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)

2016 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

Financial Highlights

- Turnover decreased by 0.29% to approximately RMB5,315 million
- Operating costs decreased by 7.58% to approximately RMB3,491 million
- Profit for the period attributable to owners of the Company was approximately RMB1,851 million
- Basic earnings per share was RMB0.4590

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 2016 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2015. 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 2016

		For the six months ended 30 June	
		2016	**2015**
	Note	*(Unaudited)* *RMB'000*	*(Unaudited) and restated)* *RMB'000*
Continuing operations			
Turnover	3	5,314,709	5,330,199
Operating costs		(3,490,638)	(3,776,830)
Gross profit		1,824,071	1,553,369
Other income and net gains	4	101,468	568,308
Marketing expenses		(8,242)	(7,368)
Administrative expenses		(268,534)	(176,141)
Other expenses		(36,264)	(37,298)
Share of profits of associates		142,092	100,801
Share of profits of joint ventures		93,151	25,506
Finance costs	5	(540,589)	(478,932)
Profit before tax	6	1,307,153	1,548,245
Income tax	7	(194,353)	(84,437)
Profit for the period from continuing operations		1,112,800	1,463,808
Discontinued operation			
Profit/(loss) for the period from discontinued operation, net of tax	8	760,501	(583,516)
Profit for the period		1,873,301	880,292

	Note	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited and restated) RMB'000
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss, net of nil tax:			
Remeasurement of defined benefit plan payable		530	—
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange realignment		148,372	(40,764)
Net (loss)/profit on cash flow hedges		(369,071)	33,934
Release upon disposal of discontinued operation		362,032	—
Share of other comprehensive expense of associates		(10,703)	(6,275)
Share of other comprehensive income of joint ventures		14,440	729
Other comprehensive income/(expense) for the period		145,600	(12,376)
Total comprehensive income for the period		2,018,901	867,916
Profit for the period attributable to:			
Owners of the Company		1,850,639	847,481
Non-controlling interests		22,662	32,811
		1,873,301	880,292

	Note	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited and restated) RMB'000
Total comprehensive income for the period attributable to:			
Owners of the Company		2,218,434	817,385
Non-controlling interests		(199,533)	50,531
		2,018,901	867,916
Earnings per share	9		
- Basic (RMB)		45.90 cents	21.84 cents
- Diluted (RMB)		45.90 cents	21.84 cents
Earnings per share — continuing operations			
- Basic (RMB)		27.48 cents	36.68 cents
- Diluted (RMB)		27.48 cents	36.68 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000
NON-CURRENT ASSETS			
Investment properties	11	1,100,753	1,097,975
Property, plant and equipment	11	38,659,311	63,136,985
Prepaid land lease payments		80,789	81,978
Investments in associates	12	1,880,136	2,040,968
Investments in joint ventures		1,972,103	6,187,294
Loan receivables		4,584,975	2,119,286
Available-for-sale investments		158,920	163,187
Deferred tax assets		4,203	486,993
		48,441,190	75,314,666
CURRENT ASSETS			
Inventories		322,946	715,086
Trade and bills receivables		1,393,580	2,791,298
Prepayments, deposits and other receivables		17,777,060	1,887,095
Pledged bank deposits		45,733	45,731
Cash and cash equivalents		4,359,860	4,863,247
		23,899,179	10,302,457
CURRENT LIABILITIES			
Trade and bills payables		900,267	1,477,972
Other payables and accruals		5,115,748	1,165,492
Dividends payable		283,059	—
Current portion of provision and other liabilities		231,914	181,308
Current portion of derivative financial instruments		—	4,258
Current portion of interest-bearing bank and other borrowings		9,968,878	11,063,827
Current portion of obligations under finance leases		—	48,751
Current portion of employee benefits payable		12,570	13,130
Tax payable		92,361	134,312
		16,604,797	14,089,050
NET CURRENT ASSETS/(LIABILITIES)		7,294,382	(3,786,593)
TOTAL ASSETS LESS CURRENT LIABILITIES		55,735,572	71,528,073

	30 June 2016	31 December 2015
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	4,032,033	4,032,033
Reserves	22,849,359	27,712,509
	26,881,392	31,744,542
Non-controlling interests	(407,796)	862,874
TOTAL EQUITY	26,473,596	32,607,416
NON-CURRENT LIABILITIES		
Provision and other liabilities	179,579	174,553
Derivative financial instruments	795,528	411,385
Interest-bearing bank and other borrowings	23,031,757	32,411,923
Other loans	886,376	1,199,539
Obligations under finance leases	—	354,003
Bonds payable	3,980,234	3,978,488
Employee benefits payable	140,470	145,380
Deferred tax liabilities	248,032	245,386
	29,261,976	38,920,657
TOTAL EQUITY AND NON-CURRENT LIABILITIES	55,735,572	71,528,073

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,607,786	3,061,013
INVESTING ACTIVITIES		
Interest received	28,575	29,396
Purchases of property, plant and equipment	(1,167,697)	(2,501,776)
Proceeds from disposal of property, plant and equipment	24	520,083
Disposal of discontinued operation, net of cash disposed of	(1,201,073)	—
Loans to associates	(22,049)	(1,162,350)
Loans to joint ventures	(223,930)	(3,416)
Loans to fellow subsidiaries	—	(325,540)
Repayment from associates	1,208,748	—
Dividends received from associates	100,000	—
Dividends received from joint ventures	483,438	122,448
Dividends received from available-for-sale investments	—	933
Investments in associates	—	(266,411)
Investments in joint ventures	(98,938)	(4,849)
(Increase)/decrease in pledged bank deposits	(2)	722,841
NET CASH USED IN INVESTING ACTIVITIES	(892,904)	(2,868,641)

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Interest paid	(473,623)	(451,828)
Dividends paid	(120,144)	(37,742)
Dividends paid to non-controlling interests of subsidiaries	(11,850)	(6,860)
Increase in other loans	76,002	127,268
Increase in interest-bearing bank and other borrowings	2,552,331	7,204,649
Repayment of interest-bearing bank and other borrowings	(4,258,598)	(7,230,105)
Capital element of finance leases rental paid	(38,330)	(30,694)
Capital contribution from former shareholder	—	24,390
Redemption of convertible bonds	—	(34,744)
NET CASH USED IN FINANCING ACTIVITIES	(2,274,212)	(435,666)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(559,330)	(243,294)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,863,247	4,447,091
Effect of foreign exchange rate changes, net	55,943	6,477
CASH AND CASH EQUIVALENTS AT 30 JUNE	4,359,860	4,210,274
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,359,860	4,546,477
Bank overdrafts	—	(336,203)
	4,359,860	4,210,274

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

(a) 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 2015 set out in the Company's 2015 annual report.

(b) In accordance with the asset transfer agreements entered into between the Company and China Ocean Shipping (Group) Company ("**China Ocean Shipping**") on 29 March 2016, the Company acquired 100% equity interests in Dalian Ocean Shipping Company Limited ("**Dalian Ocean**") at a consideration of RMB6,629,408,800. The acquisition of Dalian Ocean was completed on 30 June 2016 and has been accounted for as combination of businesses under common control since the directors consider that the Company and Dalian Ocean are under common control of State-owned Assets Supervision and Administration Commission of the People's Republic of China (the "**PRC**").

The aforementioned acquisition of Dalian Ocean from China Ocean Shipping has been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The unaudited financial information of Dalian Ocean has been incorporated into the interim financial information of the Group. As a result, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of Dalian Ocean. The condensed consolidated statement of financial position as at 31 December 2015 has been restated to include the assets and liabilities of Dalian Ocean. Respective notes to the interim financial information have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out in note 10 to (III) Financial analysis under the heading of "II. MANAGEMENT DISCUSSION AND ANALYSIS".

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 2016. Except as described in the interim financial information, the same accounting policies, presentation and methods of computation have been followed in the interim financial information for the Reporting Period as were applied in the preparation of the Company's consolidated financial statements for the year ended 31 December 2015.

1.3 Business combination

(a) Business combination involving entities under common control

Business combination involving entities under common control has been accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements have been restated as if the business combination had been completed on the earliest date of the periods being presented or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they were incurred.

(b) Business combination not involving entities under common control

Acquisitions of businesses not involving entities under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

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

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

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

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

1.4 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 2016:

Improvement to HKFRSs	Annual Improvements to HKFRSs 2012—2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation

Except as described below, 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.

