrative expenses		(171,743)		(195,234)
Other expenses		(32,113)		(18,490)
Share of profits of associates		100,801		—
Share of (losses)/profits of				
joint ventures		(38,773)		114,216
Finance costs		<u>(571,820)</u>		<u>(594,302)</u>
Profit before tax		<u>230,108</u>		<u>108,131</u>

	30 June 2015 <i>(Unaudited)</i> RMB'000	31 December 2014 <i>(Audited)</i> RMB'000
Total segment assets		
Oil shipment	24,253,043	23,033,979
Dry bulk shipment	30,846,503	31,157,194
Unallocated corporate assets	<u>11,865,644</u>	<u>11,559,230</u>
	<u>66,965,190</u>	<u>65,750,403</u>
Total segment liabilities		
Oil shipment	10,243,079	15,823,911
Dry bulk shipment	17,331,471	17,113,795
Unallocated corporate liabilities	<u>13,427,206</u>	<u>10,164,968</u>
	<u>41,001,756</u>	<u>43,102,674</u>

Segment contribution represents gross profit or loss from each segment without allocation of central administration costs (including directors' remuneration), marketing expenses, other expenses, share of profits of associates, share of (losses)/profits of joint ventures, other income and net (losses)/gains and finance costs. This is the measure reported to chief operating decision makers for the purposes of resource allocation and performance assessment.

The carrying value of oil tankers and dry bulk vessels as at 30 June 2015 amounted to RMB19,413,849,000 and RMB24,794,492,000 respectively (31 December 2014: RMB19,836,740,000 and RMB25,324,639,000 respectively).

Geographical segments

	For the six months ended 30 June			
	2015		2014	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	Turnover	Contribution	Turnover	Contribution
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
By geographical area:				
Domestic	2,220,324	442,234	2,428,332	324,619
International	<u>3,588,485</u>	<u>602,609</u>	<u>3,862,361</u>	<u>491,986</u>
	<u>5,808,809</u>	1,044,843	<u>6,290,693</u>	816,605
Other income and net				
(losses)/gains		(69,711)		8,063
Marketing expenses		(31,376)		(22,727)
Administrative expenses		(171,743)		(195,234)
Other expenses		(32,113)		(18,490)
Share of profits of associates		100,801		—
Share of (losses)/profits of				
joint ventures		(38,773)		114,216
Finance costs		<u>(571,820)</u>		<u>(594,302)</u>
Profit before tax		<u>230,108</u>		<u>108,131</u>
Turnover				
Total segment turnover		5,808,809		6,290,693
Less: inter-segment				
transactions		<u>—</u>		<u>—</u>
Total consolidated turnover		<u>5,808,809</u>		<u>6,290,693</u>

Other information

For the six months ended 30 June 2015

(Unaudited)

	Oil shipment	Dry bulk shipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Additions to segment non-current assets	524,674	171,173	1,106,486	1,802,333
Depreciation	426,492	496,785	4,557	927,834
Gain/(loss) on disposal of property, plant and equipment	5	(1,108,099)	(45)	(1,108,139)
Interest income	6,009	4,840	23,773	34,622
Provision for onerous contracts	<u>27,566</u>	<u>55,918</u>	<u>—</u>	<u>83,484</u>

For the six months ended 30 June 2014

(Unaudited)

	Oil shipment	Dry bulk shipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Additions to segment non-current assets	866,587	1,449,717	841,318	3,157,622
Depreciation	429,961	489,813	4,074	923,848
Loss on disposal of property, plant and equipment	(28,758)	(67,420)	(3,600)	(99,778)
Interest income	3,887	3,391	9,016	16,294
Provision for onerous contracts	<u>79,447</u>	<u>4,985</u>	<u>—</u>	<u>84,432</u>

The principal assets employed by the Group are located in the People's Republic of China (the "PRC") and, accordingly, no segment analysis of assets and expenditure has been prepared for the period.

3. OTHER INCOME AND NET (LOSSES)/GAINS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Government subsidies (note)	938,634	10,050
Bank interest income	18,378	8,917
Interest income from loan receivables	16,244	7,117
Rental income from investment properties	9,407	8,710
Interest income from held-to-maturity investments	—	260
Others	<u>9,007</u>	<u>6,570</u>
	<u>991,670</u>	<u>41,624</u>
Other losses		
Derivative financial instruments: reclassified from hedging reserve on disposal	—	(1,636)
Dividends from available-for-sale investments	217	298
Exchange gains, net	41,435	40,538
Loss on disposal of property, plant and equipment, net	(1,108,139)	(99,778)
Waiver of other payables	—	24,209
Others	<u>5,106</u>	<u>2,808</u>
	<u>(1,061,381)</u>	<u>(33,561)</u>
Other income and net (losses)/gains	<u>(69,711)</u>	<u>8,063</u>

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

4. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
- Bank loans and other borrowings repayable within five years	328,431	265,163
- Bank loans and other borrowings repayable over five years	193,657	115,354
- Corporate bonds	124,389	124,260
- Convertible bonds	14,677	96,089
- Notes	—	58,907
- Finance leases	11,789	14,054
- Hedge loans	1,029	2,048
Other finance charges	<u>642</u>	<u>1,677</u>
	674,614	677,552
Less: Interest capitalised	<u>(102,794)</u>	<u>(83,250)</u>
Finance costs	<u><u>571,820</u></u>	<u><u>594,302</u></u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,009,485	2,756,773
Others (including vessel depreciation and crew expenses)	<u>2,754,481</u>	<u>2,717,315</u>
	<u>4,763,966</u>	<u>5,474,088</u>
Operating lease rentals:		
Land and buildings	19,871	22,531
Vessels	<u>597,073</u>	<u>414,132</u>
Total operating lease rentals	<u>616,944</u>	<u>436,663</u>
Staff costs (including directors' remuneration, salaries, pension and crew expenses)	799,538	846,265
Depreciation	927,834	923,848
Dry-docking and repairs	168,505	180,055
Provision for onerous contracts	<u>83,484</u>	<u>84,432</u>

6. TAX CREDIT/(CHARGE)

(i) Hong Kong Profits Tax

Hong Kong Profits Tax was not provided for in the interim financial information as the Group did not have any assessable profits arising in Hong Kong during the six months ended 30 June 2015 and 2014.

(ii) PRC Corporate Income Tax

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

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.

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Hong Kong	—	—
PRC		
- Charge for the period	88,331	15,556
- Under provision in prior years	—	284
Deferred tax (credit)/charge	<u>(192,873)</u>	<u>18,805</u>
Total tax (credit)/charge for the period	<u><u>(104,542)</u></u>	<u><u>34,645</u></u>

7. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the period.

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	304,383	39,437
Weighted average number of shares in issue (thousands)	3,880,679	3,404,556
Basic earnings per share (RMB cents per share)	<u><u>7.84</u></u>	<u><u>1.16</u></u>

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2015 is the same as the basic earnings per share as the Group does not have any dilutive potential shares outstanding during the period.

The diluted earnings per share for the six months ended 30 June 2014 is the same as the basic earnings per share as the assumed exercise of the outstanding convertible bonds has anti-dilutive effect.

8. DIVIDEND

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend	<u>120,961</u>	<u>—</u>

Final dividend of RMB0.03 per share in respect of the year ended 31 December 2014 was approved on 18 June 2015 and a total amount of RMB37,742,000 was paid during the period.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: RMBNil).

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2015, the Group's investment properties with fair value of RMB1,032,239,000 (31 December 2014: RMB1,032,239,000) were leased out. There was no significant change in the fair value of investment properties during the six months ended 30 June 2015. The investment properties comprise commercial buildings located at 670 Dong Da Ming Road, Shanghai, the PRC, held under medium term lease.

During the six months ended 30 June 2015, additions to construction in progress amounted to RMB1,796,474,000 (six months ended 30 June 2014: RMB3,146,100,000).

During the six months ended 30 June 2015, the construction of 6 dry bulk vessels at cost of RMB1,393,332,000 (six months ended 30 June 2014: 2 oil tankers at cost of RMB1,009,343,000 and 7 dry bulk vessels at cost of RMB1,680,114,000) were completed and were transferred from construction in progress to vessels.

During the six months ended 30 June 2015, 27 dry bulk vessels with net carrying amount of RMB1,425,445,000 (six months ended 30 June 2014: 14 dry bulk vessels and 7 oil tankers with net carrying amount of RMB238,057,000 and RMB131,315,000 respectively) were disposed of.

As at 30 June 2015, the net carrying value of vessels of RMB44,208,341,000 (31 December 2014: RMB45,161,379,000) includes an amount of RMB602,941,000 (31 December 2014: RMB613,969,000) in respect of assets held under finance leases.

10. INVESTMENTS IN ASSOCIATES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Share of net assets	1,239,087	876,597
Goodwill	<u>835,105</u>	<u>835,105</u>
	<u>2,074,192</u>	<u>1,711,702</u>

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

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

Shanghai Beihai is principally engaged in the provision of shipping services. It is an unlisted entity whose quote market price is not available.

In May 2015, the Company entered into an agreement with China COSCO Bulk Shipping (Group) Company Ltd. to incorporate China Ore Shipping Pte. Ltd. (“**China Ore Shipping**”). The Company holds 49% equity interests of China Ore Shipping.

China Ore Shipping is principally engaged in the provision of shipping services. It is an unlisted entity whose quote market price is not available.

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Analysis of International and Domestic Shipping Markets during the Reporting Period

1. *Review of the Oil Shipping Market*

In the first half of 2015, benefited from the continuous low prices of international crude oil, the international tanker market experienced an accelerating pace of strong recovery. Average tariff level of all major routes increased over the same period of last year, resulting in significant improvement in earnings of ship owners. In the first half of 2015, the annual average value of freight index for three typical routes in the very large crude oil carrier (“VLCC”) market (Middle East - Far East TD3, Middle East - the US and the Gulf TD1, West Africa — China TD15) rose by 22% year-on-year, while the annual average value of freight index for three typical routes (Middle East — Japan TC1, Middle East - Japan TC5, Singapore - Japan TC4) for three types of vessels (Long Range 1, Long Range 2 and Medium Range) in the international clean oil market rose by 14% year-on-year.

For domestic oil shipment, due to pipeline maintenance of China Petroleum & Chemical Corporation (“Sinopec”) and decreasing international oil prices in the first half of 2015, there was a strong demand for transportation of imported transit oil and reduced supply from long route offshore crude oil shipment, which resulted in shortened route structure.

2. *Review of the Dry Bulk Shipping Market*

Since early 2015, commodity prices kept decreasing and demand for international dry bulk shipment shrank significantly. Affected by weak market demand and over supply of capacity, international dry bulk cargo shipment market continued to slow down and became severely restricted in the first half of 2015, with average value of Baltic Dry Index (“BDI”) of 623 points, representing a significant decrease of 47.2% as compared to the same period of 2014. On 18 February 2015, in particular, BDI fell to 509 points, which was the lowest value since the index was released.

For coastal dry bulk shipping market, affected by factors such as slowdown and restructuring of China's economy, decreased domestic demand for thermal power, inadequate demand in coastal bulk shipping market and continuous over supply of capacity, freight rates for coastal dry bulk cargoes continued to decline, with Coastal Bulk Freight Index ("CBFI"), an integrated freight rate index for coastal dry bulk shipment, falling to 808 points on 10 April 2015, which was the lowest point since the index was released in 2001. The average value of CBFI was 860 points, representing a significant decrease of 18.9% as compared to the same period of 2014.

(II) 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" and implemented excellent management under the right leadership of the Board, with a focus on the "strategic guidance and innovation-driven" general keynotes of work, obtaining new breakthroughs and achievements in various areas such as safety management, marketing, cost control and efficiency enhancement, significantly improving the operating conditions of the Group and maintaining our overall stable development trend.

During the Reporting Period, the Group completed 90.233 million tonnes of cargo shipment, representing a decrease of 5.3% year-on-year; the volume of freight shipping turnover was 244.22 billion tonne-nautical miles, representing an increase of 7.4% year-on-year. Revenue from principal operations (after business tax and surcharge, same as below) was RMB5,809 million, representing a decrease of 7.7% year-on-year. Costs of principal operations amounted to RMB4,764 million, representing a decrease of 13.0% year-on-year. During the Reporting Period, the Company achieved net profit attributable to owners of the Company of RMB304.38 million.