Annual Improvements to HKFRSs 2012—2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34 has been amended to clarify that if any entity discloses the information required by the standard outside the interim financial information by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial information should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial information.

HKAS 1 (Amendments), Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial information.

Impact of new and revised HKFRSs issued but not yet effective

HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Income Taxes[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

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

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

3 Effective for annual periods beginning on or after 1 January 2019.

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

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

2. CHANGE IN ACCOUNTING ESTIMATES

Effective from 1 January 2016, the Group adjusted the residual values of vessels from USD420 (approximately RMB2,560) per light displacement ton to USD280 (approximately RMB1,818) per light displacement ton. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB60,926,000 for the Reporting Period, and that would have increased by approximately RMB1,678,730,000 for the future periods.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment

— oil shipment

— vessel chartering

(ii) dry bulk shipment

— coal shipment

— iron ore shipment

— other dry bulk shipment

— vessel chartering

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

Dry bulk shipment segment was discontinued in the Reporting Period (see note 8).

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			
	2016		**2015**	
	(Unaudited)		*(Unaudited and restated)*	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By principal activity:				
Continuing operations				
Oil shipment				
- Oil shipment	3,941,569	1,486,532	4,452,647	1,404,812
- Vessel chartering	1,322,627	372,282	822,345	165,730
	5,264,196	1,858,814	5,274,992	1,570,542
Others	50,513	(34,743)	55,207	(17,173)
	5,314,709	1,824,071	5,330,199	1,553,369
Discontinued operation				
Dry bulk shipment				
- Coal shipment	729,618	(10,058)	750,980	(7,330)
- Iron ore shipment	1,075,647	234,534	1,106,443	128,284
- Other dry bulk shipment	390,046	(64,254)	279,186	(27,510)
- Vessel chartering	666,480	(73,190)	664,642	(92,241)
	2,861,791	87,032	2,801,251	1,203
	8,176,500	1,911,103	8,131,450	1,554,572
Other income and net gains		101,468		568,308
Marketing expenses		(8,242)		(7,368)
Administrative expenses		(268,534)		(176,141)
Other expenses		(36,264)		(37,298)
Share of profits of associates		142,092		100,801
Share of profits of joint ventures		93,151		25,506
Finance costs		(540,589)		(478,932)
Elimination of discontinued operation		(87,032)		(1,203)
Profit before tax		1,307,153		1,548,245

	30 June 2016	31 December 2015
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Total segment assets		
Oil shipment	52,217,449	41,211,541
Dry bulk shipment (Discontinued)	—	35,051,713
Unallocated corporate assets	20,122,920	9,353,869
	72,340,369	85,617,123
Total segment liabilities		
Oil shipment	25,847,837	31,076,636
Dry bulk shipment (Discontinued)	—	15,928,745
Unallocated corporate liabilities	20,018,936	6,004,326
	45,866,773	53,009,707

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

The carrying amounts of oil tankers, LPG vessels and dry bulk vessels as at 30 June 2016 amounted to RMB29,040,273,000 (31 December 2015: RMB29,619,447,000), RMB81,082,000 (31 December 2015: RMB88,585,000) and RMBNil (31 December 2015: RMB25,204,771,000) respectively.

Geographical segments

	For the six months ended 30 June			
	2016		**2015**	
	(Unaudited)		*(Unaudited and restated)*	
	Turnover	**Contribution**	**Turnover**	**Contribution**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By geographical area:				
Continuing operations				
Domestic	1,292,188	555,166	1,230,648	540,360
International	4,022,521	1,268,905	4,099,551	1,013,009
	5,314,709	1,824,071	5,330,199	1,553,369
Discontinued operation				
Domestic	1,248,307	61,954	1,162,847	(29,340)
International	1,613,484	25,078	1,638,404	30,543
	2,861,791	87,032	2,801,251	1,203
	8,176,500	1,911,103	8,131,450	1,554,572
Other income and net gains		101,468		568,308
Marketing expenses		(8,242)		(7,368)
Administrative expenses		(268,534)		(176,141)
Other expenses		(36,264)		(37,298)
Share of profits of associates		142,092		100,801
Share of profits of joint ventures		93,151		25,506
Finance costs		(540,589)		(478,932)
Elimination of discontinued operation		(87,032)		(1,203)
Profit before tax		1,307,153		1,548,245
Turnover				
Total segment turnover		8,176,500		8,131,450
Less: inter-segment transactions		—		—
Total consolidated turnover		8,176,500		8,131,450

Other information

	For the six months ended 30 June 2016 *(Unaudited)*			
	Oil shipment	**Dry bulk shipment (Discontinued)**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	537,935	25,299	703,988	1,267,222
Depreciation	828,176	552,828	12,267	1,393,271
Loss on disposal of property, plant and equipment	(265)	(2,133)	(3)	(2,401)
Interest income	14,494	2,074	23,470	40,038
Provision for onerous contracts	227,028	9,557	—	236,585

	For the six months ended 30 June 2015 *(Unaudited and restated)*			
	Oil shipment	**Dry bulk shipment (Discontinued)**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to segment non-current assets	718,808	171,173	1,106,486	1,996,467
Depreciation	683,482	496,785	12,445	1,192,712
Loss on disposal of property, plant and equipment	(49,129)	(1,108,099)	(45)	(1,157,273)
Interest income	17,522	2,560	23,773	43,855
Provision for onerous contracts	27,566	55,918	—	83,484

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditure has been prepared for the Reporting Period and the six months ended 30 June 2015.

4. OTHER INCOME AND NET GAINS

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Other income		
Interest income from loan receivables	20,297	16,244
Bank interest income	17,667	25,051
Rental income from investment properties	12,095	10,190
Government subsidies (note)	8,855	488,621
Others	56,961	32,991
	115,875	573,097
Other gains/(losses)		
Dividends received from available-for-sale investments	—	933
Exchange (losses)/gains, net	(11,819)	39,195
Loss on disposal of property, plant and equipment, net	(268)	(49,128)
(Loss)/gain on revaluation of investment properties	(2,941)	3,508
Others	621	703
	(14,407)	(4,789)
Other income and net gains	101,468	568,308

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.

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
- Bank loans and other borrowings	542,811	415,352
- Corporate bonds	102,744	124,389
- Convertible bonds	—	14,677
- Hedge loan	277	1,029
	645,832	555,447
Less: Interest capitalised	(105,243)	(76,515)
Finance costs	540,589	478,932

During the Reporting Period, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 2.82% to 2.85% (six months ended 30 June 2015: 1.63% to 6.00%) per annum.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,008,359	1,618,996
Others (including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	2,482,279	2,157,834
	3,490,638	3,776,830
Operating lease rentals: minimum lease payments		
Land and buildings	10,506	10,990
Vessels	562,170	545,494
Total operating lease rentals	572,676	556,484
Staff costs (including directors' and supervisors' remuneration, wages, salaries, crew expenses and related expenses and pension scheme contributions)	654,876	599,193
Depreciation	840,443	695,927
Dry-docking and repairs	104,937	85,723
Provision for onerous contracts	227,028	27,566

7. INCOME TAX

(a) 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 Reporting Period and the six months ended 30 June 2015.

(b) 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	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Current tax		
Hong Kong		
- Provision for the period	—	—
PRC		
- Provision for the period	190,578	82,638
Deferred tax	3,775	1,799
Total income tax for the period	194,353	84,437

8. DISCONTINUED OPERATION

In order to build a specialised crude oil and refined oil transportation fleet and to become a global leader in the oil transportation market in terms of transportation capacities, the Group entered into an asset transfer agreement to dispose of the entire dry bulk shipment segment, which included China Shipping Bulk Carrier Co., Limited ("**Bulk Carrier**") and its subsidiaries, associates and joint ventures, to China COSCO Bulk Shipping (Group) Co., Ltd. ("**COSCO Bulk**") at a consideration of RMB4,993,243,000 which will be settled on net basis with the acquisition of Dalian Ocean. The transaction became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. On 30 June 2016, the Group completed the whole transaction of disposal of dry bulk shipment segment and acquisition of Dalian Ocean.

The dry bulk shipment segment was not previously classified as held-for-sale or as a discontinued operation. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

(a) Results of discontinued operation

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Turnover	2,861,791	2,801,251
Operating costs and other operating expenses	(3,075,185)	(3,125,246)
Other income and net losses	(26,591)	(449,556)
Share of (losses)/profits of associates and joint ventures	(60,252)	640
Results from operating activities	(300,237)	(772,911)
Income tax credit	93,886	189,395
Results from operating activities, net of tax	(206,351)	(583,516)
Gain on disposal of discontinued operation	966,852	—
Profit/(loss) for the period	760,501	(583,516)
Basic earnings/(loss) per share (RMB cents per share)	18.42	(14.84)
Diluted earnings/(loss) per share (RMB cents per share)	18.42	(14.84)

Of the profit for the period from the discontinued operation of RMB760,501,000 (six months ended 30 June 2015: loss of RMB583,516,000), an amount of RMB742,523,000 (six months ended 30 June 2015: loss of RMB575,866,000), was attributable to the owners of the Company. Of the profit for the period from continuing operations of RMB1,112,800,000 (six months ended 30 June 2015: RMB1,463,808,000), an amount of RMB1,108,116,000 (six months ended 30 June 2015: RMB1,423,347,000), was attributable to the owners of the Company.

(b) Net cash generated from discontinued operation

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Net cash generated from operating activities	1,217,130	170,564
Net cash (used in)/generated from investing activities	(43,233)	289,512
Net cash used in financing activities	(628,678)	(163,507)
Net cash inflow for the period	545,219	296,569

(c) Effect of disposal on the financial position of the Group

The carrying amounts of the identified assets/(liabilities) of discontinued operation at the date of disposal are as follows:

	30 June 2016
	(Unaudited)
	RMB'000
Property, plant and equipment	24,999,770
Investments in associates	315,165
Investments in joint ventures	3,880,361
Available-for-sale investments	4,300
Deferred tax assets	579,363
Inventories	298,893
Trade and bills receivables	1,660,360
Prepayments, deposits and other receivables	3,456,816
Cash and cash equivalents	1,201,073
Trade and bills payables	(590,836)
Other payables and accruals	(17,390,349)
Provision and other liabilities	(63,293)
Interest-bearing bank and other borrowings	(12,322,281)
Other loans	(875,349)
Obligations under finance leases	(378,610)
Tax payable	(2,765)
Net assets disposal of	4,772,618
Safety fund reserve	(47,493)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss upon disposal of the subsidiaries	362,032
Non-controlling interests	(1,060,766)
Gain on disposal	966,852
Total consideration receivable	4,993,243
Total consideration satisfied by:	
Receivable from China Ocean Shipping	4,993,243

	30 June 2016
	(Unaudited)
	RMB'000
Net cash outflow on disposal:	
Consideration received in cash	—
Cash and cash equivalents disposed of	(1,201,073)
Net cash outflow	(1,201,073)

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB1,850,639,000 (six months ended 30 June 2015: RMB847,481,000) and the weighted average of 4,032,033,000 (six months ended 30 June 2015: 3,880,679,000) shares in issue during the Reporting Period, calculated as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	*(Unaudited and restated)*
Profit for the period attributable to owners of the Company (RMB'000)	1,850,639	847,481
Weighted average number of shares in issue (thousands)	4,032,033	3,880,679
Basic earnings per share (RMB cents per share)	45.90	21.84

(b) Diluted earnings per share

The diluted earnings per share for the Reporting Period and the six months ended 30 June 2015 are the same as the basic earnings per share as the Group does not have any dilutive potential shares outstanding during both periods.

10. DIVIDENDS

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Dividends recognised as distribution during the Reporting Period:		
Final dividend for 2015 — RMB0.10 (six months ended 30 June 2015: Final dividend for 2014 — RMB0.03) per share	403,203	120,961

Final dividend of RMB0.1 per share in respect of the year ended 31 December 2015 was approved by shareholders on 20 May 2016 and a total amount of RMB120,144,000 was paid during the Reporting Period.

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

During the six months ended 30 June 2015, Dalian Ocean has distributed certain assets to a fellow subsidiary of Dalian Ocean due to group restructuring. After the distribution, total equity decreased by approximately RMB522,699,000.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2016, the Group's investment properties with fair value of RMB1,100,753,000 (31 December 2015: RMB1,097,975,000) were leased out. There was no significant change in the fair value of investment properties during the Reporting Period. The investment properties comprise commercial buildings located in the PRC, held under medium term lease.

During the Reporting Period, additions to construction in progress amounted to RMB1,260,842,000 (six months ended 30 June 2015: RMB1,990,197,000).

During the Reporting Period, no construction of vessels (six months ended 30 June 2015: 6 dry bulk vessels at cost of RMB1,393,332,000) were completed and were transferred from construction in progress to vessels.

During the Reporting Period, 100 dry bulk vessels with net carrying amount of RMB24,923,338,000 were disposed of resulting from disposal of discontinued operation.

During the Reporting Period, no other vessel (six months ended 30 June 2015: 27 dry bulk vessels and 2 oil tankers with net carrying amount of RMB1,425,445,000 and RMB231,913,000 respectively) were disposed of.

As at 30 June 2016, no vessels (31 December 2015: net carrying amount of certain vessels amounted to RMB591,780,000) were held under finance leases.

12. INVESTMENTS IN ASSOCIATES

	30 June 2016 *(Unaudited)* *RMB'000*	31 December 2015 *(Unaudited)* *RMB'000*
Share of net assets	1,045,031	1,205,863
Goodwill	835,105	835,105
	1,880,136	2,040,968

Note:

(1) In May 2015, the Company entered into an agreement with COSCO Bulk to incorporate China Ore Shipping Pte. Ltd. ("**China Ore Shipping**"), pursuant to which the Company held 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.

China Ore Shipping with the carrying amount of RMB315,165,000 was derecognised at 30 June 2016 resulting from the disposal of discontinued operation.

(2) In prior years, the Group recognised China Shipping Finance Co., Limited ("**CS Finance**") as a joint venture and accounted for using the equity method under the investments in joint ventures. In March 2016, China Shipping Container Lines Company Limited ("**CS Container**"), a fellow subsidiary of the Group, had completed the equity acquisition arrangement to further acquire 40% equity interests in CS Finance. As a result, CS Container held a total of 65% equity interests in CS Finance and became its controlling shareholder. Subsequent to the completion of the equity acquisition arrangement, the directors of the Company recognised CS Finance from a joint venture to an associate of the Group.

As both investments in associates and investments in joint ventures are accounted for using the equity method in the interim financial information, there is no gain or loss on such transfer of share of net assets of CS Finance.

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Review of the Oil Shipping Market

(1) Domestic market conditions

During the first half of 2016, stimulated by, among others, liberalisation of oil import rights and favourable profits from refinery processing in the domestic market, import quotas of domestic refineries increased significantly with strong motivation for processing, transshipment volume of imported oil increased year-on-year, oceanic oil and pipeline oil shipping remained stable, with strong demand and adequate supply in the overall domestic crude oil shipping market. However, affected by severe winter weather in the northern regions at the beginning of the year and insufficient tanker capacity at the ports, pressure at the ports was more significant, vessel efficiency declined year-on-year. Meanwhile, cargo owners optimised logistics structure in order to lower costs, and the trend of shortened shipping routes for oceanic oil shipping became apparent.

(2) International market conditions

During the first half of 2016, as a result of international crude oil prices hovering at low levels, the average price of foreign fuel oil fell by more than 44% year-on-year and the percentage of fuel cost in operating costs decreased from 30% to 19%, causing the TCE (time charter cost equivalent) of very large crude carrier ("**VLCC**") to continue to fluctuate at high levels. However, since the oil tanker delivery volumes in the current year and the coming year are significantly higher than the volume of two years ago, the mismatch in supply and demand of shipping capacity has intensified. Vessel utilisation rate showed a declining trend, consequently the TD3 freight index decreased by 24% year-on-year in the first half of the year, and the average index for several finished oil shipping lines decreased by more than 30% year-on-year.

2. **Review of the Dry Bulk Shipping Market**

Affected by weak market demand and an oversupply in shipping capacity, the recession of international dry bulk shipping market continued in the first half of 2016. The average value of the Baltic Dry Index ("**BDI**") was 486 points, representing a year-on-year decrease of 21.98%. In particular, the BDI on 10 February 2016 fell to a historic low of 290 points.