1. ANALYSIS OF PRINCIPAL OPERATIONS

An analysis of the principal operations in terms of products transported and geographical regions during the Reporting Period is as follows:

Sub-business or sub-product	Operating Turnover (RMB'000)	Increase/ decrease in operating turnover as compared with the same period in 2014 (%)	Gross profit margin	
			(%)	(%)
			The first half of 2015	The first half of 2014
Domestic	1,057,477	1.2	44.6	33.3
Crude oil shipment	936,414	4.3	47.9	38.2
Refined oil shipment	74,855	-36.9	23.5	-0.5
Charter income	46,208	62.1	12.1	18.8
International	1,950,081	9.9	29.3	3.4
Crude oil shipment	998,458	-4.4	29.6	4.4
Refined oil shipment	604,668	-5.0	35.9	3.0
Charter income	346,955	272.8	17.2	-4.2
Sub-total of oil Shipment	3,007,558	6.7	34.7	14.5
Domestic	1,162,847	-16.0	-2.5	-1.6
Coal shipment	657,684	-36.0	-0.6	3.1
Iron ore shipment	72,185	-41.5	-67.9	-44.9
Other dry bulk cargoes shipment	126,121	-26.0	-13.1	-3.4
Charter income	306,857	398.1	13.0	10.9
International	1,638,404	-21.5	1.9	20.6
Coal shipment	93,296	-51.8	-3.8	3.5
Iron ore shipment	1,034,258	-22.6	17.1	32.1
Other dry bulk cargoes shipment	153,065	18.5	-7.2	-15.5
Charter income	357,785	-16.6	-37.0	3.5
Sub-total of dry bulk shipment	2,801,251	-19.3	0.0	11.8
Total	5,808,809	-7.7	18.0	13.0

(1) *Shipping business — Oil shipments*

In the first half of 2015, in adherence to the “major clients and great co-operation” strategy, the Group strived to seize market opportunities to further deepen reform of operation and management mechanism, further promote innovative concepts and models of safety management and operation development and devoted to improving cost efficiency, with continuous improvement in transportation efficiency of the tanker fleet.

For domestic oil shipment, targeting at the full liberalisation of the domestic crude oil market, the Group actively innovated customer service model and operation model and strived to consolidate its market leading position, significantly improving the shipping efficiency and effectiveness of the domestic oil shipment fleet. In 2014, with the great support of China Shipping, the Company completed the acquisition of 40% equity interest in Shanghai Beihai. In 2015, seizing the opportunities of capital injection into Shanghai Beihai, the Group actively promoted all-round cooperation with China National Offshore Oil Corporation and Shanghai Beihai. In the face of structural shrinkage of domestic refined oil market in recent years, the Group adopted a strategic exit strategy while utilising the joint advantages of domestic and offshore trading markets to timely adjust allocation of domestic and foreign oil shipment capacities while sparing no effort to improve the operating efficiency of single vessel in response to market fluctuation.

For international oil shipment, through cooperation with international advisory organisations, the Group strengthened market research and judgement and strived to grasp market opportunities. Meanwhile, the Group actively implemented diversified operation strategy, and significantly optimised the owner structure, market structure and route structure. In the first half of 2015, through strengthening global marketing, the Group made considerable progress in cooperating with internationally renowned oil companies, and not only significantly increased its business turnover, but also made a breakthrough in long-term vessel chartering business, significantly enhancing the Group’s brand image and market influence.

**Table Showing Operating Conditions for Oil Shipment Segment
in the First Half of 2015**

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne	YOY		YOY		
	nautical	Increase/ Decrease	RMB'000	Increase/ Decrease	1H 2015	1H 2014
	miles					
Domestic	7.32	-4.3%	1,057,477	1.2%	44.6%	33.3%
Crude oil shipment	6.93	0.4%	936,414	4.3%	47.9%	38.2%
Refined oil shipment	0.39	-47.9%	74,855	-36.9%	23.5%	-0.5%
Charter income	—	—	46,208	62.1%	12.1%	18.8%
International	80.45	-11.3%	1,950,081	9.9%	29.3%	3.4%
Crude oil shipment	59.88	-18.9%	998,458	-4.4%	29.6%	4.4%
Refined oil shipment	20.57	21.6%	604,668	-5.0%	35.9%	3.0%
Charter income	—	—	<u>346,955</u>	272.8%	17.2%	-4.2%
Total	<u>87.77</u>	-10.8%	<u>3,007,558</u>	6.7%	34.7%	14.5%

(2) Shipping business — Dry bulk shipments

For dry bulk cargo shipment, the Group actively responded to market challenges and continued to deepen reform, devoting itself to promoting efficiency and reducing loss.

For domestic dry bulk cargo shipment, the Group strengthened its marketing efforts on domestic major customers by early arrangement of Contract of Affreightment (“COA”) negotiations early in the year, and strived to increase the performance rate of the contracts. Meanwhile, the Group strengthened its efforts on chartering vessels and actively leased bulk vessels with competitive advantage to replace its own vessels with higher cost, striving to improve shipping efficiency of the vessels.

For international dry bulk cargo shipment, the Group actively implemented internationalisation strategy and continued to vigorously expand international dry bulk shipment market. For very large ore carriers fleet, the Group continued to focus on fine operation to ensure stable revenue. In terms of small and medium fleet, the Group further strengthened market segment research and judgment, actively adjusted the international supply structure and market structure, strengthened adjustment of domestic and foreign trade operation, actively explored third-country transportation, with a focus on development of

food and steel transportation. Furthermore, the Group strengthened its efforts on international chartering of bulk cargo vessels. Through a series of effective measures, the international dry bulk cargo fleet has achieved significant improvement in operating efficiency, resulting in a significant increase in the daily profit margins of the Capesize and Panamax fleet when compared to market standard in the corresponding periods.

**Table Showing Operating Conditions for Dry Bulk Shipment Segment
in the First Half of 2015**

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne	YOY		YOY		
	nautical miles	Increase/ Decrease	RMB'000	Increase/ Decrease	1H 2015	1H 2014
Domestic	35.39	-3.3%	1,162,847	-16.0%	-2.5%	-1.6%
Coal shipment	27.23	-6.2%	657,684	-36.0%	-0.6%	3.1%
Iron ore shipment	3.05	-17.7%	72,185	-41.5%	-67.9%	-44.9%
Other dry bulk cargoes shipment	5.11	32.0%	126,121	-26.0%	-13.1%	-3.4%
Charter income	—	—	306,857	398.1	13.0%	10.9%
International	121.06	31.1%	1,638,404	-21.5%	1.9%	20.6%
Coal shipment	8.84	30.5%	93,296	-51.8%	-3.8%	3.5%
Iron ore shipment	100.83	24.4%	1,034,258	-22.6%	17.1%	32.1%
Other dry bulk cargoes shipment	11.39	149.2%	153,065	18.5%	-7.2%	-15.5%
Charter income	—	—	<u>357,785</u>	-16.6%	-37.0%	3.5%
Total	<u>156.45</u>	21.3%	<u>2,801,251</u>	-19.3%	0.0%	11.8%

Note: Other dry bulk cargoes include metalore, non-metallicore, steel, cement, timber, grain, insecticide, fertiliser 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 Board has positioned LNG transportation as one of the core businesses for the Group's future development.

As of the end of June 2015, the Group had participated in or led three major LNG projects including the Exxon Mobil DES project, the APLNG project and the YAMAL project, and has orders for a total of 13 LNG vessels on hand.

In the first half of 2015, the Group continued to steadily proceed with existing projects, actively coordinated overtaking and management of vessels under the Exxon Mobil DES project, and ensured the smooth progress of ship building and supporting work for the first phase of the Exxon Mobil DES project, the APLNG project and the YAMAL project. Meanwhile, the Group actively implemented tender bidding for the second phase of ship building of the APLNG Project.

The first vessel manufactured under the Exxon Mobil DES project representing cooperation between the Group and Mitsui O.S.K. Lines, Limited was delivered for use in January 2015, recording net profit of USD3.41 million and investment income of RMB6.26 million based on equity method in the first half of 2015.

2. *Costs and expenses analysis*

In the first half of 2015, while achieving well in transportation operations, the Group seriously and consistently implemented various requirements of the Board on intensive management enhancement, cost reduction and efficiency improvement, and further emphasised the “costs determine success” strategic positioning. 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 the first half of 2015, the Group incurred costs of principal operations of RMB4,764 million, representing a decrease of 13.0% year-on-year. Effective cost control has ensured notable improvement in operating profit of the Group. The composition of the main operating costs is analysed as follows:

Item	In the first half of 2015 (RMB'000)	In the first half of 2014 (RMB'000)	Increase/ decrease (%)	Composition ratio in the first half of 2015 (%)
Fuel cost	1,470,311	2,300,899	-36.1	30.9
Port cost	539,174	508,649	6.0	11.3
Sea crew cost	619,030	727,878	-15.0	13.0
Lubricants expenses	115,075	136,998	-16.0	2.4
Depreciation	917,368	911,365	0.7	19.3
Insurance expenses	113,783	122,658	-7.2	2.4
Repair expenses	168,505	180,055	-6.4	3.5
Charter cost	597,073	414,132	44.2	12.5
Others	<u>223,647</u>	<u>171,454</u>	30.4	<u>4.7</u>
Total	<u>4,763,966</u>	<u>5,474,088</u>	-13.0	<u>100.0</u>

Fuel cost was the most important cost control item for shipping enterprises. In the first half of 2015, leveraging the comprehensive control effect of China Shipping group's operating platform, the Group improved market research and judgement mechanism through building closer cooperation relationship with suppliers and traders, and took advantage of the rare opportunity when international oil prices fell sharply to lock the fuel cost. Meanwhile, the Group enhanced utilisation efficiency of fuels through operating at economic speed with the best effect and control over key parts such as oil in bulk heating, cabin cleaning, inert air filling and exchange of ballast water.

In the first half of 2015, the Group incurred fuel cost of RMB1,470 million, representing a decrease of 36.1% year-on-year and accounting for 30.9% of the costs of principal operations. The Group achieved significant cost reduction by adopting measures including implementing economic shipping speed, centralised purchase, locking oil purchases and various energy-saving measures. While the turnover volume increased by 7.4% year-on-year, the fuel consumption volume was 538,000 tonnes, representing a decrease of 12.1% year-on-year, and the average fuel consumption was 2.20 kg/1,000 nautical miles, decreased by 18.2% year-on-year.

3. *Interests in the joint ventures' and associates' results*

In the first half of 2015, by implementing the “major clients, great co-operation and comprehensive services” strategy, the Group continued to enhance cooperation with joint ventures and associates, strengthen management of joint ventures and associates shipping companies, and maintain close communication with shareholders, seek further support for joint ventures and associates from shareholders, and in the meantime continued to strengthen cost control over joint ventures and associates to ensure reasonable return for the Group.

In the first half of 2015, the Company achieved substantial progress in industry cooperation. In May 2015, the Company entered into an agreement with China COSCO Bulk Shipping (Group) Company Ltd., a wholly-owned subsidiary of China COSCO Holdings Company Limited pursuant to which the parties jointly invested in the establishment of an associate named China Ore Shipping in Singapore. The Company holds 49% equity interest in China Ore Shipping. On 19 May 2015 (Brazil time), China Ore Shipping as buyer entered into certain agreements with Vale Shipping Singapore Pte. Ltd. as seller, a subsidiary of Vale International S.A. (“**Vale International**”) for purchasing four very large ore carriers. On the same day, China Ore Shipping and Vale International entered into a long-term transportation agreement.

In the first half of 2015, the Group recognised approximately RMB39 million as its loss from its joint ventures as compared to a profit of approximately RMB114 million during the same period in 2014. In the first half of 2015, the 5 joint ventures achieved a shipping volume of approximately 73.59 billion tonne-nautical miles, representing an increase of 8.31% as compared with the same period in 2014. The operating turnover achieved by the 5 joint ventures in the first half of 2015 was approximately RMB2,714 million, representing a decrease of 38.3% as compared with the same period in 2014, with a net loss of approximately RMB126 million.

As at 30 June 2015, the 5 joint ventures owned 84 vessels with a total capacity of 4.657 million deadweight tonnes and 7 vessels under construction with the capacity of 331,000 deadweight tonnes.

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

Company name	Interest held by the Group	Shipping volume (billion tonne nautical miles)	Operating revenue (RMB'000)	Net profit/(loss) (RMB'000)
Shenhua Zhonghai Marine Co., Limited	49%	32.75	1,009,300	-18,780
Shanghai Times Shipping Co., Limited	50%	28.64	1,368,560	-115,890
Guangzhou Development Shipping Co., Limited	50%	3.23	207,680	2,080
Shanghai Friendship Marine Co., Limited	50%	7.82	45,160	-800
Huahai Petrol Transportation & Trading Co., Limited	50%	<u>1.15</u>	<u>83,270</u>	<u>7,030</u>
Total		<u>73.59</u>	<u>2,713,970</u>	<u>-126,360</u>

In the first half of 2015, the net profit achieved by China Shipping Finance Co., Limited, a non-shipping joint venture, with 25% interest held by the Company, was approximately RMB110,331,000 (the first half of 2014: approximately RMB111,040,000).