In respect of the coastal dry bulk shipping market, the economy of China maintained an overall balanced development condition during the first half of the year, industrial growth recovered gradually, and power generation and electricity consumption recorded small growth. However, since there was no obvious improvement in the mismatch of supply and demand conditions in market shipping capacity, the China Coastal Bulk Freight Index ("**CCBFI**") had an average value of 809 points during the first half of 2016, representing a year-on-year decrease of 5.9%.

(II) Review of Operating Results during the Reporting Period

Facing a complicated market environment, the Group adhered to the "strategic guidance and innovation-driven" principal and continued to implement the strategies of "major clients, great co-operation and comprehensive services" under the leadership of the Board. The Company actively pushed forward business consolidation and cultural blending in the reorganisation process, strived to fully utilise the synergy of the new structure under reorganisation, and achieved new breakthrough and effectiveness in various aspects including safety management, marketing, cost management and control, cost reduction and efficiency enhancement. The operating conditions of the Company improved significantly and an overall stable and sound development trend was maintained.

During the Reporting Period, the Group completed a freight volume of 112.207 million tonnes, representing a year-on-year increase of 1.1%, a shipping turnover of 330.2 billion tonne-nautical miles, representing a year-on-year decrease of 2.9%. Revenue from principal operations (after deducting business tax and surcharge, the same hereinafter) amounted to RMB8.18 billion, representing a year-on-year increase of 0.6%. Costs of principal operations amounted to RMB6.27 billion, reprenenting a year-on-year decrease of 4.7%. Net profit attributable to owners of the Company amounted to RMB1.85 billion.

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	Increase/ decrease in operating turnover as compared with the same period in 2015	Gross profit margin	
	(RMB'000)	*(%)*	*(%)*	*(%)*
			The first half of 2016	**The first half of 2015**
Domestic	**1,280,974**	**5.0**	**43.2**	**44.2**
Crude oil shipment	1,162,273	5.7	46.4	46.9
Refined oil shipment	64,476	-13.9	28.0	23.5
Charter income	54,225	17.3	-7.3	12.1
International	**3,983,222**	**-1.8**	**32.8**	**25.4**
Crude oil shipment	2,418,548	-6.5	36.1	24.6
Refined oil shipment	296,272	-57.1	19.0	34.2
Charter income	1,268,402	63.4	29.7	20.6
Sub-total of oil shipment	**5,264,196**	**-0.2**	**35.3**	**29.8**

Sub-business or sub-product	Operating turnover	Increase/ decrease in operating turnover as compared with the same period in 2015	Gross profit margin	
	(RMB'000)	*(%)*	*(%)*	*(%)*
			The first half of 2016	**The first half of 2015**
Domestic	**1,248,307**	**7.3**	**5.0**	**-2.5**
Coal shipment	550,879	-16.2	1.1	-0.6
Iron ore shipment	109,893	52.2	10.7	-67.9
Other dry bulk cargoes shipment	132,658	5.2	-9.4	-13.1
Charter income	454,877	48.2	12.5	13.0
International	**1,613,484**	**-1.5**	**1.6**	**1.9**
Coal shipment	178,739	91.6	-8.9	-3.8
Iron ore shipment	965,754	-6.6	23.1	17.1
Other dry bulk cargoes shipment	257,388	68.2	-20.1	-7.2
Charter income	211,603	-40.9	-61.4	-37.0
Sub-total of dry bulk shipment	**2,861,791**	**2.2**	**3.0**	**0.0**
Domestic LPG shipment	11,214	8.9	16.9	14.3
International LPG shipment	19,906	-12.4	29.6	19.1
Other cargoes shipment	19,393	-12.6	-219.3	-103.7
Sub-total of other cargoes shipment	**50,513**	**-8.5**	**-68.8**	**-31.1**
Total	**8,176,500**	**0.6**	**23.4**	**19.1**

(1) Shipping business — Oil shipments

During the first half of 2016, while adhering to the strategies of "major clients, great co-operation", the Group strived to capture market opportunities, further implemented operational management reforms, further promoted innovations in safety management and operational development, and used its best efforts to reduce cost and increase efficiency, as a result of which operational efficiency improved significantly.

For domestic oil shipment, since domestic benefits were obviously more than offshore benefits during the first half of the year, the Group fully capitalised on the combined advantages in both domestic and international shipping by injecting all domestic and international shipping and operating capacities into domestic shipping, as a result domestic shipping capacity increased by 8.9% year-on-year. Meanwhile, in response to the full liberalisation of the domestic crude oil market, the Group adhered to the major client strategy, innovated customer service model and operation model actively. The Company fully assumed the role of market coordinator in coordinating all shipping companies engaged in domestic shipping to commence swap and cooperation in vessel berths, shipping lines and cargo sources, further enhanced the competing and cooperative relationship among industry players. Through adopting a series of effective measures, the Company's domestic crude oil shipment volume in the first half of the year reached 23.85 million tonnes, increased by 2.3% year-on-year, of which domestic crude oil shipment of contract of affreightment cargoes accounted for approximately 90%, the domestic crude oil market share was 60%, further strengthened our market leading position, our market influence and control were increasing steadily.

For international oil shipments, the Group continued to improve market judgment and operation abilities through cooperation with international consulting agencies during the first half of the year and strived to capture market opportunities. The Group adhered to an operation strategy of diversification in markets, customers and shipping lines. Through continuous optimisation and adjustments, the balance in the structure of markets, customers and shipping lines was improved remarkably and the reliance on single customer, market and shipping line was reduced notably, market bargaining power and risk resistance abilities were enhanced significantly. Meanwhile, the Group made further progress in the cooperation with international renowned oil companies and achieved a breakthrough in the long-term vessel time-chartering business, which enhanced our Group's brand image and market influence remarkably. Through the above measures and the joint effect of a significant drop in fuel costs, the Group's international crude oil business recorded a gross profit margin of 36.1% in shipping even under a decreasing freight condition, representing an increase of 11.5% on a year-on-year basis. Gross profit was approximately RMB873 million, increased by approximately 37.5% year-on-year.

Table Showing Operating Conditions for Oil Shipment Segment in the First Half of 2016

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne nautical miles	YOY Increase/ decrease	RMB'000	YOY Increase/ decrease	The first half of 2016	The first half of 2015
Domestic	**8.29**	**5.6%**	**1,280,974**	**5.0%**	**43.2%**	**44.2%**
Crude oil shipment	8.01	7.4%	1,162,273	5.7%	46.4%	46.9%
Refined oil shipment	0.28	-28.2%	64,476	-13.9%	28.0%	23.5%
Charter income	—	—	54,225	17.3%	-7.3%	12.1%
International	**155.89**	**-11.3%**	**3,983,222**	**-1.8%**	**32.8%**	**25.4%**
Crude oil shipment	148.03	-3.4%	2,418,548	-6.5%	36.1%	24.6%
Refined oil shipment	7.86	-65.2%	296,272	-57.1%	19.0%	34.2%
Charter income	—	—	1,268,402	63.4%	29.7%	20.6%
Total	**164.18**	**-10.6%**	**5,264,196**	**-0.2%**	**35.3%**	**29.8%**

(2) Shipping business — Dry bulk shipments

For dry bulk cargo shipment, the Group actively responded to market challenges, further implemented reforms and used its best efforts to reduce losses and increase efficiency.

For domestic dry bulk shipment, the Group increased marketing efforts aimed at domestic major clients, commenced early negotiations on long-term shipping agreements at the beginning of the year, and used its best efforts to increase the successful rate of concluding the agreements.

For international dry bulk shipment, the Group actively implemented international strategies and continued to strongly expand ocean dry bulk shipping. In the fleet of very large dry bulk carriers, the Group continued to implement refined operation to ensure a steady stream of revenue. In the fleet of medium and small size vessels, the Group further strengthened its judgment on segmental markets and actively adjusted the structure of ocean cargo sources and market structure to improve swaps between domestic and international shipments. Shipments to third countries were also actively developed.