In the first half of 2015, the Group has recognised its profits in its associates of approximately RMB101 million. In the first half of 2015, 2 associates achieved a shipping volume of 6.03 billion tonne-nautical miles. The operating revenue achieved by the associates in the first half of 2015 was approximately RMB702 million, and the net profit realised by the associates in the first half of 2015 was approximately RMB234 million.

As at 30 June 2015, the associates owned 11 bulk vessels with a total capacity of 2.194 million deadweight tonnes.

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

Company name	Interest held by the Group	Shipping volume (billion tonne nautical miles)	Operating revenue (RMB'000)	Net profit (RMB'000)
Shanghai Beihai	40%	5.84	669,380	223,220
China Ore Shipping	49%	<u>0.19</u>	<u>32,510</u>	<u>10,720</u>
Total		<u>6.03</u>	<u>701,890</u>	<u>233,940</u>

(III) Financial analysis

1. Net cash inflow

The net cash inflow from operating activities of the Group was RMB2,139,616,000 and RMB1,473,310,000 for the six months ended 30 June 2015 and 2014 respectively.

2. *Capital commitments*

The Group had the following capital commitments as at 30 June 2015 of which RM2,433,591,000 (31 December 2014: RMB1,112,199,000) will be due within one year.

	30 June 2015 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2014 <i>(Audited)</i> <i>RMB'000</i>
Authorised and contracted for:		
Construction and purchases of vessels (<i>Note 1</i>)	7,520,423	5,430,061
Equity investments (<i>Note 2</i>)	<u>1,261,830</u>	<u>539,668</u>
	<u><u>8,782,253</u></u>	<u><u>5,969,729</u></u>

Note:

- (1) According to the construction and purchase agreements entered into by the Group from November 2010 to June 2015, these capital commitments will fall due in 2015 to 2018.
- (2) Included capital commitments in respect of equity investments are the commitment to invest in a joint venture, Shenhua Zhonghai Marine Co., Limited, and an associate, China Ore Shipping.

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 RMB246,975,000 (31 December 2014: RMB486,298,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB2,877,022,000 (31 December 2014: RMB3,225,137,000).

3. *Capital structure*

As at 30 June 2015, the equity attributable to the owners of the Company and net debts (as total debt (which includes interest-bearing bank and other borrowings, other loans, obligations under finance leases and bonds payable) less cash and cash equivalents) amounted to approximately RMB25,101,978,000 and approximately RMB36,221,702,000 respectively and the debt-to-equity ratio was 144% (31 December 2014: 171%).

4. *Trade and bills receivables*

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

An ageing analysis of trade and bills receivables is as follows:

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	<i>Balance</i>	<i>Percentage</i>	<i>Balance</i>	<i>Percentage</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
1 - 3 months	1,585,486	75	1,503,619	86
4 - 6 months	501,270	24	131,929	8
7 - 9 months	26,531	1	58,604	3
10 - 12 months	—	—	47,443	3
1 - 2 years	4,411	—	4,668	—
Over 2 years	<u>1,725</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,119,423</u>	<u>100</u>	<u>1,746,263</u>	<u>100</u>

The Group normally allows an average 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.

5. *Trade and bills payables*

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

An ageing analysis of trade and bills payables is as follows:

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	<i>Balance</i>	<i>Percentage</i>	<i>Balance</i>	<i>Percentage</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
1 - 3 months	737,844	65	710,078	72
4 - 6 months	184,082	16	129,070	13
7 - 9 months	128,409	11	51,795	5
10 - 12 months	56,797	5	66,103	7
1 - 2 years	20,558	2	24,436	2
Over 2 years	<u>7,044</u>	<u>1</u>	<u>9,187</u>	<u>1</u>
	<u>1,134,734</u>	<u>100</u>	<u>990,669</u>	<u>100</u>

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

6. *Provision for onerous contracts*

	30 June 2015 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2014 <i>(Audited)</i> <i>RMB'000</i>
At beginning of period/year	281,815	349,694
Provision during the period/year	83,484	107,358
Utilised during the period/year	(74,122)	(175,850)
Exchange realignment	<u>—</u>	<u>613</u>
At end of period/year	<u><u>291,177</u></u>	<u><u>281,815</u></u>
Current portion of provision for onerous contracts	141,833	142,287
Non-current portion of provision for onerous contracts	<u>149,344</u>	<u>139,528</u>
	<u><u>291,177</u></u>	<u><u>281,815</u></u>

As at 30 June 2015, the Group had a provision of RMB291,177,000 (31 December 2014: RMB281,815,000) for onerous contracts relating to the non-cancellable chartered-in oil tanker and dry bulk vessel contracts.

As at 30 June 2015, the committed charterhire expenses of non-cancellable chartered-in oil tanker 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 tanker and dry bulk vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB2,559,905,000 (31 December 2014: RMB2,709,313,000).

7. *Derivative financial instruments*

	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Carried at fair value		
Cash flow hedges:		
- Interest rate swap agreements		
Liabilities		
Non-current portion	<u>(257,490)</u>	<u>(291,553)</u>

As at 30 June 2015, the Group held thirty-one (31 December 2014: thirty-one) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was approximately USD609,800,000 (approximately RMB3,728,069,000) (31 December 2014: approximately USD609,800,000 (approximately RMB3,731,368,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032, are designated as cash flow hedges in respect of the bank borrowings with floating interest rates.

During the six months ended 30 June 2015, the floating interest rates of the bank borrowings were London interbank offered rate (“**Libor**”) + 0.42% or 2.20% (six months ended 30 June 2014: Libor + 0.42% or 0.45% or 2.20%).

The profit/(loss) for the interest rate swap agreements during the period is as follows:

	For the six months ended 30 June	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Total fair value profit/(loss) included in the hedging reserve	33,934	(214,185)
Hedge loan interest included in finance costs	<u>(1,029)</u>	<u>(2,048)</u>
Total profit/(loss) on cash flow hedges of interest rate swap agreements for the current period	<u>32,905</u>	<u>(216,233)</u>

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

8. *Interest-bearing bank and other borrowings*

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

			30 June 2015	31 December 2014
	Annual effective Interest (%)	Maturity (Unaudited) RMB'000	(Audited) RMB'000	
Current liabilities				
(i) Bank loans				
Secured	5% to 10% discount to the People's Bank of China ("PBC") Benchmark interest rate, 3 months Libor, 3 months Libor + 1.30%, Libor + 0.38% to 2.15%, 3.50% to 4.73%	2015-2016	1,355,421	1,926,196
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 + 1.05% to 2.20%, 4.50%	2015-2016	<u>2,858,318</u>	<u>4,030,944</u>
			<u>4,213,739</u>	<u>5,957,140</u>

			30 June 2015	31 December 2014
	Annual effective Interest (%)	Maturity	(Unaudited) RMB'000	(Audited) RMB'000
(ii) Other borrowings				
Secured	6.00%, 5% discount to the PBC Benchmark interest rate	2015-2016	8,415	253,160
Unsecured	10% discount to the PBC Benchmark interest rate, Libor + 1.60% to 2.90%, 6 months Libor + 2.10%, 1.50% to 6.00%	2015-2016	<u>2,361,352</u>	<u>2,032,790</u>
			<u>2,369,767</u>	<u>2,285,950</u>
Interest-bearing bank and other borrowings				
— current portion			<u>6,583,506</u>	<u>8,243,090</u>
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	11,917,836	11,295,416
Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.45% to 1.85%, 3 months Libor + 2.40%, 1.86% to 6.00%	2016-2024	<u>7,847,650</u>	<u>7,388,464</u>
			<u>19,765,486</u>	<u>18,683,880</u>

			30	31
			June	December
			2015	2014
	Annual effective Interest	Maturity	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>(%)</i>		<i>RMB'000</i>	<i>RMB'000</i>
(ii) Other borrowings				
Secured	5% discount to the PBC Benchmark interest rate	2023	115,005	129,540
Unsecured	3.60% to 6.51%, 6 months Libor + 2.50%, Libor + 2.00%	2017-2018	<u>5,222,705</u>	<u>4,611,923</u>
			<u>5,337,710</u>	<u>4,741,463</u>
Interest-bearing bank and other borrowings				
— non-current portion			<u>25,103,196</u>	<u>23,425,343</u>

- (b) As at 30 June 2015, the Group's interest-bearing bank and other borrowings were repayable as follows:

	30 June 2015 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2014 <i>(Audited)</i> <i>RMB'000</i>
Analysed into:		
(i) Bank loans:		
Within one year or on demand	4,213,739	5,957,140
In the second year	3,781,636	2,689,239
In the third to fifth year, inclusive	9,281,160	10,204,923
Over five years	<u>6,702,690</u>	<u>5,789,718</u>
	<u>23,979,225</u>	<u>24,641,020</u>
(ii) Other borrowings:		
Within one year or on demand	2,369,767	2,285,950
In the second year	620,277	8,670
In the third to fifth year, inclusive	4,643,992	4,640,993
Over five years	<u>73,441</u>	<u>91,800</u>
	<u>7,707,477</u>	<u>7,027,413</u>
	<u>31,686,702</u>	<u>31,668,433</u>

As at 30 June 2015, certain of the Group's bank and other borrowings were secured by (i) pledges of the Group's 50 vessels (31 December 2014: 48 vessels) and 7 vessels under construction (31 December 2014: 13 vessels under construction) with total net carrying amount of RMB19,312,453,000 and RMB4,811,630,000 respectively (31 December 2014: RMB19,154,098,000 and RMB4,995,123,000 respectively).

As at 30 June 2015, none of bank deposits (31 December 2014: Bank deposits of RMB611,900,000) has/had been pledged to secure short-term bank loan. The pledged bank deposits were released upon the settlement of relevant bank loans for the period.

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate their fair values.

Except for secured bank loans of RMB12,090,341,000 (31 December 2014: RMB12,470,966,000), unsecured bank loans of RMB6,440,596,000 (31 December 2014: RMB6,978,985,000) and unsecured other borrowings of RMB1,834,057,000 (31 December 2014: RMB611,923,000) which are denominated in USD, all other borrowings are denominated in RMB.

(c) Details of the notes are as follows:

Notes with principal amount of RMB3,000,000,000 were 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 became interest bearing since 4 August 2009, payable annually in arrears on 4 August of each year. The notes had been fully redeemed on 3 August 2014.

9. *Bonds payable*

	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Convertible bonds	—	3,145,147
Corporate bonds	<u>4,976,479</u>	<u>4,973,360</u>
	4,976,479	8,118,507
Less: current portion of bonds payable	<u>(999,713)</u>	<u>(4,143,383)</u>
Non-current portion of bonds payable	<u><u>3,976,766</u></u>	<u><u>3,975,124</u></u>

(a) Convertible bonds

The Company's A-share convertible bonds amounted 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 any time 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 2.0% 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 to 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 convertible bonds; or (ii) the aggregate par value of the outstanding convertible bonds is less than RMB30,000,000 at any time from issuance of the convertible bonds.

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

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

As the closing price of the A Shares had been equal to or higher than 130% of the conversion price of the convertible bonds (being RMB6.24 per share) for at least 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 six months ended 30 June 2015 is set out below:

	<i>RMB'000</i>
Carrying amount at 31 December 2014	3,145,147
Interest charge	14,677
Conversion during the period	(3,120,694)
Redemption	(34,744)
Gain on early redemption of convertible bonds	<u>(4,386)</u>
Carrying amount at 30 June 2015	<u><u>—</u></u>

The fair value and effective interest rate of the liability component of the convertible bonds as at 30 June 2015 was RMBNil (31 December 2014: RMB3,145,147,000) and Nil% (31 December 2014: 5.60%) per annum respectively.

Interest expense of RMB14,677,000 (six months ended 30 June 2014: RMB96,089,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income in respect of the convertible bonds for the six months ended 30 June 2015.

(b) Corporate bonds

The movement of the corporate bonds for the six months ended 30 June 2015 is set out below:

	<i>RMB'000</i>
Balance as at 31 December 2014	4,973,360
Interest charge	<u>3,119</u>
Balance as at 30 June 2015	<u><u>4,976,479</u></u>
Current portion of corporate bonds	999,713
Non-current portion of corporate bonds	<u>3,976,766</u>
	<u><u>4,976,479</u></u>

As at 30 June 2015, the balances of bonds payable are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond at initial recognition RMB'000	At 31 December 2014 RMB'000	Interest charge RMB'000	At 30 June 2015 RMB'000
3 August 2012	3 years	1,000,000	991,400	998,236	1,477	999,713
3 August 2012	10 years	1,500,000	1,487,100	1,489,656	556	1,490,212
29 October 2012	7 years	1,500,000	1,488,600	1,491,727	760	1,492,487
29 October 2012	10 years	<u>1,000,000</u>	<u>992,400</u>	<u>993,741</u>	<u>326</u>	<u>994,067</u>
		<u>5,000,000</u>	<u>4,959,500</u>	<u>4,973,360</u>	<u>3,119</u>	<u>4,976,479</u>

The Company issued 2 batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bond 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 a ten-year corporate bond 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 further 2 batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bond 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 a ten-year corporate bond 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.

10. *Risk on foreign currency*

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

As at 30 June 2015, the Group’s foreign exchange liabilities mainly comprised secured bank loans of approximately RMB12,090,341,000 (31 December 2014: approximately RMB12,470,966,000), and unsecured bank and other borrowings of approximately RMB8,274,653,000 (31 December 2014: approximately RMB7,590,908,000). In addition, the Company would pay dividend for H shares in HKD.

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

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

11. *Contingent liabilities*

- (1) 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 compensation will be borne by the insurance company. As at 30 June 2015, the Group was still in the process of settling all the issues concerned.
- (2) 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 30 June 2015, 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 compensation will be borne by the insurance companies. As at 30 June 2015, the Group was still in the process of settling all the issues concerned. On 24 July 2015, the court announced the final claims on damage to be RMB4,000,000 and the Group agreed to settle the issues concerned with the amount.

- (3) East China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited (“**Aquarius LNG**”) and Gemini LNG Shipping Limited (“**Gemini LNG**”), and North China LNG Shipping Investment Co. Ltd., a non wholly-owned subsidiary of the Company, holds 30% equity interests in each of Capricorn LNG Shipping Limited (“**Capricorn LNG**”) and Aries LNG Shipping Limited (“**Aries LNG**”). Each of these four companies 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 agreements to be signed, lease the LNG vessels to the following charterers:

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

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

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

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

- (4) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. In March 2014, claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 30 June 2015, the Group was still in the process of settling all the issues concerned.
- (5) 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 30 June 2015, the Group was still in the process of settling all the issues concerned.
- (6) 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 RMB2,995,664,000). 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 RMB39,127,000).
- (7) At the 2015 sixth Board meeting on 28 April 2015, the Company approved China Shipping Bulk Carrier Co., Limited, a wholly-owned subsidiary of the Company, to guarantee not more than 50% of the total debt of Guangzhou Development Shipping Co., Limited, a joint venture of the Group, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable.

(IV) Others

1. *Fleet expansion*

In the first half of 2015, the Group fully utilised the state subsidies and support policies for shipping companies to timely adjust fleet structure and actively promote implementation of the “12th Five-Year” fleet development plan. In the first half of 2015, new orders of 8 tankers with a total capacity of 1,688,000 deadweight tonnes have been placed, 6 new dry bulk vessels with a total capacity of 288,000 deadweight tonnes have been delivered for use, and 27 old dry bulk vessels of 1,015,000 deadweight tonnes were demolished. Following the adjustment to the fleet composition, the current fleet composition of the Group was further optimised. The average single vessel capacity kept on rising, the average age of the vessels decreased year by year, and the degree of large-scale, low-carbon, new and remote vessel operations further enhanced, thereby strengthening the market competitiveness of the fleet.

As at 30 June 2015, the Group owned 173 vessels with a total capacity of 16,933,000 deadweight tonnes. The composition of the Group’s fleet is as follows:

	Self-owned vessels			New vessels under construction	
	Numbers	Deadweight tonnes	Average age (years)	Numbers	Deadweight tonnes
Tankers	67	7,462,000	6.7	11	1,883,000
Dry Bulk vessels	106	9,471,000	6.0	5	248,000
LNG vessels	—	—		6	480,000
Total	<u>173</u>	<u>16,933,000</u>	6.3	<u>22</u>	<u>2,611,000</u>

2. *Significant Investments*

For details of significant investments held by the Group, please refer to Notes 9 and 10 in the notes under the section headed “I. MAJOR FINANCIAL DATA” in this announcement.

(V) Outlook and highlights for the second half of 2015

1. *Competitive landscape and development trend in the industry*

The international economic conditions in 2015 are expected to remain complicated and volatile. While the growth of global economy is likely to rebound slightly, it is difficult to achieve obvious turnaround from the overall weak recovery trend and low growth rate is expected to be the trend in the next few years. Global trading growth will likely be restrained by the fragile economy growth rate.

Taking into account development of the global economy, it is unlikely that insufficient market demand for transportation and the over-capacity issues will be substantially improved in the short term. With the gradual transformation of China's economic structure and energy structure, the growth in marginal demand for iron ore and coal will be suppressed. In the second half of 2015, while imbalance of supply and demand in the international dry bulk shipping market will continue to exist, the pace for vessel owners to place orders is expected to slow down significantly, which will be beneficial for future market recovery although the influence of this on the market may be minimal in the second half of 2015.

It is expected that international oil prices that are closely-related to the operation of shipping enterprises will remain at a low level in 2015, thus likely relieving the cost pressure of shipping enterprises. Meanwhile, low international oil prices will drive the demand for transportation in the oil shipping market, which will further support increase in trading volume of international crude oil and be beneficial to large oil tankers such as VLCC and Suez.

2. *Development strategies and work initiatives of the Company*

The above mentioned conditions and factors include both opportunities and challenges to the shipping industry. Faced with a fast changing market environment, in the second half of 2015, the Group will capture the favorable opportunity of continued low international oil prices to actively research and judge the market and timely adjust operating strategy, and will deepen reform and innovation as well as excellent operation for continuous enhancement of our risk-resistant ability, sustainable development capability and core competitiveness by implementing the following initiatives:

- (1) Strengthen safety management to ensure safety development of the Group. Adhering to the concept of “intrinsic safety for safe development”, we will further promote various reforms on safety management, nurture outstanding safety culture, and endeavor to forge the safety brand into the Group's core competitiveness.

- (2) Conduct careful research and make informed judgement of the markets, and take full advantage of the opportunities to achieve solid operation. Targeting at different circumstances in the domestic and international trading markets, the Group will implement specific business strategies to continue consolidating the leading position of the Company in the domestic trading market, and speed up the pace to catch up with international outstanding enterprises, further enhancing the brand image and market competitiveness of the Company. The Group will continue to adhere to the strategy of “major clients, great co-operation and comprehensive services”, increase service awareness and strive to satisfy customer needs and create values for customers actively.

In 2015, for oil shipment operations, the Group will continue to deepen cooperation with the top three domestic petroleum companies to further create an innovative cooperation relationship, so as to consolidate and enhance its market share in offshore oil shipment. Meanwhile, the Group will utilise the joint advantages of domestic and offshore trading markets to establish a scientific market research and judgment mechanism, utilise the opportunity of international market improvement to strengthen the adjustment in shipping routes structure, and grab the VLCC fixed loading at high level to scientifically plan the term leasing ratio, so as to strive for increasing profitability and stabilising market fluctuation.

For bulk cargo shipment operations, the Group will actively respond 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, improving customer management, consolidating benefits from joint ventures and associates, strengthening communication with senior management of business partners, and maintaining good cooperation results with joint ventures and associates. 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 enhancing the market share of offshore shipment operations.

For LNG shipment operations, the Group will further enhance the integrated capabilities on LNG project development, vessel construction management, business management, bank financing, crew and vessel management and talent cultivation, so as to safeguard the LNG market for the two major groups, Sinopec and China National Petroleum Corporation, and actively develop cooperation with other LNG importers.

- (3) Accelerate fleet structure adjustment and increase competitiveness of fleet. The Group will firmly capture the strategic opportunity of “The 21st Century Maritime Silk Road” established by the Chinese government, focusing on the establishment of medium-long term development planning of fleet, disposal of old and obsolete vessels and construction and delivery of large-scale vessels. In addition, through continuous fleet optimisation, the Group will actively pursue upgrade of fleet and technology to develop the fleet towards the direction of large-scale, modernised and low-carbon operations, thereby enhancing the overall competitiveness of the fleet.
- (4) Adhere to the costs-come-first and continue to improve operating efficiency and cost reduction and control level. In the second half of 2015, the Group will further sort out 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 utilise the current favorable opportunity of low oil prices, as well as scientifically and reasonably perform fuel locking and purchasing work. Meanwhile, the Group will continue to enhance its communication and coordination with suppliers, striving for breakthrough in management and control of various costs items such as crew expenses, vessel repair charges, port charges, to create a competitive advantage of low cost.
- (5) Strengthen funds management and expand financing channels to secure development funds and strive for reduced capital costs. According to the new vessel delivery plans, the capital expenditure of the Group in 2015 and 2016 will be RMB4.53 billion and RMB2.48 billion, respectively. In this connection, the Group will further strengthen cooperation with banks, fully utilise both domestic and international markets and reasonably use financial instruments to secure the required capital funds, and will continuously enhance operating benefits and efficiency of capital operations, reduce financing costs and maintain a relatively sound financial structure.
- (6) Strengthen talent development and team building. The Group will formulate the 13th five year plan for building a team of cadre according to the development plan for our fleet and the needs of various business segments, and strengthen the building of a team of international and sophisticated cadre talents. Moreover, the Group will also continuously improve the business level and capability of employees and secure manpower for fleet development through active exploration and establishment of a long term educational and training mechanism.

III. OTHER MATTERS

1. Events after the Reporting Period

On 27 July 2015, the Company received government subsidies of approximately RMB925,000,000 for early retirement of vessels from the Ministry of Finance of the PRC through China Shipping.

Save as disclosed above and elsewhere in the above information, the Group does not have other significant events after the end of the Reporting Period.

2. Compliance with the Corporate Governance Code

The Board is committed to the principles of corporate governance and focuses on enhancing shareholders' value. In order to reinforce independence, accountability and responsibility, positions of Chairman of the Board and chief executive officer are assumed by different individuals so as to maintain independence and balanced judgment and views.

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Company has established four professional committees under the Board, including an audit committee, a remuneration and appraisal committee, a strategy committee and a nomination committee with defined terms of reference.

3. 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 its listed securities during the Reporting Period.

4. Audit Committee

The Board has established an Audit Committee to review the financial reporting procedures and internal control of the Group and to provide guidance thereto. The Audit Committee comprises all four independent non-executive directors of the Company.

The Audit Committee has reviewed the interim results of the Company for the Reporting Period.

5. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") asset out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

Following specific enquiries made with the directors, supervisors and chief executives of the Company, each of them has confirmed to the Company that he or she has complied with the Model Code during the six months ended 30 June 2015.

6. Employees

Adjustments of employee remuneration are calculated in accordance with the Company's turnover and profitability and are 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 maybe in different forms, such as seminars, site visits and study tours.

As at 30 June 2015, the Company had 717 employees (as at 30 June 2014: 697). During the Reporting Period, the total staff cost was approximately RMB800 million (same period in 2014: approximately RMB846 million), in which, these crew cost was approximately RMB619 million (same period in 2014: approximately RMB728 million).

7. Investor Relations

The Company has actively and faithfully performed its duties regarding disclosure of information and work on investor relations. The Company has strictly abided by the principles of regulatory, accurate, complete and timely disclosure of information. The Company has established a designated department responsible for matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with investors. Through various approaches and channels such as organising results presentation, roadshow, telephone conference, corporate website, investors' visits to the Company and answering investors' enquires, the Company strengthens its communication and relationship with investors and analysts, thereby enhancing investors' recognition of the Company.

The Company has maintained investor relations section on its website at www.cnshippingdev.com to disseminate information to its investors and shareholders on a timely basis.

8. Supplementary information to be published on the websites of the Stock Exchange and the Company

In accordance with the requirements of the Listing Rules, details of the Group's financial and related information will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnshippingdev.com).

The financial information set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2015 and 2014, but is derived from the condensed consolidated financial information prepared in accordance with the applicable disclosure requirements of the Listing Rules and HKAS34 "Interim Financial Reporting". The condensed consolidated financial information for the six months ended 30 June 2015 will be included in the interim report of the Company for the six months ended 30 June 2015 and delivered to the Company's shareholders as well as made available on the Company's and the Stock Exchange's websites.

By order of the Board
China Shipping Development Company Limited
Xu Lirong
Chairman

Shanghai, the PRC
28 August 2015

As at the date of this announcement, the Board comprises Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Han Jun and Mr. Qiu Guoxuan as executive Directors, Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi and Mr. Rui Meng as independent non-executive Directors.