Table Showing Operating Conditions for Dry Bulk Shipment Segment in the First Half of 2016

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne nautical miles	YOY Increase/ decrease	RMB'000	YOY Increase/ decrease	The first half of 2016	The first half of 2015
Domestic	**45.95**	**29.8%**	**1,248,307**	**7.3%**	**5.0%**	**-2.5%**
Coal shipment	27.27	0.1%	550,879	-16.2%	1.1%	-0.6%
Iron ore shipment	9.69	217.7%	109,893	52.2%	10.7%	-67.9%
Other dry bulk cargoes shipment	8.99	75.9%	132,658	5.2%	-9.4%	-13.1%
Charter income	—	—	454,877	48.2%	12.5%	13.0%
International	**120.00**	**-0.9%**	**1,613,484**	**-1.5%**	**1.6%**	**1.9%**
Coal shipment	14.92	68.8%	178,739	91.6%	-8.9%	-3.8%
Iron ore shipment	85.49	-15.2%	965,754	-6.6%	23.1%	17.1%
Other dry bulk cargoes shipment	19.59	72.0%	257,388	68.2%	-20.1%	-7.2%
Charter income	—	—	211,603	-40.9%	-61.4%	-37.0%
Total	**165.95**	**6.1%**	**2,861,791**	**2.2%**	**3.0%**	**0.0%**

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 Liquefied Natural Gas (LNG) shipment

During the first half of 2016, the Group continued to push forward the work of all existing LNG projects steadily, implemented active coordination to ensure vessels of the Mobil DES project to operate smoothly, undertook full leadership and steadily proceeded with the construction of the APLNG project, fully cooperated with construction supervision of the YAMAL project, prepared conscientiously and participated actively in the competition of new projects and strived to develop LNG vessel management business, the economic benefits were enhanced steadily.

The fourth vessel in which East China LNG Shipping Investment Co., Limited ("**ELNG**") and North China LNG Shipping Investment Co., Limited ("**NLNG**"), two non-wholly-owned subsidiaries of the Company, held equity interest was delivered smoothly on 29 April 2016, currently four vessels have commenced operation. During the first half of the year, single vessel companies realised revenue of USD61.6654 million, net profit of USD8.0251 million and investment income of USD2.5633 million. The Group's joint venture, China LNG Shipping (Holdings) Limited ("**CLNG**"), currently has a total of six vessels in operation, realised revenue of RMB509 million and net profit of RMB195 million during the first half of the year.

2. Costs and expenses analysis

During the first half of 2016, while achieving well in transportation operations, the Group has seriously and consistently implemented the various requirements of the Board on further enhancing management, cost reduction and efficiency improvement. The strategic positioning of "winning with costs" was further emphasised. Starting on operational management and overall budget management, cost management and control were further strengthened and all types of various costs and expenses were effectively under control. In the first half of 2016, the Group's principal operations incurred total costs of RMB6.27 billion, decreased by 4.7% year-on-year. Effective control on costs ensured the significant improvement in the operating profit of the Group. The composition of costs of the Group's principal operations is set out as follows:

Item	**In the first half of 2016** *(RMB'000)*	**In the first half of 2015** *(RMB'000)*	**Increase/ decrease** *(%)*	**Composition ratio in the first half of 2016** *(%)*
Fuel cost	1,202,179	2,007,635	-40.1	19.2
Port cost	684,302	699,509	-2.2	10.9
Sea crew cost	794,890	785,271	1.2	12.7
Lubricants expenses	110,282	135,692	-18.7	1.8
Depreciation	1,361,043	1,170,553	16.3	21.7
Insurance expenses	154,833	133,261	16.2	2.5
Repair expenses	144,733	174,452	-17.0	2.3
Charter cost	1,343,483	1,048,832	28.1	21.4
Others	469,652	421,673	11.4	7.5
Total	**6,265,397**	**6,576,878**	**-4.7**	**100.0**

Fuel costs were the most important expenses in cost control for shipping enterprises. During the first half of 2016, the Group fully utilised the comprehensive management and control effect of the operation platform of China COSCO Shipping Corporation Limited after reorganisation. By entering into closer cooperative relationship with suppliers and traders, enhancing the market research and judgment mechanism, precious opportunities were captured during the drastic fall in international fuel prices to lock the level of fuel costs. Meanwhile, through the implementation of the best efficient shipping speed and the technical processes of, among others, controlling temperature increase in cargoes and oil, cabin cleaning, inert gas charging and ballast water replacement, the fuel utilisation rate was enhanced.

During the first half of 2016, the Group's fuel cost was RMB1,202.2 million, decreased by 40.1% year-on-year, representing 19.2% of the costs of principal operations. By adopting economical shipping speed, centralised purchasing, oil lock and various energy saving measures, the Group maintained significant results in cost control. While a year-on-year decrease of 2.9% in turnover volume, the fuel consumption volume was 0.75 million tonnes, increased by 1.9% year-on-year, average fuel consumption was 2.26kg/thousand nautical miles, increased by 5% year-on-year.

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

During the first half of 2016, the Group continued to use "major clients, great co-operation and comprehensive services" as the means to reinforce cooperation with joint ventures and associates, strengthen the management of joint ventures and associates, communicate closely with shareholders to secure further support for joint ventures and associates from the shareholders, as well as continued to strengthen cost management and control of joint ventures and associates to ensure reasonable return for the Group.

During the first half of 2016, the Group recognised investment gains incurred by the joint ventures of approximately RMB15.21 million, compared with investment gains of approximately RMB26.15 million recorded for the same period in 2015. During the first half of 2016, the turnover volume completed by the Group's eight major joint ventures was approximately 59.94 billion-tonne nautical miles; revenue realised from operations was approximately RMB3.3 billion and net profit was approximately RMB100 million.

As at 30 June 2016, the eight joint ventures had total shipping capacity of 97 vessels of 5.54 million deadweight tonnes and 15 vessels of 2.75 million cubic metre were under construction.

The operating conditions of the eight joint ventures during the first half of 2016 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 ("**Shenhua Zhonghai**")	49%	21.43	879,995	18,277
Shanghai Times Shipping Co., Limited	50%	23.17	1,487,758	-161,745
Guangzhou Development Shipping Co., Limited	50%	2.88	167,286	-12,267
Shanghai Friendship Marine Co., Limited	50%	0.96	68,189	217
Huahai Petrol Transportation & Trading Co., Limited	50%	1.05	77,977	11,016
CLNG	50%	9.20	508,910	195,216
Sino-Ocean Shipping Co., Ltd.	50%	0.47	30,292	9,433
Offshore Oil (Yangpu) Shipping Co., Ltd.	43%	0.78	96,894	40,197
Total		**59.94**	**3,317,301**	**100,344**

As at 30 June 2016, the two associates owned 11 vessels with a total shipping capacity of 2.19 million deadweight tonnes.

The operating conditions of the two associates during the first half of 2016 are as follows:

Company name	Interest held by the Group	Shipping volume	Operating revenue	Net profit
		(billion tonne nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	6.39	663,587	294,168
China Ore Shipping	49%	37.50	236,126	26,158
Total		**43.89**	**899,713**	**320,326**

The Company's associate, CS Finance (non-shipping enterprise, 25% equity interest was held by the Company) realised net profit of approximately RMB64.3 million during the first half of 2016 (First half of 2015: approximately RMB111.0 million).

(III)Financial analysis

1. Net cash inflow

The net cash inflow from operating activities of the Group was RMB2,607,786,000 and RMB3,061,013,000 for the Reporting Period and the six months ended 30 June 2015 respectively.

2. Capital commitments

	30 June 2016	31 December 2015
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Authorised and contracted for:		
Construction and purchases of vessels *(note 1)*	9,381,787	12,148,434
Project investments *(note 2)*	658,335	696,341
Equity investments *(note 3)*	—	777,517
	10,040,122	13,622,292

Note:

(1) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2016 to 2018.

(2) Included capital commitments in respect of project investments are commitments to invest in projects held by a joint venture, CLNG.

(3) Included capital commitments in respect of equity investments are commitments to invest in a former associate, China Ore Shipping, and a former joint venture, Shenhua Zhonghai, of the Group. The capital commitments are derecognised resulting from the disposal of discontinued operation.

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 RMBNil (31 December 2015: RMB121,975,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB2,370,399,000 (31 December 2015: RMB2,929,925,000).

3. Capital structure

The Group's net debt-to-equity ratio as at 30 June 2016 and 31 December 2015 was as follows:

	30 June 2016 *(Unaudited)* *RMB'000*	**31 December 2015** *(Unaudited and restated)* *RMB'000*
Total debts	37,867,245	49,056,531
Less: Cash and cash equivalents	(4,359,860)	(4,863,247)
Net debt	33,507,385	44,193,284
Total equity	26,473,596	32,607,416
Net debt-to-equity ratio	126.57%	135.53%

4. Trade and bills receivables

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

	30 June 2016 *(Unaudited)* *RMB'000*	**31 December 2015** *(Unaudited and restated)* *RMB'000*
1 - 3 months	1,188,452	2,060,861
4 - 6 months	95,281	621,775
7 - 9 months	19,217	63,549
10 - 12 months	28,942	40,055
1 - 2 years	60,152	4,983
Over 2 years	1,536	75
	1,393,580	2,791,298

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.

5. Trade and bills payables

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

	30 June 2016	**31 December 2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
1 - 3 months	529,909	974,630
4 - 6 months	46,557	121,471
7 - 9 months	85,399	52,316
10 - 12 months	31,336	80,573
1 - 2 years	6,342	39,559
Over 2 years	200,724	209,423
	900,267	1,477,972

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

6. Provision and other liabilities

	30 June 2016	31 December 2015
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Provision for onerous contracts (note)	396,176	340,447
Others	15,317	15,414
	411,493	355,861
Less: Current portion	(231,914)	(181,308)
Non-current portion	179,579	174,553

Note:

Details of provision for onerous contracts are as follows:

	30 June 2016	31 December 2015
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
At beginning of period/year	340,447	328,789
Provision during the period/year	236,585	225,631
Utilised during the period/year	(123,020)	(215,109)
Disposal of discontinued operation	(63,293)	—
Exchange realignment	5,457	1,136
At end of period/year	396,176	340,447
Current portion	231,914	181,308
Non-current portion	164,262	159,139
	396,176	340,447

As at 30 June 2016, the Group has a provision of RMB396,176,000 (31 December 2015: RMB340,447,000) for onerous contracts relating to the non-cancellable chartered-in vessel contracts.

As at 30 June 2016, the committed charterhire expenses of non-cancellable chartered-in 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 vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB4,107,751,000 (31 December 2015: RMB4,509,494,000).

7. Derivative financial instruments

	30 June 2016	**31 December 2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Liabilities		
Current portion	—	4,258
Non-current portion	795,528	411,385
	795,528	415,643

As at 30 June 2016, the Group held thirty (31 December 2015: thirty-two) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was approximately USD537,040,000 (approximately RMB3,561,222,000) (31 December 2015: approximately USD709,800,000 (approximately RMB4,609,159,000)). The interest rate swap agreements, with maturity in 2016, 2031 and 2032, are designated as cash flow hedges in respect of the bank borrowings of the Group with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3 month London Inter-Bank Offered Rate ("**Libor**") plus 0.42%, 0.65% or 2.20% (six months ended 30 June 2015: 3 month Libor plus 0.42%, 0.65% or 2.20%).

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

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Total fair value (loss)/profit included in the hedging reserve	(369,071)	33,934
Hedge loan interest included in finance costs	(277)	(1,029)
Total (loss)/profit on cash flow hedges of interest rate swap agreements	(369,348)	32,905

On 5 March 2016, one of the interest rate swap agreements with Agricultural Bank of China with notional principal amount of USD100,000,000 was matured.

On 18 March 2016, the Group released one of the interest rate swap agreements with Citibank, N.A, Hong Kong, and its notional principal amount was USD72,760,000 prior to maturity in September 2016.

8. Interest-bearing bank and other borrowings

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

	Annual effective interest rate (%)	Maturity	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000
Current liabilities				
(i) Bank borrowings				
Secured	5% to 10% discount to the People's Bank of China ("**PBC**") Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38% to 2.15%, 3 month Libor + 0.42% to 2.15%, 6 month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2016 to 2017	720,860	1,891,949
Unsecured	10% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.75% to 3%, 3 month Libor + 0.65% to 2.80%, 6 month Libor + 0.70%, fixed rate of 1.70% to 4.80%	2016 to 2017	7,884,898	6,583,848
			8,605,758	8,475,797

	Annual effective interest rate (%)	Maturity	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000
(ii) Other borrowings				
Secured	5% discount to the PBC Benchmark interest rate	2016 to 2017	—	8,670
Unsecured	6 month Libor + 2.10% to 2.50%, fixed rate of 3.05% to 5.62%	2016 to 2017	1,363,120	2,579,360
			1,363,120	2,588,030
Interest-bearing bank and other borrowings — Current portion			9,968,878	11,063,827
Non-current liabilities				
(i) Bank borrowings				
Secured	5% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3 month Libor + 0.42% to 2.20%, 6 month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2018 to 2037	10,123,856	16,672,834
Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.70%, 3 month Libor + 0.65% to 2.80%, 6 month Libor + 0.70%	2017 to 2026	8,244,781	10,339,898
			18,368,637	27,012,732

	Annual effective interest rate (%)	Maturity	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000
(ii) Other borrowings				
Secured	5% discount to the PBC Benchmark interest rate	2023	—	100,470
Unsecured	6 month Libor + 2% to 2.50%, fixed rate of 3.60% to 6.15%	2017 to 2018	4,663,120	5,298,721
			4,663,120	5,399,191
Interest-bearing bank and other borrowings — Non-current portion			23,031,757	32,411,923

As at 30 June 2016, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 21 (31 December 2015: 67) vessels and 6 (31 December 2015: 6) vessels under construction with total net carrying amount of RMB8,476,065,000 (31 December 2015: RMB25,186,540,000) and RMB6,842,070,000 (31 December 2015: RMB6,004,226,000) respectively.

(b) As at 30 June 2016, the Group's interest-bearing bank and other borrowings were repayable as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000
Analysed into:		
(i) Bank borrowings:		
Within one year or on demand	8,605,758	8,475,797
In the second year	4,732,449	6,113,755
In the third to fifth year, inclusive	6,450,259	11,052,349
Over five years	7,185,929	9,846,628
	26,974,395	35,488,529
(ii) Other borrowings:		
Within one year or on demand	1,363,120	2,588,030
In the second year	1,663,120	1,658,540
In the third to fifth year, inclusive	3,000,000	3,680,215
Over five years	—	60,436
	6,026,240	7,987,221
	33,000,635	43,475,750

9. Bonds payable

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000
Corporate bonds	3,980,234	3,978,488

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

	RMB'000
Balance as at 31 December 2015 *(Unaudited)*	3,978,488
Interest charge	1,746
Balance as at 30 June 2016 *(Unaudited)*	3,980,234
Less: Current portion	—
Non-current portion	3,980,234

As at 30 June 2016, the balances of bonds payable are as follows:

Issue date	**Term of the bond**	**Total principal value**	**Book value of bond at initial recognition**	**At 31 December 2015**	**Interest charge**	**At 30 June 2016**
				(Unaudited)		*(Unaudited)*
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
3 August 2012	10 years	1,500,000	1,487,100	1,490,804	591	1,491,395
29 October 2012	7 years	1,500,000	1,488,600	1,493,277	808	1,494,085
29 October 2012	10 years	1,000,000	992,400	994,407	347	994,754
		4,000,000	3,968,100	3,978,488	1,746	3,980,234

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015.

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

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

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

10. Business Combination Under Common Control

On 29 March 2016, the Company acquired 100% equity interests in Dalian Ocean from China Ocean Shipping at a consideration of RMB6,629,408,800 which was unpaid and will be settled on net basis with the disposal of discontinued operation. The principal activities of Dalian Ocean were oil and LPG shipment along the PRC coast and international shipment. The financial statements of Dalian Ocean are consolidated by the Group as the Group has control over operating and financial policies of this entity.

As mentioned in note 1.1(b) under the heading of "I. MAJOR FINANCIAL DATA", the Group has applied merger accounting as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for the business combination under common control. Accordingly, Dalian Ocean has been combined since 1 January 2015, the earliest financial period presented, as if the acquisition had occurred at that time.

The reconciliation of the effect arising from the common control combination on the condensed consolidated statements of financial position as at 30 June 2016 and 31 December 2015 is as follow:

	30 June 2016			
	The Group excluding Dalian Ocean *(Unaudited) RMB'000*	**Dalian Ocean** *(Unaudited) RMB'000*	**Adjustment** *(Unaudited) RMB'000*	**Consolidated** *(Unaudited) RMB'000*
Non-current assets				
Investment in a subsidiary	6,629,409	—	(6,629,409)	—
Other non-current assets	34,969,266	13,469,493	2,431	48,441,190
	41,598,675	13,469,493	(6,626,978)	48,441,190
Current assets				
Other current assets	18,370,903	1,179,228	(10,812)	19,539,319
Cash and cash equivalents	1,725,026	2,634,834	—	4,359,860
	20,095,929	3,814,062	(10,812)	23,899,179
Current liabilities				
Other current liabilities	13,002,416	3,615,018	(12,637)	16,604,797
Net current assets	7,093,513	199,044	1,825	7,294,382
Total assets less current liabilities	48,692,188	13,668,537	(6,625,153)	55,735,572
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	6,378,153	(6,378,153)	4,032,033
Reserves	22,768,206	328,761	(247,608)	22,849,359
	26,800,239	6,706,914	(6,625,761)	26,881,392
Non-controlling interests	(441,178)	33,382	—	(407,796)
Total equity	26,359,061	6,740,296	(6,625,761)	26,473,596
Non-current liabilities				
Other non-current liabilities	22,333,127	6,928,241	608	29,261,976
Total equity and non-current liabilities	48,692,188	13,668,537	(6,625,153)	55,735,572

	31 December 2015			
	The Group excluding Dalian Ocean	**Dalian Ocean**	**Adjustment**	**Consolidated**
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited and restated)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Other non-current assets	61,912,752	13,399,430	2,484	75,314,666
Current assets				
Other current assets	4,380,012	1,062,048	(2,850)	5,439,210
Cash and cash equivalents	2,085,889	2,777,358	—	4,863,247
	6,465,901	3,839,406	(2,850)	10,302,457
Current liabilities				
Other current liabilities	10,129,192	3,961,540	(1,682)	14,089,050
Net current liabilities	(3,663,291)	(122,134)	(1,168)	(3,786,593)
Total assets less current liabilities	58,249,461	13,277,296	1,316	71,528,073
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	6,378,153	(6,378,153)	4,032,033
Reserves	21,665,173	(331,620)	6,378,956	27,712,509
	25,697,206	6,046,533	803	31,744,542
Non-controlling interests	825,997	36,877	—	862,874
Total equity	26,523,203	6,083,410	803	32,607,416
Non-current liabilities				
Other non-current liabilities	31,726,258	7,193,886	513	38,920,657
Total equity and non-current liabilities	58,249,461	13,277,296	1,316	71,528,073

The above adjustments represent adjustments to eliminate the paid-up capital of Dalian Ocean against the Group's investment cost in Dalian Ocean and current accounts between the Group and Dalian Ocean as at 30 June 2016 and 31 December 2015, respectively and adjustments to achieve consistency of accounting policies.

The effect of the business combination of entities under common control, described above, on the Group's basic and diluted earnings per share for the six months ended 30 June 2015 is as follows:

	Impact on basic earnings per share *RMB cents*	**Impact on diluted earnings per share** *RMB cents*
Reported figures before restatement	7.84	7.84
Restatement arising from business combination of entities under common control	14.00	14.00
Restated	21.84	21.84

The effect of business combination of entities under common control described above on the Group's net profit for the period for the six months ended 30 June 2015 is as follows:

	Net profit *RMB'000*
Reported figures before restatement	334,650
Restatement arising from business combination of entities under common control	545,642
Restated	880,292

11. Contingent liabilities

(1) On 20 February 2011, one oil tanker of Dalian Ocean, "Yang Mei Hu", during the time of berthing in Mohammedia port, clashed the dock bollard. On the same day, the dock authority applied for the detention of "Yang Mei Hu" and required Dalian Ocean to compensate losses incurred by the above event. In March 2011, after the protection and indemnity club of "Yang Mei Hu" provided a guarantee letter in the amount of Dirham55 million (approximately RMB37 million) for security, "Yang Mei Hu" left the port. In April 2014, the dock authority filed suit in the local court of Morocco and required Dalian Ocean to compensate the loss in the amount of approximately RMB28,000,000.

Since Dalian Ocean had been insured, all compensations will be borne by the insurance companies, according to the membership certificate underwriting agreement. As at 30 June 2016, Dalian Ocean was still in the process of setting all issues concerned.

(2) 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 2016, there was no such contingent liabilities resulting from disposal of discontinued operation.

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

(4) ELNG holds 30% equity interests in each of Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and NLNG, 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 USD8,200,000 (approximately RMB54,376,000).

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

(5) 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 2016, there was no such contingent liabilities resulting from disposal of discontinued operation.

(6) On 23 December 2013, five oil tankers of the Group "Danchi", "Baichi", "Daiqing 71", "Daiqing 72" and "Ruijintan" extracted oil from "Bohaiyouyihao". This act was sued by a group of plaintiffs for ocean pollution. As at 23 April 2014, claims on damage caused by ocean pollution amounted to an aggregate of RMB47,452,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Shanghai Branch), the London P&I Club and SKULD, all compensation will be borne by the insurance companies. On 3 November 2015, the court approved the plaintiffs to withdraw the claims after an arbitration on 28 August 2015.

(7) 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 RMB3,249,288,000). 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 RMB42,440,000).

(8) At the 2015 sixth Board meeting on 28 April 2015, the Company approved Bulk Carrier to guarantee not more than 50% of the total debt of Guangzhou Development Shipping Co., Limited, a former joint venture of the Group, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable. The guarantee was derecognised resulting from the disposal of discontinued operation.

12. 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 2016, the Group's foreign exchange liabilities mainly comprised secured bank loans of approximately RMB10,844,657,000 (31 December 2015: approximately RMB17,101,903,000), and unsecured bank and other borrowings of approximately RMB13,301,568,000 (31 December 2015: approximately RMB13,555,203,000). In addition, the Company would pay dividend for H shares in HKD.

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

(IV) Others

1. Fleet expansion

During the first half of 2016, the Group has achieved further progress in fleet development.

The cash outflow from investing activities of the Group was approximately RMB893 million during the first half of 2016 for the payment of, among others, construction costs of vessels, conversion costs of vessels and investments in joint ventures, of which capital expenditure amount such as progress payment for vessels construction, paid by the Group was approximately RMB1,160 million.

In terms of fleet development, the Group had no newly constructed vessels in operation during the first half of 2016.

As at 30 June 2016, the Group owned 99 vessels of 14.06 million deadweight tonnes with particulars as follows:

	Self-owned vessels		
	Numbers	Deadweight tonnes (million)	Average age (years)
Oil tankers	95	14.05	7.5
LPG vessels	4	0.01	10.4
Total	99	14.06	7.6

2. Material investments

For details of material investments held by the Group, please refer to notes 11 and 12 under the heading of "I. MAJOR FINANCIAL DATA".

(V) Outlook and highlights for the second half of 2016

1. Competitive landscape and development trend in the industry

At present, the global economic conditions remain challenging and complicated, and are facing many uncertainty factors. The economy of China is in the critical period of deepening reforms and structural adjustments, downside pressure on the economy is relatively high, and L-shape economic growth will become a normal condition. Meanwhile, global supply of shipping capacity has no sign of reduction, weak growth in demand and oversupply of production capacity are also affecting the shipping industry, the overall condition of shipping remains challenging.

With respect to oil transportation, international crude oil prices are hovering at low levels which have brought immense pressure to petrochemical enterprises and will gradually transmitted to the shipping industry. Meanwhile, international oil shipment market is still in the downturn corridor and has experienced volatile fluctuations. Viewing from the industry cycle, the third quarter is the traditional low season, but new shipping capacity will be delivered gradually in the third and fourth quarters of this year, which will exert pressure on the market freight rates.

2. Development strategies and work initiatives of the Company

Facing the above conditions, the Group will grasp the historical opportunities of reorganisation to strengthen "strategic guidance, innovation-driven" measures and fully capitalise on the effects of economies of scale and synergies to ensure safety and stability and improve quality and efficiency. The Group will focus efforts on the following aspects of work:

(1) Strengthen safety management, continue to enhance safety management standards, ensure the safe development of enterprises. The Group will adhere to the principles of "safe in nature, safe development" to build an excellent safety culture, stimulate the internal driving force within the safety management team, fully capitalise on synergies, enhance the operating efficiency and quality of the safety system, consolidate the foundation of "safe marketing" and strive to build the core competitiveness of the Group on safe brands.

(2) Conduct conscientious market research and judgment, fully capture opportunities, operate in a stable and sound manner. The Group will adhere to the principle of "brain storming for intelligence" to establish a model for market analysis from the aspect of trading, continue to enhance market research and judgment abilities and responsiveness to changes and improve the operating ability of the shipping fleet. The Group will continue to adhere to the strategies of "major clients, great co-operation and comprehensive services" by considering the different conditions in the domestic and international shipment markets to adopt specific operating strategies, enhancing the service attitude continuously, striving to satisfy customer demand and create value for customers actively.

    For domestic oil shipments, the Group will continue to deepen cooperation with the big three domestic petroleum companies, innovate and deepen the competitive and cooperative model persistently to establish a nationwide customer marketing services network with regional centers in Dalian, Shanghai and Guangzhou. The Group plans to complete the acquisition of 43% equity interest in Shenzhen Sanding Oil-Shipping Co., Ltd. ("**Shenzhen Sanding**") under the support of the controlling shareholder within this year to further consolidate and enhance the Group's market share and leading position in the domestic oil shipment market.

    For international oil shipments, the Group will closely follow China's globalisation strategy for petrochemical enterprises and the strategy of "One belt, one road", and will actively promote and realise the change of international operations towards a globalisation pattern. During the process of globalisation, the Group will also establish a global marketing services network and a global safety assurance system to enhance our operating abilities in international markets comprehensively. Meanwhile, the Group will continue to capitalise on the advantages of the linkage between domestic and international markets to establish a scientific market research and judgment mechanism, enhance the adjustment to the structure of shipping routes, strive to fix loading at high levels for VLCC, plan for the proportion of time-charter scientifically, and strive to increase profitability and the ability to calm market fluctuations.

For LNG transportation, the Group will fully capitalise on the synergy of reorganisation and focus on the work of developing strategic plans for the LNG business, project development, allocation of resources and building of talent teams to enhance the efficiency of management and control, reduce operating costs and drive faster and better developments in the LNG business.

(3) Accelerate adjustments to the fleet structure, enhance the fleet's competitiveness. Facing an increasingly complicated market environment, the Group will firmly grasp the strategic opportunities arising from the construction of the "21st Century Maritime Silk Road" by the State. By leveraging on the theme lines of "four leading advantages", the vision of "becoming the most respected and most trustworthy global energy transportation service provider", the objectives of being "stronger than the crisis awareness of competitors, stronger than the courage and vigor of competitors, stronger than the innovative abilities of competitors", and adhering to the "strategic guidance and innovation-driven" principles, the "13th Five-year Plan" will be formulated with sufficient reasonableness. The Group will focus on the disposal of old and obsolete vessels, construction and delivery of large vessels, while optimizing the fleet structure continuously, and will promote fleet upgrading and technical upgrading to enable the development of a large-scale, modern and low-carbon fleet of vessels to improve the overall competitiveness of the fleet.

(4) Adhere to the cost leading strategy, continue to improve operating efficiency and cost reduction and control standards. Under the challenging environment of persistent recession in the market, the Group will control costs actively and enhance competitiveness continuously. During the second half of 2016, the Group will leverage on the advantages of a significant increase in shipping capacity of the China COSCO Shipping Corporation Limited after reorganisation to seek greater preferential benefits in the

negotiations with global purchasers and suppliers. At the current favorable opportunity of persistent low oil prices, the Group will lock the fuel price scientifically and reasonably and focus on procurement work. Meanwhile, the Group will further increase the consolidation efforts on internal resources, optimise the allocation of resources, continue to enhance communication and coordination with suppliers, strive to achieve new breakthroughs in the management and control of cost items such as crew expenses, vessel repair expenses and port expenses, and strive to build up the low-cost competitive edge.

(5) Strengthen the management of funds, practically enhance the benefits and efficiency of funds in operation, prevent financial risk effectively. According to the new vessel delivery plans, capital expenditure of the Group in the second half of 2016 will be approximately RMB3.11 billion. Therefore, the Group will further enhance cooperation with banking institutions by capitalizing on both the domestic and international markets, using financial instruments reasonably to secure funding requirements, improving benefits and efficiency of funds in operation constantly, reducing the cost of capital, maintaining relatively stable and sound financial structure and practically preventing financial risk and capital risk. Currently, risks of financial markets have increased, fluctuations in exchange rates have intensified, the Group will place great importance on exchange rate and interest rate risks, and will strengthen the market tracking analysis, optimise the debt proportional structure according to the trend of exchange rates in order to control risk effectively.

(6) Strengthen the nurturing of talents and team building. The Group will formulate the "13th Five-year Plan" for the team building of cadre talents according to the fleet development plan and development needs of various business segments and enhance the team building for international and composite style of cadre talents. Meanwhile, the Group will explore actively and establish a long-term mechanism for education and training, promote the implementation of an equity incentive scheme and improve the business standards and working abilities of staff persistently to secure human resources for fleet development.

III. OTHER MATTERS

1. Events after the Reporting Period

(i) On 22 August 2016, the Company entered into an asset transfer agreement with the Guangzhou Zhenhua Shipping Co. Ltd ("**Guangzhou Zhenhua**"), whereby the Company will acquire 43% equity interest in Shenzhen Sanding from Guangzhou Zhenhua. The consideration for the acquisition will be determined by reference to the net asset value of Shenzhen Sanding as at 31 July 2016.

As at 30 June 2016, the Company held 8% equity interest in Shenzhen Sanding and the investment was recognised as available-for-sale investments. Upon the completion of the above transaction, the Company will hold 51% equity interest in Shenzhen Sanding and Shenzhen Sanding will be accounted as a subsidiary of the Company and consolidated into the Group.

(ii) In accordance with the asset transfer agreement and compensation agreement entered into among the Company, China Ocean Shipping and COSCO Bulk, the shortfall among the current account with Bulk Carrier, consideration for acquisition of Dalian Ocean and consideration for disposal of Bulk Carrier has been settled in net basis on 15 July 2016.

According to the audited report by Baker Tilly China Certified Public Accountants, the total equity attributable to owners of Bulk Carrier decreased by RMB339,143,000 during the transition period (i.e. from valuation date to closing audit date). And based on the asset transfer agreement, the loss incurred by Bulk Carrier should be borne by the Company during the transition period and the Company will compensate China Ocean Shipping in cash which is included as part of the consideration for disposal of Bulk Carrier.

According to the audited report by Ruihua Certified Public Accountants, the total equity attributable to owners of Dalian Ocean increased by RMB660,380,000 during the transition period. And based on the asset transfer agreement, the profit generated by Dalian Ocean has been earned by the Company during the transition 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 three 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") as set 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 Reporting Period.

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 may be in different forms, such as seminars, site visits and study tours.

As at 30 June 2016, the Company had 8,813 employees (as at 30 June 2015:9,439). During the Reporting Period, the total staff cost was approximately RMB1,091 million (same period in 2015: approximately RMB1,050 million).

7. Proposed change of Company name and proposed amendments to the articles of association

On 3 June 2016 , the Board proposed to change the Chinese and English names of the Company from "中海發展股份有限公司" and "China Shipping Development Company Limited" to "中遠海運能源運輸股份有限公司" and "COSCO SHIPPING Energy Transportation Co., Ltd.", respectively, in order to better reflect the the nature of the business of the Group following the completion of the restructuring of the Group's business. The change of Company name is subject to (i) the passing of special resolutions by the shareholders at the extraordinary general meeting to approve the change of name and the relevant amendments to the articles of association; and (ii) the approval by the Ministry of Commerce and the relevant Administration of Industry and Commerce of the PRC.

Separately, the Board proposed to make certain amendments to the articles of association in relation to, among other things, miscellaneous changes with a view to further enhancing corporate governance and investor protection. The proposed amendments to the articles of association are subject to the passing of a special resolution at the extraordinary general meeting by the shareholders and completion of the registration procedures with the relevant PRC government authorities.

A circular containing, among other things, details of the proposed change of Company name and the proposed amendments to the articles of association together with a notice of the extraordinary general meeting has been despatched to the shareholders of the Company on 4 August 2016 and the extraordinary general meeting will be convened on 19 September 2016 for the purpose of considering and, if thought fit, passing the resolutions to approve the above proposals.

8. 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.

9. 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 Reporting Period and the six months ended 30 June 2015, but is derived from the condensed consolidated financial information prepared in accordance with the applicable disclosure requirements of the Listing Rules and HKAS 34 "Interim Financial Reporting". The condensed consolidated financial information for the Report Period will be included in the interim report of the Company for the Report Period 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
Sun Jiakang
Chairman

Shanghai, the PRC
29 August 2016

As at the date of this announcement, the Board comprises Mr. Sun Jiakang, Mr. Huang Xiaowen, Mr. Ding Nong and Mr. Yu Zenggang as executive Directors, and Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors.