ANNUAL REPORT 2016

中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
Stock Code : 368

COMPANY PROFILE

Sinotrans Shipping Limited and its subsidiaries (collectively known as "the Group") is one of the largest shipping companies in China and leading shipping enterprises of the world. Headquartered and listed in Hong Kong, our Group has subsidiaries or offices in Beijing, Shanghai, Shenzhen, Canada, Singapore, the United Kingdom, Germany and other places, with businesses and customers spreading all over the world. We dedicate to providing professional, high-quality and comprehensive shipping services for our customers, and have established a strong reputation and brand image in the industry.

The Company is an integrated shipping enterprise involved in investment, operation and management of vessels with dry bulk shipping and container shipping as our core businesses. Our dry bulk business is engaged in transportation of bulk cargoes such as iron ore, coal, grain, steel and other break-bulk cargoes along the major trade routes of the world. The container shipping business focuses on Intra-Asia market which has a relatively high-potential development, and our core competence lies particularly in Taiwan routes and Japan routes.

In addition, the Company actively looks for opportunities that can provide long-term stable returns, and has successfully realized the diversification by expanding its business into the LNG shipping market in 2015.

We own, operate and manage a scaled modern fleet. As at 31 December 2016, the total controlled fleet of the Group was 107 vessels with an aggregate capacity of approximately 7.155 million DWT, among which, 48 vessels were owned by the Group, including 37 dry bulk vessels with an aggregate capacity of approximately 3.417 million DWT (9 Capesize dry bulk vessels, 11 Panamax dry bulk vessels, 13 Handymax dry bulk vessels and 4 Handysize dry bulk vessels) and 11 container vessels with an aggregate capacity of 9,537 TEU. The average age of our self-owned fleet was 6.38 years.

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FINANCIAL HIGHLIGHTS

	2016 US$'000	2015 US$'000
Results		
Revenues	**841,461**	999,774
Loss for the year	**(242,114)**	(81,537)
Loss attributable to owners of the Company	**(229,579)**	(66,334)
Basic and diluted loss per share	**US(5.75) cents**	US(1.66) cents
Loss attributable to owners of the Company excluding non-cash vessels impairment and provision for onerous contracts, net [(1)]	**(58,605)**	(64,328)
Dividend	**20,472[(2)]**	–
Financial Position		
Total assets	**2,074,342**	2,353,225
Total liabilities	**278,099**	296,231
Equity attributable to owners of the Company	**1,788,437**	2,035,380
Available fund [(3)]	**693,068**	655,003
Interest bearing liabilities	**70,888**	78,617
Interest bearing debt ratio [(4)]	**3.4%**	3.3%

(1) Non-cash vessels impairment and provision for onerous contracts are US$177,709,000 (2015: reversal of US$1,591,000), of which US$170,974,000 (2015: US$2,006,000) is attributable to owners of the Company.
(2) Representing the proposed final dividend of HK4 cents (equivalent to US0.51 cents). Details are set out in Note 15 of the notes to the consolidated financial statements.
(3) Include bank deposit, cash and bank balances and debt securities.
(4) Interest bearing liabilities divided by total assets.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I HEREBY PRESENT THE ANNUAL REPORT OF OUR GROUP FOR THE FINANCIAL YEAR ENDED BY 31 DECEMBER 2016 FOR YOUR REVIEW.

BUSINESS REVIEW

In 2016, with the frequent occurrence of Black Swan events, the world economy was still struggling to recover. The growth of the international trade and the shipping demand slowed, while the supply of vessels continued to increase. The imbalance between supply and demand led to a continued fall of freight rates, which resulted the bankruptcy and reorganization of many shipping enterprises. It was a year full of risks and challenges for the Group.

For the dry bulk shipping market, the shipping demand was weak at the beginning of the year, and the overcapacity led to a further imbalance between supply and demand. The Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, hit a historical low of 290 points. Due to the rebound of major dry bulk commodities' price and the effect of grain season, the market improved gradually afterwards. The average BDI was only 673 points for the year, which dropped a further 6.3% as compared with the once historical low point in 2015, setting the lowest record.

For the container shipping market, in the first half of 2016, the market was confronted with severe challenges as the revival of the world economy and international trade were below expectation, while the capacity of fleet continued to grow. The China Containerized Freight Index (CCFI) dropped to a historical low of 632 points in April. The freight rates recovered under the influence of shipping companies' control of ship utilization, and the shipping demand picked up afterwards. The annual average CCFI recorded its lowest level at 712 points dropping by 19% year-to-year.

Facing the severe economic and industrial environment, we dedicated ourselves to control the cost as well as to optimize the resources and structural adjustment according to our general principle of "Maintaining cash and stability first." We put more efforts on marketing so as to maintain our market share. We also improved ship management, and strived for innovation. The above measures have provided a strong foothold for the Group's sustainability. At the same time, we managed to maintain a strong balance sheet and a sufficient available fund so as to lay a foundation for Group's sound development.

With persistent depression in the dry bulk shipping market, the market price for dry bulk vessels went further downward. The management of the Company has been paying close attention to the shipping market, vessels market price as well as the impairment of the Company's fleet. At the end of 2016, the Group recognized a non-cash impairment loss of US$162.79 million on self-owned dry bulk vessels.

The Group recorded a revenue of US$841.46 million for the year 2016. The loss attributable to owners of the Company was US$229.58 million and loss per share amounted to US5.75 cents.

In 2016, the Group continued to put more efforts on the adjustment of fleet. After scrapping 18 aged vessels in 2015, 5 aged Panamax dry bulk vessels were scrapped, while 4 Handymax eco-vessels were delivered in 2016. As at 31 December 2016, the average age of our self-owned vessels was 6.38 years old. While phasing out old vessels, the Group will receive 6 Handysize dry bulk vessels and 4 container vessels in 2017. Through replacement and upgrading of vessels, the Group optimized the fleet structure, which brought a significant decrease in fleet costs and a notable growth in profitability. Our comprehensive competitiveness has enhanced as a result.

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal Ice-Class LNG Carriers Project in 2015, and then jointly invested in five new-built LNG carriers, and engaged in the LNG shipping business of Arctic route. Currently the project is on the right track. The joint venture set up with the joint venture partners has began to operate in an orderly way, and the construction of two of the five new carriers are progressing smoothly.

The Group has been committed itself to improving the corporate governance standard so as to comply with ISM Code, the quality management standard ISO 9001 and the environmental management standard ISO 14001. The above

measures helped ensure sound and prudent operation and sustainable development of the Group.

DIVIDEND

On 9 March 2017, the Board proposed the payment of final dividend of HK4 cents (equivalent to US0.51 cents) per share for the year ended 31 December 2016 (2015: nil).

OUTLOOK

In 2017, the international economic growth is expected to move at a slightly faster pace accompanied with a variety of global political and economic uncertainties. The shipping market is still faced with pressure and challenges. For the dry bulk market, the supply and demand situation tends to be roughly balanced, and the dry bulk orders on hand continued to reduce. As the Ballast Water Convention is coming into effect, the phasing out of certain old ships will be accelerated and there will be positive changes in the supply side in the market. As for the demand, with the progress of "the Belt and Road" initiative of China, the dry bulk shipping demand tends to increase. The expectation of increase in infrastructures expenses by the US further strengthens the market confidence. Business activities among Intra-Asia are more active and the competition landscape of container routes tends to remain stable, which shows a positive sign in freight rates. However, the business performance of the Group may be affected to certain extent due to various uncertainties including geopolitical risks, the rise of trade protectionism and the fluctuation in bunker prices.

The Group will adhere to the principle of moving forward with steady growth, take advantage of its brand, actively capture the opportunities brought by the "the Belt and Road" initiative of China, enhance cooperation with cargo owners and customers as well as take diversified operational measures to improve profitability. Meanwhile,

the Group will also put more efforts on integration, strive to lower fleet cost and improve management. Based on the current development, we seek the innovation and diversified business models for the Company. Through the above measures and together with sound financial position, competitive fleet and professional team, we believe that our Group is fully prepared for the incoming market recovery.

ACKNOWLEDGEMENT

Last but not least, I would like to take this opportunity to express my deepest gratitude to the support and trust of all shareholders, investors and customers over the past years and to the contribution made by all the staff last year. I believe that a time will come for us to ride the wind and waves. Sinotrans Shipping will have firm confidence and make unremitting struggle in order to become a top shipping enterprise, to realize corporate value and to maximum shareholders' interests.

Li Zhen
Chairman
9 March 2017

OUR GROUP OWNS, MANAGES AND OPERATES A MODERN DRY BULK FLEET AND A CONTAINER FLEET.

BUSINESS REVIEW AND OUTLOOK

DRY BULK SHIPPING

Revenue from dry bulk shipping of our Group primarily consists of ocean freight income and charter hire income.

For the dry bulk shipping market, the shipping demand was weak at the beginning of the year, and the overcapacity led to a further imbalance between supply and demand. The Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, hit a historical low of 290 points in February. Due to the rebound of major dry bulk commodities' price and the effect of grain season, the market improved gradually afterwards. The average BDI was only 673 points for the year, which dropped a further 6.3% as compared with the once historical low point in 2015, setting the lowest record.

In face of the severe market situation, the Group continued to optimize its resources allocation, leveraged on the network of global business, captured market opportunities, strengthened marketing and combined various business modes to maintain our market share.

In 2016, revenue of the Group from dry bulk shipping was US$368.69 million (2015: US$503.33 million), among which ocean freight income recorded US$275.61 million (2015: US$400.16 million), and charter hire income recorded US$93.08 million (2015: US$103.17 million). The shipping volume was 41.32 million tons during the year (2015: 42.36 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$6,521 (2015: US$8,424), dropping by 22.6% year-to-year.

CONTAINER SHIPPING

The container shipping business of the Group generates revenue mainly from the container liner service, freight forwarding and other businesses in Intra-Asia area.

In the first half of 2016, the container shipping market was confronted with severe challenges as the revival of the world economy and international trade were below expectation, while the capacity of fleet continued to grow. The China Containerized Freight Index (CCFI) dropped to the historical low of 632 points in April. The freight rates recovered under the influence of shipping companies' control of ship utilization, and the shipping demand picked up afterwards. The average CCFI recorded its lowest level of 712 points during the year, dropping by 19% year-to-year.

Amid the market downturn, the Group adhered to its customer-focused approaches and continued to improve its service quality, strengthened marketing, developed new routes and increased shipping volume. The Group replaced several chartered-in vessels, ordered bunkers and leased containers at relatively low prices, by which improved its business performance. The Group consequently achieved profits for the third consecutive year.

For the year ended 31 December 2016, revenue of the Group from container shipping was US$473.33 million (2015: US$495.90 million), among which income from liner service recorded US$422.75 million (2015: US$450.45 million), income from freight forwarding as well as other related business recorded US$50.58 million (2015: US$45.45 million). The container shipping volume of the Group was approximately 879,000 TEU during the year (2015: 857,000 TEU). The average income per container was US$392 (2015: US$417).

LNG SHIPPING

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal Ice-Class LNG Carriers Project in 2015, and then jointly invested in five new-built LNG carriers, and engaged in the LNG shipping business of Arctic route. Joint ventures were established and commenced operation. Two of the five new carriers are being built in 2016. The Company will closely monitor the shipbuilding progress to ensure the shipbuilding quality and to smooth project development.

VESSEL TECHNICAL MANAGEMENT AND OTHER SHIPPING RELATED BUSINESS

The vessel technical management services provided by our Group include technical management for our own vessels, crew training and management, as well as arrangement of insurance. We strictly follow the rules of Safety, Quality and Environmental (SQE) management system and have passed the related audit of American Bureau of Shipping (ABS) to tally with the requirements of ISM Code, ISO 9001 quality management standards and ISO 14001 environmental management standards.

In 2016, our Group efficiently managed our vessels and introduced a number of effective safety management measures, which has basically ensured safety operation of vessels. The total number of operating days of our self-owned dry bulk vessels and container vessels was 17,237 days, representing a decrease as compared with the corresponding period of last year because of the disposal of aged vessels. Nevertheless, the fleet utilisation rate still remained relatively high at 98.0%, and the safe operation of the fleet has been well ensured.

Our Group also provides shipping agency and air freight agency services with a focus on Singapore through our wholly-owned subsidiary Sinotrans Agencies (S) Pte Ltd..

The following table sets out the information of the operating rates for our self-owned dry bulk vessels over the periods indicated.

	2016	2015
Number of vessels at the end of the period	**37**	38
Total number of operating days	**13,310**	14,171
Total number of off-hire days (other than because of repair and maintenance)	**111**	37
Total number of days that vessels are not utilised because of repair and maintenance	**140**	403
Fleet utilisation(1)	**98.1%**	97.0%

Note:

(1) The percentage of total number of operating days over total number of days.

The following table sets out the information of the operating rates for our self-owned container vessels over the periods indicated.

	2016	2015
Number of vessels at the end of the period	**11**	11
Total number of operating days	**3,928**	3,970
Total number of off-hire days (other than because of repair and maintenance)	**20**	0
Total number of days that vessels are not utilised because of repair and maintenance	**78**	45
Fleet utilisation(1)	**97.6%**	98.9%

FLEET DEVELOPMENT

In face of the sluggish market condition, the Group continued to put more efforts on the adjustment of fleet. After scrapping 18 aged vessels in 2015, 5 aged Panamax dry bulk vessels were scrapped, while 4 Handymax eco-vessels were delivered in 2016.

The Group has an orderbook of 15 vessels (including 5 Ice-Class LNG vessels), of which 6 Handysize dry bulk vessels and 4 container vessels are expected to be delivered from 2017 onwards.

Through replacement and upgrading of vessels, the Group optimized the fleet structure and implemented various cost-control measures, which brought a significant decrease in fleet costs and a notable growth in profitability. Our comprehensive competitiveness has enhanced. As at 31 December 2016, the average age of our self-owned vessels was 6.38 years old, of which the average age of dry bulk vessels was 5.6 years and that of container vessels was 9.1 years.

Name of Vessel	DWT/TEU[(1)]/Cubic Metres[(2)]	Year Built	Age
Handysize Dry Bulk Vessel			
Great Resource	31,775	May 2010	6.6
Trans Friendship I [(3)]	31,809	August 2010	6.4
Trans Friendship II [(3)]	31,744	December 2010	6.1
Great Reward	31,785	January 2011	6.0
BC 388–01 [(4)]	38,800	June 2017 [(5)]	–
BC 388–02 [(4)]	38,800	August 2017 [(5)]	–
BC 388–03 [(4)]	38,800	October 2017 [(5)]	–
BC 388–04 [(4)]	38,800	December 2017 [(5)]	–
BC 388–05 [(4)]	38,800	March 2018 [(5)]	–
BC 388–06 [(4)]	38,800	May 2018 [(5)]	–
Handymax Dry Bulk Vessel			
Great Scenery	47,760	August 2002	14.3
Great Praise	52,434	May 2006	10.6
Great Legend	52,385	August 2006	10.4
Great Amity	56,050	September 2004	12.3
Da Cheng [(6)]	57,066	September 2010	6.3
Great Progress	63,377	August 2015	1.4
Great Rainbow	63,464	September 2015	1.3
Great Pioneer	63,411	October 2015	1.2
Great Fortune	63,497	November 2015	1.1
Great Link	63,464	January 2016	1.0
Great Fluency	63,391	January 2016	1.0
Great Comfort	64,000	April 2016	0.3
Great Vision	64,000	September 2016	0.7

Name of Vessel	DWT/TEU[1]/Cubic Metres[2]	Year Built	Age
Panamax Dry Bulk Vessel			
Great Ambition	73,725	August 1999	Disposed
Great Loyalty	73,659	September 1999	Disposed
Great Prosperity	73,679	July 1999	Disposed
Great Wisdom	74,293	March 2000	Disposed
Great Intelligence	74,293	June 2000	Disposed
Great Talent	76,773	January 2005	11.9
Great Mind	75,624	December 2011	5.0
Great Hope	75,630	February 2012	4.9
Great Wealth	75,569	September 2011	5.3
Great Rich	75,523	January 2012	5.0
Great Glen	93,251	October 2009	6.7
Great Cheer	93.297	April 2010	7.2
Great Animation	93,203	March 2011	5.8
Great Aspiration	93,412	January 2010	7.0
Great Triumph	77,835	June 2015	1.5
Great Victory	77,853	August 2015	1.4
Capsize Dry Bulk Vessel			
Great Qin	176,105	March 2010	6.8
Great Jin	175,868	March 2010	6.8
Great Zhou	180,334	July 2010	6.4
Great Han	180,443	October 2010	6.2
Great Tang	180,246	January 2011	6.0
Great Song	180,387	March 2011	5.8
Cape Sun [6]	175,611	January 2010	6.9
Great Yuan	179,978	August 2010	6.4
Great Sui	179,978	May 2010	6.7

Name of Vessel	DWT/TEU[1]/Cubic Metres[2]	Year Built	Age
Container vessels			
Sinotrans Beijing	847	February 2008	8.9
Sinotrans Shenzhen	847	April 2008	8.8
Sinotrans Ningbo	847	May 2008	8.7
Sinotrans Xiamen	847	July 2008	8.5
Sinotrans Hong Kong	1,049	May 2006	10.6
Sinotrans Dalian	1,106	August 2013	3.4
Sinotrans Qingdao	1,106	July 2013	3.4
Sinotrans Shanghai	1,040	July 2013	3.4
Sinotrans Tianjin	1,040	October 2013	3.2
Yi Yun (7)	404	May 1996	20.6
Yi Sheng (7)	404	August 1996	20.4
H5489 (4)	1,900	May 2017 (5)	–
H5490 (4)	1,900	June 2017 (5)	–
H5491 (4)	1,900	September 2017 (5)	–
H5492 (4)	1,900	November 2017 (5)	–
LNG vessels			
Arctic LNG 1 (4)	172,410		–
Arctic LNG 2 (4)	172,410		–
Arctic LNG 3 (4)	172,410		–
Arctic LNG 4 (4)	172,410		–
Arctic LNG 5 (4)	172,410		–

Note:

(1) Applies only to container vessels.

(2) Applies only to LNG vessels.

(3) The vessel is jointly owned by our Group and Mitsui O.S.K. Lines, Ltd.

(4) Construction has been commissioned.

(5) Expected date of delivery.

(6) The vessels are owned by China National Chartering Co., Ltd., a subsidiary of the Group.

(7) The vessels are owned by Sinotrans Container Lines Co., Ltd., a subsidiary of the Group.

EMPLOYEES

As at 31 December 2016, our Group had a total of 699 shore-based employees working in Hong Kong, Mainland China, Canada, Singapore and other regions. The remuneration policies and development of our employees were substantially the same as those disclosed in the 2016 interim report with no material change.

OUTLOOK

In 2017, the world economic recovery is expected to move at a slightly faster pace accompanied with a variety of political and economic uncertainties. The shipping market is still faced with pressure and challenges. Generally speaking, the Group is cautiously optimistic towards the market outlook in 2017.

In the dry bulk shipping market, with the progress of "the Belt and Road" initiative of China, it is expected to bring new impetus to the dry bulk shipping demand. The price rebound of dry bulk commodities also gives support to the recovery of freight rates. The expectation of investment increase in infrastructures expenses by the US further strengthens market confidence. On the other hand, the enforcement of the Ballast Water Convention may lead to more scrapping of aged vessels. In 2017, it is expected that the growth of capacity will continue to slow down. The growth rate of supply is expected to lower than that of demand for the first time over years, bringing hope to market recovery. Compared with the global container shipping market, business activities among Intra-Asia are more active and the competition landscape of container routes tends to remain stable, which shows a positive sign in freight rate. However, the business performance of the Group may be affected to certain extent due to various uncertainties including geopolitical risks, the rise of trade protectionism and the fluctuation in bunker prices.

The Group adheres to the principle of moving forward with steady growth, takes advantage of its brand, strengthening business integration, improves its customer network, enriches business models, optimizes IT systems as well as reduces fleet costs and increases profitability. Meanwhile, based on the current development, we seek the innovation and diversified business models for the Company. Through the above measures and together with sound financial position, the competitive fleet and the professional team, we believe that our Group will further boost its business growth and enhance its ability of risk resistance in order to create more value for our clients and to bring more returns for our shareholders.

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

	2016	2015	% Change
Return on equity[1]	**(12.01%)**	(3.17%)	(279.0%)
Current ratio[2]	**4.09**	3.78	8.2%
Debt asset ratio[3]	**0.13**	0.13	0%
Net asset per ordinary share (USD)[4]	**0.45**	0.51	(11.8%)

(1) Loss attributable to owners divided by the average of the opening and closing equity attributable to owners.

(2) Current assets divided by current liabilities.

(3) Total liabilities divided by total assets.

(4) Net asset attributable to owners of the Company divided by number of ordinary shares.

REVIEW OF HISTORICAL OPERATING RESULTS

In 2016, with the frequent occurrence of Black Swan Events, the world economy was still struggling to recover. The developed countries, especially the US showed signs of economic revival, while major emerging economies were still under downward pressure and China's economy was still in the course of structural adjustment. The international trading activities were weak and the shipping market had to face slow growth in demand. Although the fleet growth has decelerated, the overall fleet capacity was still large, the problem of overcapacity in the shipping market remained unresolved. The shipping market faced an unusual depression in the first quarter. Following a gradual improvement in shipping demand, the market improved gradually afterwards. Generally speaking, the market situation in 2016 was more challenging than 2015.

Facing the depressed shipping market, the Group overcame the present difficulties by consolidating our current achievements and by devising long-term strategy. We endeavored to reduce the operating cost and to continuously optimize the fleet. We integrated our business resources and put more efforts on marketing so as to maintain our market share. We also improved ship management, optimized IT systems, built a smart fleet, and strived for innovation. The above measures had provided a strong foothold for the Group's sustainability. At the same time, we managed to maintain a strong balance sheet and sufficient available fund so as to lay a foundation for Group's sound development.

With persistent depression in the dry bulk shipping market, the market price for dry bulk vessels went further downward. The management of the Company has been paying close attention to the shipping market, vessels market price as well as the impairment of the Company's fleet. At the end of 2016, the Group recognized a non-cash impairment loss of US$162.79 million on self-owned dry bulk vessels.

The Group recorded a revenue of US$841.46 million for the year 2016. The loss attributable to owners of the Company was US$229.58 million and loss per share amounted to US5.75 cents.

Revenues

For the year ended 31 December 2016, revenues of our Group were US$841.46 million (2015: US$999.77 million).

We set forth below the revenues contribution from each business segment:

	2016 US$'000	2015 US$'000	% Change
Revenues from:			
– Dry bulk shipping [1]	**368,691**	503,331	(26.7%)
– Container shipping	**473,333**	495,895	(4.5%)
– Others	**1,060**	2,228	(52.4%)
	843,084	1,001,454	(15.8%)
Revenues derived from joint ventures measured at proportionate consolidated basis [1]	**(1,623)**	(1,680)	(3.4%)
Revenues per the consolidated statement of profit or loss and other comprehensive income	**841,461**	999,774	(15.8%)

(1) Segment revenue includes revenue derived from joint ventures measured at proportionate consolidated basis. Segment revenue subtracted the revenues derived from joint ventures measured at proportionate consolidated basis to arrive at total revenues per the consolidated statement of profit or loss and other comprehensive income.

Dry bulk shipping

Revenue from dry bulk shipping of our Group primarily consists of ocean freight income and charter hire income.

For the dry bulk shipping market, the shipping demand was weak at the beginning of the year, and the overcapacity led to a further imbalance between supply and demand. The Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, hit a historical low of 290 points in February. Due to the rebound of major dry bulk commodities' price and the effect of grain season, the market improved gradually afterwards. The average BDI was only 673 points for the year, which dropped a further 6.3% as compared with the once historical low point in 2015, setting the lowest record.

In face of the severe market situation, the Group continued to optimize its resources allocation, leveraged on the network of global business, captured market opportunities, strengthened marketing and combined various business modes to maintain our market share.

In 2016, revenue of the Group from dry bulk shipping was US$368.69 million (2015: US$503.33 million), among which ocean freight income recorded US$275.61 million (2015: US$400.16 million), and charter hire income recorded US$93.08 million (2015: US$103.17 million). The shipping volume was 41.32 million tons during the year (2015: 42.36 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$6,521 (2015: US$8,424), representing a year-on-year decrease of 22.6%.

Container shipping

The container shipping business of the Group generates revenue mainly from the container liner service, freight forwarding and other businesses in Intra-Asia area.

In the first half of 2016, the container shipping market was confronted with severe challenges as the rivival of the world economy and international trade were below expectation, while the capacity of fleet continued to grow. The China Containerized Freight Index (CCFI) dropped to the historical low of 632 points in April. The freight rates recovered under the influence of shipping companies' control of ship utilization, and the shipping demand picked up afterwards. The average CCFI recorded its lowest level of 712 points during the year, representing a year-on-year decrease of 19%.

Amid the market downturn, the Group adhered to its customer-focused approaches and continued to improve its service quality, strengthened marketing, developed new routes and increased shipping volume. The Group replaced several chartered-in vessels, ordered bunkers and leased containers at relatively low prices, by which improved its business performance. The Group consequently achieved profits for the third consecutive year.

For the year ended 31 December 2016, revenue of the Group from container shipping was US$473.33 million (2015: US$495.90 million), among which income from liner service recorded US$422.75 million (2015: US$450.45 million), income from freight forwarding as well as other related business recorded US$50.58 million (2015: US$45.45 million). The container shipping volume of the Group was approximately 879,000 TEU during the year (2015: 857,000 TEU). The average income per container was US$392 (2015: US$417).

Cost of operations

The cost of operations decreased to US$888.56 million (2015: US$1,030.33 million) for the year ended 31 December 2016. The principal cost of operations included voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

We set forth below the cost of operations by business segment:

	2016 US$'000	2015 US$'000	% Change
Dry Bulk Shipping			
Voyage costs	**131,353**	171,677	(23.5%)
Cargo transportation costs	**54,809**	120,717	(54.6%)
Operating lease rentals	**142,635**	127,622	11.8%
Vessel costs	**105,731**	129,662	(18.5%)
Others	**5,782**	8,316	(30.5%)
	440,310	557,994	(21.1%)
Container Shipping			
Voyage costs	**57,933**	73,249	(20.9%)
Cargo transportation costs	**243,656**	230,242	5.8%
Operating lease rentals	**124,456**	147,463	(15.6%)
Vessel costs	**21,753**	20,551	5.8%
Others	**316**	17	1758.8%
	448,114	471,522	(5.0%)
Segment – Others	**131**	813	(83.9%)
Total cost of operations	**888,555**	1,030,329	(13.8%)

The operating costs of dry bulk shipping amounted to US$440.31 million (2015: US$557.99 million). The decline of the operating costs in 2016 was caused by the drop of cargo transportation costs by 54.6% due to the decrease in cargo relet volume, the fall of voyage costs by 23.5% due to the decrease in bunker price, and the drop of vessel costs by 18.5% due to the effective implementation of cost-control measures and decrease in the number of self-owned fleet.

The operating costs of container shipping amounted to US$448.11 million (2015: US$471.52 million). The decline of the operating costs in 2016 was as results of the drop of voyage costs by 20.9% due to the decrease in bunker price, and the fall of operating lease rentals by 15.6% due to taking advantage of flexible leasing model and the decrease in charter hire rate.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs and office cost, amounted to US$34.38 million (2015: US$36.42 million).

Vessels impairment

The overall global economy recovered slowly in 2016, while the economies of China and other emerging markets grew at a slower pace. Coupled with the fact that international trades and dry bulk seaborne volume continued to weaken, the dry bulk ship charter rates and freight rates further decreased, with a significant decrease in the ship values. As at the end of 2016, based on management's assessment, it was expected that the long-term intrinsic value of some self-owned vessels would be much lower than their carrying amounts, and an impairment would be required. As a result, a non-cash impairment loss of US$162.79 million (2015:US$4.72 million) was recorded.

Other losses, net

The net amount of the other losses amounted to US$1.56 million (2015: US$14.39 million). The decrease in the other losses was attributable to the decrease in the provision for claims under pending litigations.

Finance income and expenses

The finance income and expenses were US$10.83 million (2015: US$18.79 million) and US$6.26 million (2015: US$6.76 million) respectively. The decrease in finance income was mainly attributable to the drop of bank balances and bank deposit interest rate.

Share of profits of joint ventures

The share of profits of joint ventures, which were mainly contributed by dry bulk shipping, was US$0.46 million (2015: US$0.15 million).

Income tax expense

Income tax for the year ended 31 December 2016 was US$1.32 million (2015: US$7.63 million). The decrease was due to the reversal of deferred income tax assets arising from unused tax losses amounted to US$7.19 million in 2015.

Liquidity and financial resources

Our cash is principally used in paying for construction of vessels, operation costs and working capital for the year ended 31 December 2016. We have financed our liquidity requirements primarily through internally generated cash.

The following table sets out the liquidity ratio as at the balance sheet date indicated.

	2016 US$'000	2015 US$'000
Current assets	**855,008**	851,813
Current liabilities	**208,827**	225,398
Liquidity ratio (Note)	**4.09**	3.78

Note: The liquidity ratio is equal to the total current assets over the total current liabilities of our Group as at the balance sheet date indicated.

Our liquidity ratio as at 31 December 2016 was 4.09 (2015: 3.78).

Borrowings

The present value of finance lease obligation and the bank borrowings were repayable as follows:

	Bank borrowings		Finance lease obligation		Total	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Within 1 year	**6,346**	6,346	**1,663**	1,438	**8,009**	7,784
Between 1 and 2 years	**6,346**	6,346	**1,819**	1,607	**8,165**	7,953
Between 2 and 5 years	**16,931**	19,039	**7,047**	6,227	**23,978**	25,266
Over 5 years	**–**	4,182	**30,736**	33,432	**30,736**	37,614
	29,623	35,913	**41,265**	42,704	**70,888**	78,617
Less: current portion	**(6,346)**	(6,346)	**(1,663)**	(1,438)	**(8,009)**	(7,784)
Non-current portion	**23,277**	29,567	**39,602**	41,266	**62,879**	70,833

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 31 December 2016 and 2015.

Capital commitments

(a) Capital commitments in respect of property, plant and equipment and intangible assets

	2016 US$'000	2015 US$'000
Contracted but not provided for	**191,605**	277,900

(b) Capital commitments in respect of investment in joint ventures

	2016 US$'000	2015 US$'000
Capital commitment in respect of the vessels under construction	**12,146**	364,368

Capital expenditures

For the year ended 31 December 2016, total capital expenditures were US$109.46 million (2015: US$217.00 million), which was mainly attributable to the capital expenditures for construction of dry bulk vessels, investment in LNG carriers, dry docking and the investment in intangible asset.

Foreign exchange risk

The foreign exchange risk of our Group was set out in Note 4(a)(i)(4) to the Consolidated financial statements.

Contingent liabilities

The contingencies of our Group were set out in Note 29 to the Consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Basis of Preparation

This Environmental, Social and Governance Report (the "ESG report" or the "Report") focuses on the environmental and social performance of the SINOTRANS SHIPPING LTD. (the "Company") and its subsidiaries (collectively the "SINOTRANS" or the "Group") in the fiscal year of 2016. This report is prepared in accordance with Appendix 27 "Environmental, Social and Governance (ESG) Reporting Guide" of the Rules Governing the Listing of Securities on the Main Board ("Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). This is the first ESG report published by the Company. The core principles, objectives and details of the disclosure on environmental and social performance are displayed on the website of the Stock Exchange.

Scope of Report

This ESG report presents environmental and social performance and policies of the Group. Unless otherwise stated, this report covers the Company and its three subsidiaries located in China, namely SINOTRANS Navigation Co., Ltd. (the "TIANZE"), China National Chartering Co., Ltd. (the "SINOCHART") and SINOTRANS Container Lines Co., Ltd. (the "SINOLINES"). In this report, the statistical calculations of emissions are mainly based on the 48 self-owned vessels.

The corporate governance is presented in the section of "Corporate Governance Report" in the Annual Report.

Reporting Period

This ESG report covers the period from 1 January 2016 to 31 December 2016.

Guidelines, Standards and Regulations

The Group strictly observes the following PRC and international standards and regulations:

- The Maritime Labor Convention, 2006
- The International Convention for the Safety of Life at Sea
- The International Management Code for the Safe Operation of Ships and for Pollution Prevention
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases
- Regulation of the People's Republic of China on Seamen
- ISO 9001
- ISO 14001

The Group has developed a series of internal policy and guidelines for environmental, health and safety issues:

- Safety, Quality & Environmental Manual
- Quality and Environmental Management Manual
- Shipboard Safety Manual
- Shipboard Management Manual
- Shipboard Emergencies & Contingencies Manual

Disclaimer

SINOTRANS has engaged the CECEP (China Energy Conservation and Environmental Protection) Environmental Consulting Group Limited as an independent consultant to write this ESG report. This report introduces the principle of obligation performance, conducts, effectiveness and commitment for the year. SINOTRANS ensures the authenticity and impartiality of this report and intends to enhance the communication with the stakeholders, and thus to establish corporate transparency and sustainable development in economy, society and environment through the publishing of the report.

This report is written in both Chinese and English. In case if discrepancy between the two versions, the Chinese version shall prevail.

Key Environmental and Social Performance Indices in 2016

Environmental	Social
The offshore CO_2 emission intensity (EEOI): 5.02 g/ton-mile of cargo sailed 1 nautical mile	Employed 1,512 crew and 760 onshore Staffs
The offshore NO_x emission intensity: 0.13 g/ton-mile of cargo sailed 1 nautical mile	All Crew and 420 onshore staffs received related training.
The offshore SO_2 emission intensity: 0.08 g/ton-mile of cargo sailed 1 nautical mile	The retention rate of full-time staffs is above 90%
The fuel oil consumption intensity on board: 2.24 g of standard coal/1 metric ton of cargo sailed 1 nautical mile	No corruption litigation during the reporting year.
The electricity consumption in onshore offices: 923,106 kWh	The Group was entitled "The Most Social Responsible Listed Company" in the election of "Golden HK Shares" in 2016
The paper saving in onshore offices: 39,328 pieces	

Foreword

SINOTRANS holds beliefs in steady development and proper control of risk. Based on the best stakeholder interests, environmental and social responsibilities, the Group has developed feasible plans and policies to satisfy their needs and control the identified risks, thereby in order to achieve sustainable development.

In terms of our employees, in line with the Group's long term human resources development plan, SINOTRANS is committed to strengthen the training of competent personnel, establish comprehensive training systems and optimize the incentive mechanism, as well as to provide employees the open and fair environment for their career development. In the meantime, SINOTRANS cares about the wellness of employees and promotes work-life balance. The Group also commits to grow with the employees.

In addition, SINOTRANS adopts the national management policy on safety production, and the principle of "safety first, prevention prevailing and integrated treatment". Meanwhile, the Group is guided by international standards (such as ISM Code, ISO 9001, ISO 14001, MLC 2006, etc.) and persistently pursue the target of "zero accident, zero injury and zero pollution" by means of establishment of a sound safety management system and launching various energy-saving measures so as to consolidate a strong foundation for steady development.

In the meantime of self-development, the Group constantly integrates social responsibility into the Group's development strategy and improve the social risk management, as well as spares no effort in supply chain audit, promoting objection of forced labor and enforcement of anti-corruption policy. With the aforesaid, SINOTRANS proactively take the corporate social responsibility into practice.

1. Contributions to Employees

SINOTRANS regards human resource as the most valuable asset. The Group believes that the quality of shipping service depends on positive involvement, unremitting endeavor and fine work style of both onshore and offshore staffs. Therefore, the Group attaches great importance to recruitment, continual training and staff development as well as staff caring and fringe benefit so as to nourish employee's sense of belonging.

1.1 Employment Policy

The Group strictly follows local employment legislations of respective countries in terms of employment contract, work hour, remuneration, etc. and enforces affirmative action and employment equality irrespective of the gender, nationality, race and culture of employees. The Group also demands that all employee shall obey the law and regulation and effectively complete the tasks on time. All violations including offences and breach of code of practice are subjected to disciplinary action. Should there be any serious offence, the Group would reserve the right to summary dismissal.

As of 31st December, 2016, the Group employed a total of 699 onshore staffs, distributed in the Hong Kong Headquarter and offices in Canada, Singapore, Shanghai, Beijing and Shenzhen.

HR statistics for onshore staff in terms of gender, employment type and contract type as of 31st December, 2016

	Gender		Employment		Contract Type	
Classification	Male	Female	Full-time	Part-time	Fixed-term	Permanent
Onshore Staff	443	256	699	0	265	434
Attrition Staff	22	15	37	0	18	19
Retention Rate	95%	94%	95%	–	93%	96%

HR statistics for onshore staff in terms of regional distribution as of 31st December, 2016

Region	Hong Kong	Canada	Singapore	Shanghai	Beijing	Shenzhen
Onshore Staff	99	11	9	494	68	18
Ratio	14%	2%	1%	71%	10%	3%
Attrition Staff	13	0	0	15	5	4
Retention Rate	87%	100%	100%	97%	93%	78%

HR statistics for onshore staff in terms of age group as of 31st December, 2016

Age Group	35 and below	36 to 45	46 to 55	Above 55
Onshore Staff	236	250	151	62
Ratio	34%	36%	22%	9%
Attrition Staff	21	8	3	5
Retention Rate	91%	97%	98%	92%

In addition, the Group enforces recruitment selection system with rigorous selection criteria according to the anticipated risks in recruitment. The detailed recruitment processes for different grades of employee are shown below:

Grade of Employee	Selection Process
The "Top Four" Crew (Captain, Chief Engineer, Chief Officer, Second Engineer)	The Officer of Crew Department shall verify qualification of the crews based on profiles provided by agencies. The verified crews shall be passed to the Operations Department and Technical Department for further arrangement of interview in terms of seagoing and practical experience, theoretical knowledge and English skills with the Deck Department and Engine Department respectively. After that, the qualified profiles shall be submitted to General Manager of the Compliance & Control Department and the Crew Department. All newly recruited "Top Four" crews shall be approved by the General Manager of the Ship Management Limited and then be finally confirmed by the Crew Department.
Intermediate Level Crew	The Crew Department shall verify the previous seagoing experience as in similar position of crews proposed by agencies and then pass the verified name list to relevant responsible departments for interview and assessment. For example, if the crew is proposed for the Deck Department, then the Operations Department shall assess the candidate on operation skills, navigation experience, loading experience, etc. If the crew is proposed for the Engine Department, then the Technical Department shall assess the candidate on skills for electrical equipment and etc. After the assessments, a qualified recruitment list shall be submitted to the General Manager/Assistant Manager of the Crew Department for final review.
Ratings	The Crew Department shall verify the previous seagoing experience as in similar position of crews proposed by agencies. Then a verified recruitment list shall be submitted to the Department Manager/Deputy Manager for review. The Crew Department shall confirm the recruitment based on the comments received.

Trainee	The Crew Department is responsible for developing recruitment plans for trainees on basis of the fleet development. Then a recruitment agency shall be employed for further planning and actions. The Crew Department, Technical Department and Operations Department of the Ship Management Limited shall screen and interview the candidates based on their profiles with assistance of the agency. Then the agency shall discuss and sign the contracts with recruited trainees according to the received recruitment list. The Ship Management Limited shall arrange on-board internship for trainees based on the recruitment list.

The Group has recruited 1,512 new crew in 2016 through approved employment agencies, among which, there were 1,362 crew that came from PRC (the People's Republic of China) and there were also 150 overseas employees. Details of crew recruitment statistics in terms of age groups and nationalities are shown below. Due to the nature of work and specific physical demands of the shipping industry, only male crew were available for recruitment but the Group is open for anyone capable.

Crew recruitment statistics in terms of age groups as of 31st December, 2016.

Age Group	35 and below	36 to 45	46 to 55	Above 55
Recruited Crew	817	408	248	39
Ratio	54%	27%	16%	3%
Attrition Staff	50	33	19	21
Retention Rate	94%	92%	92%	46%

The high turnover rate of age group above 55 was due to mismatch in fitness for work and therefore those staffs were voluntarily dismissed or retired.

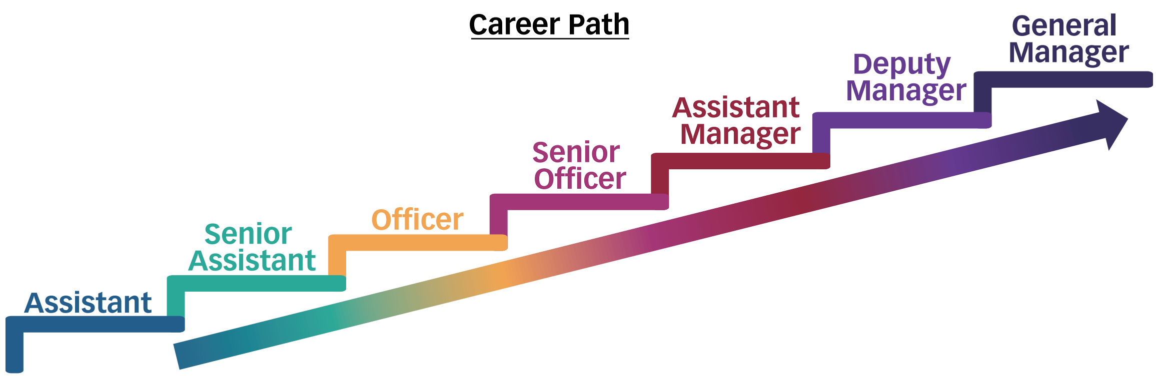
Crew recruitment statistics in terms of nationalities as of 31st December, 2016.

Nationality	China	Bangladesh	India	Philippines	Myanmar
Recruited Crew	1362	105	6	37	2
Ratio	90.08%	6.94%	0.40%	2.45%	0.13%
Attrition Staff	50	30	4	37	2
Retention Rate	96%	71%	33%	0%	0%

0% staff retention rate of some nationalities was due to cessation of one-off/infrequent routes in the respective countries and the working contracts between the Group and those employees of such routes were terminated accordingly. The overall retention rate of staffs recruited in PRC reached 96% in 2016, which fully reflected employee satisfaction with the management of the Group.

1.2 Staff Training and Growth

Guided by the career development needs of all levels of staff, the Group fully improves the vocational skills of staff and continuously enhances the capability of the Group to cope with competitions through the establishment of a sound training and management system and provision of rich and effective resources for trainings, such as orientation trainings to newly recruited staff, provision of professional skills trainings to all staff, development trainings for management personnel and trainings for talent reserves. At the same time, through establishing smooth and transparent promotion mechanism, the Group provides well-balanced opportunities for staff development and assure the Group's competitiveness and sustainable growth, side-by-side with the valuable staff.



The Training System		Training Required
Training for Newly Recruited Staff	–	A comprehensive introduction of the development process of the Group and the Company; organization of the Group; development plan; management and employee codes and regulations; financial system; department functions to facilitate newly recruited staffs getting integrated into the SINOTRANS;
Professional and Technical Training	–	Specific training regarding national and international legislations and regulations; updated training about International Maritime Organization; shipboard safety management; seminars on ship convention to assure all staffs of the group getting well understanding of related legislations and regulations;
	–	Specific training regarding corporate business and further development; prediction of oil price; outlook on dry bulk shipping; operational risk management of LNG vessel; development and analysis on demand and supply of shipping market to provide all employees with further professional skills and information;
Training for Management Personnel	–	Regular training regarding communication skills; project management; strategic thinking to middle and senior management;
Training for Back-up Personnel	–	Comprehensive training including joint training of offshore and onshore program; amphibious trainee program; crew training to provide comprehensive and professional trainings to potential personnel and to reserve back-up personnel for the Group.

As of 31 December 2016, a total of 420 onshore employees have received the job training. Details of classification in terms of gender, employment type and contract type are as follows.

Classification	Gender		Employment Type		Contract Type	
	Male	Female	Full-time	Part-time	Fixed-term	Permanent
No. of Trained Employees	335	85	420	0	20	400

As it indicated above, full-time and permanent contract basis staff received more training than part-time and fixed-term contract based staff, as the number of the former was more than the latter.

In addition, the Group developed a well-defined training program for offshore staff so as to ensure that each of the crew could strengthen their professional skills based on their own needs and safely and effectively complete the tasks.

Target Employee	Training Required
The "Top Three" Crew (Captain, Chief Engineer, Chief Officer)	The Crew Department is responsible for organizing the training, in which the Compliance & Control Department, Operations Department, Insurance & Claims Department, Technical Department, Crew Department, etc. shall provide professional training in respective of their business. The training records shall be properly signed by the trained crews and be submitted to the Crew Department and Compliance & Control Department for review.
The "Top Four" Crew (Captain, Chief Engineer, Chief Officer, Second Engineer)	The Compliance & Control Department shall arrange training for the "Top Four" crews when they are on annual leave onshore. All relevant Departments (including Crew Department, Operations Department, Technical Department, Insurance and Claims Department, General Office) shall prepare the training in conjunction with each other. The Crew Department shall finalize the name list and training schedule and then report to the Compliance & Control Department. Then relevant departments shall discuss the case studies to be used or employ external organizations like the Classification Society to provide the training, which shall focus on the crew management skills, adaptability, psychological counselling, etc. The Compliance & Control Department will evaluate the training through testing and the comments collected from crews.
Rating	The Captain is responsible for the rating training on board. The training shall focus on port conditions, anti-piracy, etc. Training records shall be confirmed and signed by the trained rating. Then it shall be reviewed by the Captain and properly filed in the Crew Department.
Trainee	The Crew Department shall prepare the training plans and arrange internship for trainees in the Deck Department and Engine Department respectively. All training records shall be reviewed and confirmed by the Captain/Chief Engineer.

Management training


Crews training

1.3 Occupational Health and Safety

Safety is always first. The Group strictly observes safety regulations and implements "Plan-Do-Check-Act". Risk assessments shall be performed for all critical operation. The Group has established an occupational health and safety system (SQEM) and this system has been accredited by American Bureau of Shipping (ABS) in compliance with the requirements of ISM Code, ISO 9001 and ISO 14001.

The Group strictly follows the following rules and regulations for providing a safety and healthy working environment to employees:

- The International Convention for the Safety of Life at Sea
- The International Management Code for the Safe Operation of Ships and for Pollution Prevention
- Law of the Peoples Republic of China on Prevention and Control of Occupational Diseases
- Regulation of the People's Republic of China on Seamen

Through the "Plan-Do-Check-Act", the Group has developed the following code of practices for ensuring the occupational health and safety of employees.

- Safety, Quality & Environmental Manual
- Quality and Environmental Management Manual
- Shipboard Safety Manual
- Shipboard Emergencies & Contingencies Manual

1.4 Employee Welfare

In line with the principle of "Equality", "Reciprocity" and "People First", the Group cares about the wellness of employees via launching occupational health seminars and provides fringe benefits to encourage work-life balance. The Group generally provides medical and life insurance, annual leave, marriage leave, sick leave, goodwill leave, etc. to the employees and organizes birthday party and retirement gathering on regular basis. Meanwhile, the Group commits to nourish staffs with high qualifications and links reward with staff performance. The Group also conducts salary review on annual basis in accordance with the industry standard level, ensuring the remunerations are fair, competitive and updated. So as to train quality employees in full efforts.

Occupational Health Seminar

Occupational Health Seminar

Birthday Party

Retirement Gathering

2. Contribution to Environment

2.1 Emission Reduction

Besides company and staff development, SINOTRANS is responsible for the minimization and prevention of environmental pollutions due to its shipping business. The Group is consistently adhered to the policy of "Environmental Protection from The Source" and develops specified control measures for all anticipated marine pollutions, which are included in the "Shipboard Management Manual", so as to minimize and prevent all the marine pollutions as far as possible. In accordance with relevant provisions, the Master and Chief Engineer onboard each ship shall be responsible for shipboard management and report pollution incidents and measures that have been taken in the monthly safety meeting.

For instance, in case of fuel leakage, the crew on board shall immediately take action(s) according to "Shipboard Emergency and Contingency Manual" and "Shipboard Oil Pollution Emergency Plan (SOPEP)", including but not limited to stopping all filling and related operations, identifying the source of leakage and report to the Master and Chief Engineer. The emergency alarm shall be raised. If the leakage is caused by fuel feeding, the bunker barge and Port Authorities & Port Emergency Response Team shall be notified immediately. Any action taken by the crew shall ensure no fuel will be overboard spilt.

All 48 self-owned vessels under SINOTRAN had no fuel leakage incident during the voyage in 2016.

Pollution Type	Primary Control Measures
Oil Pollution	1. Proper usage of incinerator and auxiliary boiler; 2. Proper disposal of oil residues (Sludge); 3. Oily-Water separation equipment; 4. Clearly define duties of responsible personnel in oil transfer operation; 5. Crew training and familiarization; 6. Proper and well-planned emergency drill exercise.
Ballast Pollution	1. A Classification Societies approved Ballast Water Management Plan is available onboard; 2. Clearly define duties of appointed officer in charge of Ballast Water Management; 3. Safety consideration and procedures for managing ballast water; 4. Crew training and familiarization; 5. Properly record the operations.
Air Pollution	1. Management on ozone depleting substances (ODS); 2. Management on Nitrogen Oxides (NO_X); 3. Management on Sulfur Oxides (SO_X); 4. Management on shipboard incinerators; 5. Survey and certification requirement on air pollution; 6. Record management and implementation on board; 7. Crew training and familiarization.

Pollution Type	Primary Control Measures
Sewage Pollution	1. Sewage disposal shall be carried out according to the requirements of MARPOL Convention and/or the regulation of Port State; 2. Regular and proper maintenance to all sewage disposal equipment,; 3. Constantly check for pipeline fittings and connections with standard shore connection for sewage disposal to reception facility; 4. Crew training and familiarization.
Garbage Pollution	1. Garbage disposal shall be carried out according to the requirements of MARPOL Convention and/or the regulation of Port State; 2. Crew training and familiarization.

Meanwhile, SINOTRANS vigorously promote the "Green Office" within the corporate headquarter and offices to raise the awareness of emission reduction. Also, the Group is dedicated to improve the professional qualifications of key personnel through various of environmental events. For instance, the subsidiary – "SINOLINES" has proactively launched a wide range of training and activities in response to this green office campaign.

1. Activities such as the "Earth Hour" and "Week of Energy Conservation", which included tree planting, fundraising for environmental protection, etc.;

2. New section on official website of energy conservation and emission reduction; and broadcasting energy saving video in public screen;

3. Promotion of green transportation such as "Low-carbon walking" and establishment of "eco-reading corner";

4. The charity auction in official website encourages staff to donate redundant items and help others with economic difficulties.


Tree Planting


Fundraising for Environmental Protection

Charity Auction

2.2 Energy Conservation

In view of the fuel and fresh water which are both critical resources during voyage, SINOTRANS aims to explore and optimize the technology transformation while satisfying the basic demands of the fleet, in order to reduce resources consumption.

On one hand, along with preventing pollution, SINOTRANS proactively launches innovation on energy conservation, including technology transformation and design optimization to improve equipment efficiency and reduce shipboard energy consumption. For existing fleet, the Group works mainly on the technology transformation in the way of improving fuel efficiency. Over the last 2016, SINOTRANS has greatly increased the fuel saving rate via the technological transformation on vortex fin, installation of boiler soot blower and adjustment of electric fuel injector. For newly built vessels, SINOTRANS adopts innovation on technology design from the professional design institute.

On the other hand, in consideration of the high demand for freshwater during the long voyage, Fresh Water Generator is equipped and well maintained onboard all vessels to minimize the freshwater reservation at the beginning of the voyage, which helps to maximize the cargo intake and energy efficiency.

Case Studies on Technology Transformation for Existing Vessels

(1) Technological Transformation of Vortex Fin

The vortex fins which was developed by the WARTSILA and China Ship Design & Research Center Co., Ltd. was applied on the existing vessels of SINOTRANS after stringent evaluation by the Group's Technical Department. By the end of 2016, five vessels from SINOTRANS were installed with the vortex fins. According to the results from Computational Fluent Dynamic (CFD) simulation and filed data of vortex fins, around 3% to 5% of fuel saving and aerodynamic improvement in propeller efficiency are achieved in the 176,000 DWT of bulk carrier.

(2) Installation of Boiler Soot Blower

As of December 2016, all self-owned vessels of SINOTRANS have installed the boiler soot blower, which could improve the thermal efficiency of exhaust gas boiler when sailing at low-speed and release the need of auxiliary boiler for steam generation.

(3) Electronic Control Cylinder Lubricating System

Since 2 November 2014, SINOTRANS made a trial on the Ship "Great Cheer" for installation of electrical Lubricate Oil injector. The mechanical injector was replaced by the electrical injector, as a result the feeding rate of cylinder oil decreased from 1.2-1.5 g/kWh to 0.8-0.9 g/kWh. After that, the Group commenced to trace the cylinder oil consumption of "Great Cheer" and compare with other sister-ships under the same operation condition in 2015.

By the end of 2015, the wear and tear rate of cylinder liner was normal in the cylinder sampling check, and the anticipated cylinder oil saving of 20% was also achieved. The Group subsequently installed new injectors on the Ship "Great Animation" and Ship "Great Glen" respectively in 2015 and another one in the Ship "Great Aspiration" in 2016.

Over the past 2016, the Technical Department focused on the cylinder oil consumption and monthly check of scavenging boxes on the aforesaid four vessels and sent the scavenging draining sample for laboratory test every six months. The lab test reports showed the iron content and alkali value in residual fuel complied with relevant limits. Currently, the cylinder oil feeding rate is maintained at 0.8-0.9 g/kWh based on the manufacturer's instruction and the optimum operating conditions of main engine. According to the feedback from shipboard, a 25% of cylinder oil saving rate could be achieved in these four vessels.

Case Study on Design Optimization for Newly Built Vessel – New 64,000 DWT of Bulk Carrier

(1) Streamlining the Hull Form

The newly built 64,000 DWT of bulk carrier is developed on basis of original 57,000 DWT of bulk carrier by SDARI (Shanghai Merchant Ship Design and Research Institute). The new design significantly reduces the hull resistance via optimizing hull form and the normal continuous rating (NCR) of main engine is reduced from 8,964.0 kW required by 57,000 DWT of bulk carrier to 6842.5 kW which is required by the new 64,000 DWT of bulk carrier. In addition, the design speed of the new 64,000 DWT of bulk carrier is 14.4 Kn, which is 0.2 Kn faster than the old 57,000 DWT of bulk carrier of 14.2 Kn.

(2) Installation of New Electrical Fuel Injector (EFI) Main Engine

The new 64,000 DWT of bulk carrier employs the new EFI main engine modeled MAN B&W 5S60ME. Compared with the traditional MC-type main engine, the ME-type EFI main engine makes the biggest change in fuel combustion system, which replaces the camshaft drive with high-pressure power fuel to feed power for fuel injection and exhaust valve opening. Moreover, the fuel atomization could get rid of the reliance on main engine speed. The installation of new EFI main engine could significantly improve the efficiency of fuel combustion via computer controlling at the timing and accuracy of fuel injection. Compared with the traditional one, the EFI Main Engine could increase the efficiency of fuel atomization and combustion, and also greatly slow down the carbon deposition in cylinder especially when under low-load operation, which results in extension in maintenance cycle.

(3) Reducing Fuel Consumption by equipped with derated larger Main Engine

The newly built 64,000 DWT of bulk carrier equipped with a larger Main Engine and derated the engine so it can operate at NCR with lower specific fuel consumption and rotation speed. Compare with the traditional design, the new design, the ship is capable for installation of more efficient propeller with large diameter and low speed, which increases the vessel's propulsion efficiency and leads to cost-efficient fuel consumption.

(4) Waste Heat Utilization

The newly built 64,000 DWT of bulk carrier employs an integrated boiler with exhaust gas combustor and fuel combustor. The integrated boiler receives exhaust gas from engine directly, the waste heat from the exhaust gas from main engine and generator engine could satisfies the most of daily steam consumption when the ship sailing at low speed, which leads to fuel conservation and reduction of CO_2 and other air pollutants.

With the aforesaid measures, the sailing trial indicates the EEDI (Energy Efficiency Design Index according to IMO) reaches 3.82, which is 22.888% lower than the value of 4.95 required in IMO and fulfill the second phase emission requirement of IMO during 2020-2024.

(5) Installation of Fuel Monitoring System

SINOTANS adds the fuel monitoring system in new vessel design, which consists of mass flow meter, shaft power meter and data acquisition and transmission component. It mainly focuses on collection of significant parameters including output power, fuel consumption of main engine, generator, boiler, etc. The system is capable for the real-time data transmission via maritime communication satellites, realizing the real-time monitoring of sailing and improve the shipboard management efficiency.

In the meantime, SINOTRANS encourages on-shore staff to act in response to the internal Quality and Environmental Management Manual, striving to achieve electricity saving and energy conservation via reducing unnecessary printing/copying and recycling printer cartridges.

Take the paper saving as an instance, the Company (including Hong Kong Office and Shenzhen Office) achieved a deduction of 5.8% (equals to 45,816 times) in annual printing/copying volume, and also reduced the paper consumption by 9.8% (equals to 39,328 sheets) in 2016 after the "paperless office" was launched as compared with 2015.

Tips for Reducing Paper Use in Office

1. As far as possible communicate via e-mail and adopt electronic storage to avoid unnecessary photocopying

2. Read files on computer to avoid printing

3. Use double-sided printing or multi-page per page printing to reduce the paper use, making full use of resources

4. Print only when it is necessary and reduce color printing.

2.3 Reporting of Results

The Air Pollutants and Greenhouse Gas (GHG) Emissions from Direct Fuel Consumption of the Self-owned Vessels of SINOTRANS in 2016

Emission Type	Nitrogen Oxides (NO_x)	Sulfur Oxides (SO_x)	Carbon Dioxide (CO_2-Scope 1)
Emission (metric tonnes)	23,187	14,658	895,758
Emission Intensity (g/ton-mile of cargo sailed 1 nautical mile)	0.13	0.08	5.02

Remarks:
1. The above data is only represented the emission from direct fuel consumption of 48 self-owned vessels of the Group;
2. Scope 1: Direct emissions from the combustion of fuels in mobile sources (e.g. ships);
3. The emissions of NO_x, SO_x and GHG are calculated in basis of the formulas in Annex 6 of the "Third IMO Greenhouse Gas Study 2014" which is issued by the International Maritime Organization;
4. Sulfur content used in SO_x calculation is derived from the fuel suppliers, except the values used in calculation of the 6 vessels of "SINOLINES", which are referred to the Annex 6 of the "Third IMO Greenhouse Gas Study 2014";
5. The NO_x emission is calculated on basis of the fuel consumption by main engine, the emission factors used are referred to the "Nitrogen Oxides (NO_x) – Regulation 13" issued by the International Maritime Organization;
6. GHG emission intensity is calculated according to the industrial index – energy efficiency operation indicator (EEOI) for easy comparison.

The Greenhouse Gas Emissions from Onshore Office in 2016

Emission Type	Carbon Dioxide (CO_2-Scope 2)
Emission (metric tonnes)	618

Remarks:
1. Scope 2: Indirect emissions from the generation of purchased electricity from power companies;
2. The figures above are collected from onshore offices from the Company and the subsidiaries "SINOLINES", "SINOCHART" and "TIANZE";
3. The GHG emission of scope 2 is calculated via that electricity consumption of each office times the local CO_2 emission factor;
4. The CO_2 emission factors adopted in calculation are derived from Table 2 of the "Carbon Dioxide Accounting Methods and Data Verification Table" issued by the General Office of the National Development and Reform Commission, and are also from the ESG report of China Light and Power (Hong Kong) in 2015.

The Energy Consumption of the Self-owned Vessels of SINOTANS in 2016

Consumption Type	Fuel Oil	Heavy Diesel Oil
Consumption (metric tonnes)	279,401	8,017
Consumption Intensity (g of standard coal/1 metric ton of cargo sailed 1 nautical mile)	2.24	0.07

Remarks:
1. The figures above collected from the 48 self-owned vessels of SINOTRANS

The Energy Consumption in Onshore Office of SINOTRANS in 2016

Consumption Type	Electricity (kWh)	Gasoline (metric tonnes)
Consumption	923,106	91

Remarks: 1. The figures above collected from onshore offices of the Company and the subsidiaries "SINOLINES", "SINOCHART" and "TIANZE".

3. Contributions to Society

SINOTRANS believes that sustainable development is the sole path to the Group's steady development. With the integration of environment, society and economy nowadays, the fulfillment of environmental and social responsibility is a strong guarantee for the corporate's steady development. SINOTRANS consistently integrates the social responsibility into corporate development strategy and commits to enhance social risk management, implement supply chain audit, object force labor, promote anti-corruption and continuously optimize corporate management system.

3.1 Supply Chain Management

In order to standardize the supplier selection procedure, SINOTRANS demands all level of staff to strictly observe the relevant regulations and manuals of The Regulations of Purchase, The Regulations of Managing Fixed Assets, Quality and Environmental Fully Integrated Management Systems Manual, Safety, Quality & Environmental Manual, The Management on Supplier of Marine Fuel.

As of the end of 2016, a total of 779 suppliers which are located in 42 countries and regions over six continents worldwide were adopted by the Group.

Continent	Asia	Africa	Europe	North America	South America	Oceania
Number of Suppliers	592	8	114	45	11	9

SINOTRANS conducts both internal and external audit, supplier evaluation and on-site inspection on annual basis to ensure that the suppliers observe relevant laws and regulations, provide employees with safe and healthy working environment, defend basic dignity and human rights for employees and follow the principle of integrity and fairness, so as to achieve corporate sustainable development.

3.2 Legal Compliance

The Company and its subsidiaries strictly follow relevant local laws and regulations including the Labor Law of the People's Republic of China, the International Labor Conventions, the Maritime Labour Convention, 2006 and The Amendments (2014) to the Maritime Labour Convention, etc. SINOTRANS holds zero tolerance towards relevant offenses and commits to put an end to child labor and forced labor. In addition, SINOTRANS has established an integrated management system on basis of ISM Code, ISO9001 and ISO14001 to screen crew recruitment agencies. The Group shall conduct face-to-face interview and strictly verify the personal information and certificates when screening the crew proposed by agencies, in order to ensure no child labor or forced labor is employed. Once there is any illegal offenses found in vessels, crew and agencies, SINOTRANS shall take immediate action for rectification.

3.3 Anti-Corruption

The Group regulates staff of all levels on their behaviors in accordance with the Management and Employee Codes and Regulations, to prevent illegal offenses such as bribery. SINOTRANS has also established declaration systems for conflict of interest and gift acceptance, through which, all the employees are required to declare any issues relating to potential benefits. The afore-mentioned Management and Employee Codes and Regulations has been uploaded to the Group's internal website to facilitate the recruitment training. Each newly recruited staff is required to sign and confirm the policy.

It has also been described in the Management and Employee Codes and Regulations that all staff are encouraged to report in person or via email about any suspicious illegal offense conducted by internal staff. The Chairman or responsible officer of the Audit Committee shall evaluate and verify the reported information and keep it confidential. The Group, in the meantime, appoints the Ship Management Department together with the Classification Society to conduct surveillance on-board, in order to reduce violation.

In addition to the aforesaid, the Group circulates news on corruption cases and anti-corruption policies to management personnel, staff involved in purchase and supply, and financial staff on weekly basis, to further enhance the awareness of anti-corruption. The Group also invites the Community Relations Department of Hong Kong Independent Commission Against Corruption (ICAC) from time to time, to introduce the anti-corruption information to employees of all level, in order to foster proper values for the staff and promote corporate culture.

Furthermore, the global business of SINOTRANS are governed by the Hong Kong Prevention of Bribery Ordinance and other relevant local legislations and regulations. No corruption litigation relating to the Group or the employees was recorded during the reporting year.

3.4 Community Activities

The Group has been fulfilling social responsibilities since the very beginning. In the meantime of implementation of corporate management, SINOTRANS is committed to merge with local communities while providing support to their development through a thorough understanding of their needs. With the continuous contribution to the fields of environmental protection, public service activities, employee development. SINOTRANS was entitled "the Most Social Responsible Listed Company" in the election of "Golden HK Shares" in 2016.

1. Primary Local Community – Hong Kong: cultivate local competent personnel to promote local employment and strengthen the integration with local cultural, with all of which, SINOTRANS was entitled the "Partner Employment Award" in 2016 by the Hong Kong General Chamber of Small and Medium Business for the second time.

2. Shipping Community: the Group is adhered to the principle of "People First", and encourages all self-owned vessels to participate in the offshore rescue as far as possible. The ship "SINOTRANS HK" was awarded by China Maritime Search and Rescue Centre on 9 December 2016;

3. Sailor Community: SINOTRANS encourages staff to proactively participate in various of public service and environmental activities. For instance, the Group organized staff and their families to pick up the garbage left on the beach of Pu Tai Island in 2016.

The "Partner Employment Award"

The ship "SINOTRANS HK" was awarded by China Maritime Search and Rescue Centre

The Environmental Protection in Pu Tai Island

4. Environmental, Social and Governance Reporting Guide by HKEx

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P28-29	
KPI A1.1	The types of emissions and respective emissions data: • NO_x Emission: 23,187 tonnes; • SO_x Emission: 14,658 tonnes; • CO_2 Emission (Scope 1) : 895.758 tonnes; • CO_2 Emission (Scope 2) : 618 tonnes.	P33	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility): • CO_2 Emission Onshore (Scope 1): 895.758 tonnes; • CO_2 Emission Intensity (Scope 1): 5.02 g/ton-mile of cargo sailed 1 nautical mile • CO_2 Emission Offshore (Scope 2): 618 tonnes.	P33	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Not to disclose due to non-significant impact
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Not to disclose due to non-significant impact
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P28-29	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P28-29	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P30-32	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility) • Total Consumption of Fuel Oil: 279,401 tonnes; • Intensity of Fuel Oil Consumption: 2.24 g of standard coal/1 metric ton of cargo sailed 1 nautical mile; • Total Consumption of Heavy Diesel Oil: 8,017 tonnes; • Intensity of Heavy Diesel Oil Consumption: 0.07 g of standard coal/1 metric ton of cargo sailed 1 nautical mile; • Electricity Consumption in Onshore Office: 923,106 kWh; • Gasoline Consumption from Onshore Vehicle: 91 tonnes	P33-34	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	–	Not to disclose due to non-significant impact
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P30-32	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P30	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	Not applicable to the business scope of the Group

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P28-34	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and related management measures.	P28-34	
Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P21	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region. • Male/Female Onshore Employees: 483/277; • Age Group Distribution of Onshore Employees: Below 35/36 to 45/46 to 55/above 55: 275/270/159/56 • Geographical Region Distribution of Onshore Employees: Hong Kong/Canada/Singapore/Shanghai/Beijing: 99/11/9/573/68	P22-23	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
KPI B1.2	Employee turnover rate by gender, age group and geographical region. • Retention Rate of Male/Female Onshore Employees: 96%/95%; • Retention Rate of Onshore Employees Based on Age Group: Below 35/36 to 45/46 to 55/above 55: 93%/97%/98%/91% • Retention Rate of Onshore Employees Based on Region: Hong Kong/Canada/Singapore/Shanghai/Beijing: 93%/100%/100%/96%/93%	P22-23	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P26	
KPI B2.1	Number and rate of work-related fatalities	–	
KPI B2.2	Lost days due to work injury	–	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P26-27	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P24	
KPI B3.1	The percentage of employees trained by gender and employee category • Male/Female Onshore Employees that were trained: 335/85; • Full-time/Part-time Employees that were trained: 420/0	P24-25	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
KPI B3.2	The average training hours completed per employee by gender and employee category	P25	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P21	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P21	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P21	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P34	
KPI B5.1	Number of suppliers by geographical region • By the end of 2016, 779 suppliers in total are adopted by the Group, which are located in 42 countries and regions worldwide; for details.	P34	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P34	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Not applicable to the business scope of the Group

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page	Remarks
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not applicable to the business scope of the Group
KPI B6.2	Number of products and service related complaints received and how they are dealt with.		Not applicable to the business scope of the Group
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		Not applicable to the business scope of the Group
KPI B6.4	Description of quality assurance process and recall procedures		Not applicable to the business scope of the Group
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		Not applicable to the business scope of the Group
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P35	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. • No corruption litigation relating to the Group or the employees was recorded during the reporting year	P35	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P35	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P35-36	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P35-36	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	–	

CORPORATE GOVERNANCE REPORT

CONTINUOUS IMPROVEMENT IN CORPORATE GOVERNANCE

Our Company believes that the incessant enhancement of the standard of corporate governance is the underlying cornerstone for safeguarding the interests of all investors and enhancing corporate value. Since the listing of our shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 November 2007 (the "Listing Date"), our Company has been striving to enhance its standard of corporate governance and has put in place corporate practices with reference to the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the articles of association of our Company (the "Articles of Association") and other relevant laws and regulations as amended from time to time and taking into account the characteristics and requirements of our Company.

Our Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules as the corporate governance code of our Company. Our Company has complied with all the code provisions that are in force as set out in the Code throughout the year of 2016 except that due to other business commitment, the chairman of the Company did not attend and chair the annual general meeting held on 29 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for security transactions by the Directors of our Company.

After specific enquiry made by our Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2016.

BOARD OF DIRECTORS

The Board of our Company is accountable to the general meetings under its commitment to pursue the best interests of the Company. Members of the Board collectively and individually accept responsibility for the management and control of our Company in the interests of our shareholders and spare no efforts in the performance of their duties as Directors. Our Company's independent non-executive Directors have extensive expertise and experience in accounting, legal and financial management and other professional areas. All of them act diligently to uphold the interests of our Company and our shareholders by maintaining the independence of their opinions given with respect to their review of our Company's connected transactions and significant events, and by providing professional advices on the stable and disciplined operation and long-term development of our Company.

As at 31 December 2016, the Board comprised eight Directors, of which two were executive Directors, two were non-executive Directors and four were independent non-executive Directors, whose names were as follows:

Chairman: Mr. Li Zhen;

Executive Directors: Mr. Li Hua (general manager of the Company) and Ms. Feng Guoying;

Non-executive Directors: Mr. Li Zhen and Mr. Tian Zhongshan;

Independent non-executive Directors: Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah, Mr. Zhou Qifang and Mr. Xu Zhengjun.

The Board is responsible for determining operating plans and investment proposals of our Company, convening general meetings and executing the resolutions passed at general meetings, formulating our Company's profit distribution proposals and formulating and proposing any amendment to the articles of association of our Company.

The Board has approved the establishment of an executive committee of the Board (the "Executive Committee") on 12 March 2008 and the rules of proceedings and scope of authority of the Executive Committee. As at 31 December 2016, composition of the members of the Executive Committee included:

Mr. Li Hua and Ms. Feng Guoying.

The Board delegates its authority of the management of our Company's daily operation to the Executive Committee. Matters on which the Executive Committee can make decisions are set out in its scope of authority.

Our Company provides sufficient information to our Directors in a timely manner to ensure their understanding of our Company's state of affairs in a timely manner. Appropriate means have been adopted to maintain effective communications with our shareholders to ensure that their views are brought to the attention of the Board.

So far as our Company is aware, there is no financial, business, family or other material relationship among the members of the Board. Besides, there is also no similar relationship between the chairman of the Board and the general manager of our Company.

Our Company has received from each of our independent non-executive Directors a written confirmation of his independence to our Company pursuant to the requirements of the Listing Rules. Our Company considers that all of our independent non-executive Directors are independent of the Company.

During the year of 2016, four Board meetings were held by the Company. Apart from convening Board meetings, business of the Board was also transacted by convening Executive Committee meetings or by obtaining consent of the Board through the circulation of written resolutions. Our Company had prepared and properly kept detailed minutes for the matters discussed on the Board meetings, and such minutes were also open for our Directors' reference.

The Board has also established the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") in accordance with the Code.

The table below sets out the attendance of each Director in the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings in 2016:

	Attendance/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Li Hua	4/4				1/1	1/1
Ms. Feng Guoying	4/4				1/1	1/1
Non-executive Directors						
Mr. Li Zhen	4/4		2/2	2/2	0/1	0/1
Mr. Tian Zhongshan	4/4				1/1	1/1
Independent non-executive Directors						
Mr. Tsang Hing Lun	4/4	2/2	2/2		1/1	1/1
Mr. Lee Peter Yip Wah	4/4	2/2		2/2	1/1	1/1
Mr. Zhou Qifang	4/4	2/2	2/2	2/2	1/1	1/1
Mr. Xu Zhengjun	4/4				1/1	1/1

Our Directors are aware that they shall devote sufficient time and efforts to the business of our Company and that they shall abstain from voting on any Board resolution in which they or their associates have any material interests.

BOARD DIVERSITY POLICY

On 8 August 2013, the Company adopted the board diversity policy, the summary of which, together with the measurable objectives set for the policy and the progress of implementation, is disclosed below.

SUMMARY OF THE POLICY

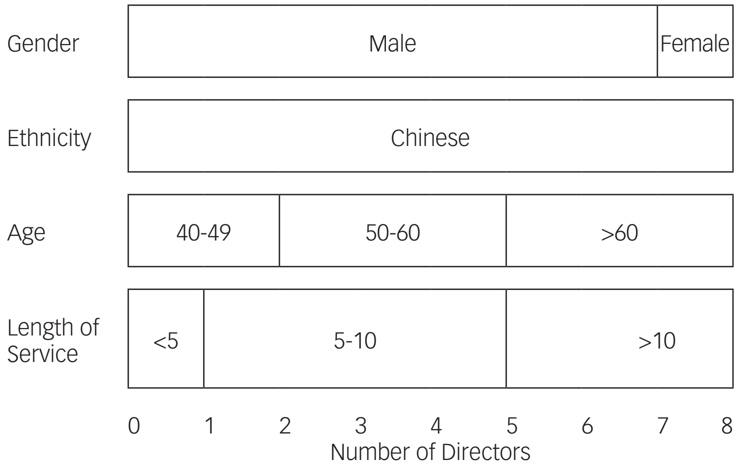
The Company recognises board diversity as the key element for the achievement of its strategic goals and sustainable development. In designing the composition of members of the Board, the Company takes into account a number of factors from various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service in considering the diversity of the Board. All decisions regarding appointment of members of the Board will be based on the candidates' meritocracy having regard to a set of objective standards which duly take the benefits of board diversity into consideration.

MEASURABLE OBJECTIVES

Selection of candidates will be based on a set of diversity criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made with reference to the candidates' merits and contributions to the Board.

EXECUTION

As at the date of this report, the composition and main diversity features of the Board are summarized as follows:



TRAINING FOR DIRECTORS

On 28 June 2016, under the arrangement of the Company, all Directors had attended a training for directors provided by Sidley Austin LLP. The training covers the new disclosure requirements of the Stock Exchange on environmental, social and governance reporting. Besides, the Company provides regular updates on the development of the Group's business and operations to all the Directors to ensure that they have appropriate understanding of the business and operations of the Group.

APPOINTMENT OF DIRECTORS

Under the service contracts entered into between our Company and each of our executive Directors and non-executive Directors, each of our executive Directors and non-executive Directors is appointed for a term of three years with effect from November 2016. Under the letters of appointment entered into between our Company and each of our independent non-executive Directors, each of our independent non-executive Directors is appointed for a term of one year with effect from November 2016. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

CHAIRMAN AND GENERAL MANAGER

The roles of Chairman and General Manager of the Company are segregated and not exercised by the same individual and each of them has different terms of reference. Our Chairman is responsible for the management of the operation of the Board, while our General Manager is responsible for the business management of our Company.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the Code. Majority of the members of these committees are independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and supervising the financial reporting system and internal control procedures of our Company, monitoring the Board, ensuring that the Board is accountable to our Company and our shareholders and proposing and engaging the external auditor. The terms of reference of the Audit Committee (as amended on 1 January 2016) are available on our Company's website.

On 31 December 2016, the Audit Committee was chaired by Mr. Tsang Hing Lun and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang. Most of the members possess professional qualifications and experience in finance. All members of the Audit Committee are independent non-executive Directors.

The Audit Committee held two meetings in 2016. Details of the meetings are mainly as follows:

1. The first meeting was convened on 14 March 2016. The auditor explained the audit issues to the Audit Committee. The Company explained to the Audit Committee about internal control and risk management. The Audit Committee resolved to approve, among other things, the engagement of the external auditor of the Company for 2016, as well as the submission of the financial statements for the year of 2015 to the Board for approval.

2. The second meeting was convened on 15 August 2016. The auditor explained the review and audit strategies issues for 2016 to the Audit Committee. The Audit Committee resolved to approve the submission of the unaudited condensed financial information for the first half of 2016 to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing the remuneration policies of our Company, assessing the performance of our Directors and senior management and determining their remuneration packages and proposing them to the Board for approval. The terms of reference of the Remuneration Committee (as amended on 12 March 2012) are available on our Company's website.

With the assistance of the Remuneration Committee, our Company has established several systems to determine the remuneration policies of our staff, taking into account the staff's performance, our Company's requirements and with reference to the external benchmarks with an aim of attracting, retaining and motivating the staff needed to run our Company successfully as well as realising the overall enhancement of personal value of our staff, corporate's value and shareholders' value.

On 31 December 2016, the Remuneration Committee was chaired by Mr. Zhou Qifang. Its members include Mr. Li Zhen and Mr. Tsang Hing Lun.

The Remuneration Committee held a meeting on 28 June 2016, at which the resolution on the director's fee of Mr. Xu Zhengjun for the period from 29 June 2016 to 22 November 2016 was passed and submitted to the Board for consideration. A meeting was held on 15 August 2016, and resolved to approve the proposed director's fees and remuneration level of our independent non-executive Directors and executive Directors for the term commencing from 23 November 2016 and ending on 22 November 2017 and submit the same to the Board for approval.

For the year ended 31 December 2016, the remuneration of the members of the senior management by band is set out below:

Remuneration band (HK$)	Number of persons
500,001 to 1,000,000	–
1,000,001 to 1,500,000	6
1,500,001 to 2,000,000	1
Over 2,000,000	–

Further particulars regarding the Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee is responsible for recommending candidates to fill vacancies in the Board based on their qualifications, abilities and potential contribution to our Company. The terms of reference of the Nomination Committee (as amended on 12 March 2012) are available on our Company's website.

On 31 December 2016, the Nomination Committee is chaired by Mr. Li Zhen and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Nomination Committee held a meeting on 28 June 2016, at which the resolution in relation to appointment of Mr. Xu Zhengjun as an independent non-executive Director was passed and submitted to the Board for consideration. A meeting was held on 15 August 2016. After taking into account of the skills, knowledge and experiences of Directors, Board Diversity Policy and assessment of independence of the independent non-executive Directors based on the independence requirements of Rule 3.13 of Listing Rules, it resolved to pass the re-appointment of Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah, Mr. Zhou Qifang and Mr. Xu Zhengjun as the independent non-executive Directors of the Company for the period of 23 November 2016 to 22 November 2017 for a term of one year and entered into reappointment letters; it resolved to re-appoint Mr. Li Zhen and Mr. Tian Zhongshan as non-executive Directors of the Company each for a term of three years from 23 November 2016 to 22 November 2019 and entered into reappointment letters with each of them; it resolved to re-appoint Mr. Li Hua and Mr. Feng Guoying as executive Directors of the Company each for a term of three years from 23 November 2016 to 22 November 2019 and entered into reappointment letters with each of them.

INTERNAL AUDIT

Our internal audit team is established for the review and assessment of the suitability, compliance and effectiveness of the Company's risk management and internal control systems by independent, objective and systematic professional approaches. If any weakness is founded in the internal audit, a corrective and preventive measure is proposed to the management to ensure any weakness of the control system is corrected in a timely manner.

Our internal audit staff directly report to the Audit Committee and the management, execute the resolutions passed by the Audit Committee and play an advisory role in day-to-day operations. In 2016, the internal auditors of the Company reported to the management on the business and financial matters of the Company; the representative of internal audit department attended meetings of the Audit Committee and reported to the Audit Committee on the work of internal audit.

In addition, our Company has carried out internal and external audit on the fleet operation to ensure that the fleet complies with the requirements of ISM Code, ISO9001 Quality Management Standard and ISO14001 Environmental Management Standard, strengthening the control of fleet operation.

EXTERNAL AUDITOR

PricewaterhouseCoopers was engaged by our Company as our auditor for the year ended 31 December 2016.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2016 were as follows:

	US$'000
– Audit and review services	871
– Non-audit services (transaction related service, tax advisory and compliance services)	120

There has been no change in auditor of our Company for the past three fiscal years.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the Code:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(2) To review and monitor the training and continuous professional development of Directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct and compliance with manual applicable to employees and Directors; and

(5) To review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

During the year, the Board reviewed the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

Under the authority of the Board, the Audit Committee is responsible for overseeing the effectiveness of the risk management and internal control systems of the Company to protect the assets of the Company. The Company has established a risk management and internal control systems based on the Corporate Governance Code set out in Appendix 14 to the Listing Rules, and continuously reviews the effectiveness and reliability of the system in accordance with the framework of the Committee of Sponsoring Organizations of the Treadway Commissions, so as to ensure that the Company has a clear organizational structure with clear division of responsibilities among departments and that the relevant policies are developed. The General Manager and the Chief Financial Officer submit an annual confirmation to the Board and the Audit Committee, which states that the design, implementation and maintenance of the internal control of the Company are effective and sufficient and confirms that frauds and errors have been effectively prevented.

Through setting up a Risk Management Office, the Board is also responsible for generally promoting risk management of the Company and formulating the relevant policies and measures, etc.. Through regular communication with business units, the Risk Management Office sorts and classifies the information on the management, operation, monitoring and control processes of the Company so as to identify, evaluate and manage risks. The existing major risks and the risk management plan for 2017 are summarized as follows:

Major risks	Key mitigations	Indicator of control completion
➢ Increased uncertainties in the shipping market will affect the achievement of strategic and operational objectives of the Company.	• Make appropriate adjustments to the operational and management model of the fleet based on the fleet and business development plan, in order to improve risk tolerance. • Further strengthen market research to improve the ability and efficiency of decision-making.	• The fleet records better financial performance and operating results than industry peers; • The fleet development plan has been completed on schedule and necessary adjustments have been made.
➢ Vessels experience major accidents and significant damages, resulting in casualties and property losses. Major pollution accidents occur on vessels and have a material adverse effect on the operation of the Company. Vessels are attacked by pirates or terrorists, causing casualties/economic losses and damaging the reputation of the Company. The crew is infected with a serious infectious disease, causing the Company to bear heavy responsibilities and economic losses	• Continue to strengthen the monitoring and security checks of target vessels. • Continue to strengthen the crew training. • Further improve management efficiency and the execution of safety management system and requirements. • Improve the safety and risk awareness, and strengthen the control of major security risk sources.	• The fleet has achieved the safety management objectives. • Vessel safety management performance continues to improve. • The tasks and requirements of the Board and the management have been finished and complied with on schedule and as requested.

Major risks	Key mitigations	Indicator of control completion
➢ Customers go bankrupt, resulting in economic losses of the Company.	• Continue to assess and track major contracts and the creditworthiness of major customers.	• No occurrence of credit risk cases for the fleet which led to significant losses to the Company.
➢ Subsidiaries and joint ventures are involved in litigations or claims, affecting the overall profit of the Group.	• Actively strive for the best results in favor of the Company. In case of the worst case, choose the best solution to minimize the loss.	• The systems and rules are sound and effective

The Company actively builds a risk management culture and has designed various activities to strengthen employees' awareness of risk prevention and ability to control risks. Since 2017, the Risk Management Office will report to the Board and the Audit Committee on a half-yearly basis and assist them in performing the relevant governance responsibilities.

The internal audit team of the Company (Compliance and Control Department and Internal Audit Department) has been established under the Risk Management Office to be responsible for auditing and reviewing the monitoring effectiveness as a check and balance mechanism. At the beginning of each year, the internal audit team prepares the annual draft audit plan in view of the key management issues and audit resources, and reports to the relevant management in charge. During the year, the internal audit team verified the policies and operations of the Company, and coordinated and tracked the audit opinions and recommendations as scheduled. The scope of audit covered safety, human resources, finance and treasury functions, internal communication, information systems and equipment, investment and other administrative and operational activities.

For the accounting, internal audit and financial reporting functions, the Company employs staff with adequate knowledge and experience. On-job training and training from professional institutions are provided to staff consistently. Training budget is formulated by the Company every year.

In order to further enhance the effectiveness of internal control, the Company has mapped out employees' code of ethics to raise employees' awareness of occupational integrity and morality. The Company's Whistle Blowing Policy prescribes that all reports will be handled confidentially to indicate that the Company is in determination to prevent the violation of overall integrity and ethical behavior. In addition, it has assessed the risk of corrupt practices (fraud) and reviewed control measures against events of corruption and fraud to eliminate the opportunities of improper use of assets.

Through the aforesaid risk management and internal control measures, the management aims to manage but not eliminate the risk relating to failure to achieve business objectives, and to give reasonable but not absolute warranties for no material misstatement or losses.

In order to ensure the compliance with the Listing Rules and the disclosure requirements of inside information of Securities and Futures Ordinance, the Company has set out the Continuous Disclosure Policy and instructed its staff the steps to disclose information properly so as to enable the reporting of the potential insider information/trading to the responsible person to decide whether any announcement had to be made. It also establishes relevant mechanism to ensure the secrets of the Company can be protected effectively.

The Company has actively adjusted and optimized the risk management and internal control systems of it and its subsidiaries in order to improve the overall risk management and internal control systems of the Group as a whole.

In 2016, the Board reviewed, through the Audit Committee, the risk management and internal control systems of the Group and considered these systems effective and sufficient.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

The Deed of Non-Competition entered into between the Company and SINOTRANS & CSC Group Company in November 2007 ensures that SINOTRANS & CSC Group Company will offer our Company a right of first refusal in respect of the opportunity to participate or acquire in any interest in future projects or joint ventures which are offered to any company in SINOTRANS & CSC Group which could or may compete with the Relevant Services of our Company and the right of first refusal in respect of the Chartering Opportunity (Please refer to the section headed "Relationship with SINOTRANS Group Company" – "Deed of Non-Competition" of the Prospectus for further details).

Our independent non-executive Directors were informed by the executive Directors that SINOTRANS & CSC Group Company was not aware that there existed any such opportunity during the year of 2016. In respect of the Chartering Opportunity, the Company completed the acquisition of 49% equity interest in China National Chartering Co., Ltd. in July 2014 and had effective control of such company which became a subsidiary of the Company. As a result, the independent non-executive Directors considered that there was not or was not likely to be any competition between the vessels available for chartering from companies relating to SINOTRANS & CSC Group Company and the vessels available for chartering from our Group in 2016.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2016.

DIRECTORS RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of our Group in accordance with statutory requirements and applicable accounting standards. The Board also ensures that the financial statements of our Group are published in a timely manner.

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" on page 84 to page 88 of this annual report.

COMPANY SECRETARY

Mr. Huen Po Wah was appointed as company secretary in October 2007 and resigned as company secretary in November 2016 due to reaching retirement age. Ms. Koo Ching Fan was appointed as company secretary in November 2016. She is a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, and a fellow member of the Association of Chartered Certified Accountants. Ms. Koo is also a director of Fair Wind Secretarial Services Limited and she has over 20 years of experience in company management and secretarial fields. For many years, she has provided professional services to various listed companies. Although Mr. Huen and Ms. Koo are not a fulltime employees of the Company, they are responsible for advising the Board on governance matters. The primary contact person of the Company with them is Mr. Yu Guangqun, the general manager of the Investor Relations Department of the Company. Each of Mr. Huen and Ms. Koo has confirmed that they have taken no less than 15 hours of relevant professional training during 2016.

SHAREHOLDERS MEETINGS

The extraordinary general meeting was convened on 29 June 2016 to approve the continuing connected transactions between the Group and the group of the parent company. The annual general meeting was convened on 29 June 2016 to review and approve the audited financial statements, the report of Directors and the independent auditor's report for the year ended 31 December 2015, to authorise the Board to determine the Directors' remuneration, to consider the re-appointment of auditor and determine its remuneration and to approve the general mandates to buyback shares and to issue shares.

Our Company places strong emphasis on the functions of general meetings and all shareholders are encouraged to attend. We will strive to make it an effective channel of communications through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed under Appendix 14 of the Listing Rules.

1. Calling a general meeting upon the request of Shareholders

In accordance with Section 566 of the Companies Ordinance, the Directors are required to call a general meeting if the Company has received requests to do so from Shareholders of the Company representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meeting. Such requests must state (a) the general nature of the business to be dealt with at the general meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: Shareholder@sinotranship.com); and (b) must be authenticated by the person or persons making it. In accordance with Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the general meeting.

2. Procedures to propose a resolution at Annual General Meeting

Section 615 of the Companies Ordinance provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the Shareholders of the Company representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: Shareholder@sinotranship.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the Companies Ordinance provides that the Company that is required under Section 615 of the Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each Shareholder of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the general meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the general meeting.

According to the Article 108 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The relevant procedures for proposing a Director by the Shareholders have been posted on the website of the Company.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any discloseable and significant event, our Company will make accurate and complete disclosure in a timely manner in the newspapers and on websites as specified by the relevant regulatory authorities for information disclosure pursuant to the disclosure requirements under the Listing Rules. This is to safeguard the right of information and participation of the shareholders.

Our Company places strong emphases on its communications with investors, and considers that maintaining ongoing and open communications with investors can promote investors' understanding of and confidence in our Company and enhance the standard of corporate governance. Our Company has set up the Investor Relations Department which is primarily responsible for investor relations. In 2016, the representatives of our management participated in a number of meetings with investors through activities including company visits, conferences calls, luncheons and large investment conferences organised by investment banks. These various ways of communications have enabled the investors to have a better understanding of the Company's policy, operations and strategies of development, and thus enhanced transparency and investor's recognitions of the Company.

Our Company's website, www.sinotranship.com, provides information of our Company such as investor relations, corporate governance and other latest information regarding our Company in a timely manner and is updated regularly.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department whose contact details are as follows:

Wang Dan (王丹)
Investor Relations Department
Sinotrans Shipping Limited
21st Floor, Great Eagle Centre
23 Harbour Road,
Wanchai, Hong Kong
Email: ir@sinotranship.com
Tel No.: (852) 28285566
Fax No.: (852) 37535981

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Hua (李樺), born in April 1966, was appointed as the general manager of the Company in July 2013. Mr. Li is responsible for the overall strategic planning and daily operation management of our Company. Mr. Li joined SINOTRANS Group after he graduated from the University of International Business and Economics in 1989. He received a master degree at Murdoch University in Australia in January 2002. Mr. Li has over 27 years' experience in the shipping industry. Mr. Li joined China Business Marine Co., Ltd. in July 1989. Mr. Li served as the assistant to the general manager and deputy general manager for Worlder Shipping Limited, and the director and deputy general manager of the Company. Mr. Li was elected as a member of the executive committee of the International Association of Dry Cargo Shipowners in October 2013 and a member of the executive committee of Hong Kong Shipowners Association in December 2013.

Ms. Feng Guoying (馮幗英), born in March 1964, has been a Director and the deputy general manager of our Company since September 2004. She joined SINOTRANS Group after she graduated from Renmin University of China in 1986. She received a master's degree at Guanghua School of Management in Peking University in 2007. Ms. Feng has over 26 years of experience in the shipping industry. From December 1989 to March 1998, Ms. Feng served in various positions in Worlder Shipping Limited such as the deputy manager of business department. From March 1998 to December 2007, she served as the manager, assistant general manager, deputy general manager of China Business Marine Co., Ltd. as well as the director of Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd and Sinotrans Shipping (Shenzhen) Limited successively. From January 2003, she served as the assistant to general manager of our Company and was promoted to the position of deputy general manager of our Company in September 2004.

Non-executive Directors

Mr. Li Zhen (李甄), born in September 1963, was appointed as a non-executive Director and the chairman of our Company in November 2013. Mr. Li graduated from Dalian Maritime University (formerly known as Dalian Maritime Institute) in 1987 and obtained an EMBA degree in Cheung Kong Graduate School of Business. He holds the professional qualification of International Business Engineer. He has over 26 years of experience in the shipping industry. From August 1987 to May 1991, Mr. Li worked as an officer of Seamen's Union of All China Federation of Trade Unions. In June 1991, he joined SINOTRANS Group and served as the general manager of Laya Transportation Co., Ltd (Brazil) and the general manager of China National Chartering Co., Ltd. (formerly known as China National Chartering Co.). In March 2005, Mr. Li was appointed as the assistant to the general manager of China National Foreign Trade Transportation (Group) Corporation. He serves as the assistant to the general manager and party committee member of SINOTRANS & CSC Holdings Co. Ltd. Mr. Li was appointed as the Safety Director of SINOTRANS Group in April 2014, the general manager of China Business Marine Co., Ltd. in August 2015 and the managing vice chairman of Nanjing Tanker Corporation in May 2015. He is also an executive director of the China Shipowners Association and the vice president of China Institute of Navigation.

Mr. Tian Zhongshan (田忠山), born in October 1968, has been the Director of our Company since January 2003. Mr. Tian joined SINOTRANS Group after he graduated from the University of International Business and Economics in 1991, and obtained a master degree at the University of South Australia in 2006. He has over 25 years of experience in the shipping industry. Mr. Tian worked at China National Chartering Co., Ltd. from January 1991 to March 2002. From April 2002 to December 2007, he served as the deputy general manager, legal representative and general manager of China Business Marine Co., Ltd. and the legal representative of Sinotrans Shipping (Shenzhen) Limited. In May 2003, Mr. Tian worked as the deputy general manager of our Company and was promoted to the position of general manager of our Company in March 2005. He was redesignated as a non-executive Director of the Company on 5 July 2013.

Independent Non-executive Directors

Mr. Tsang Hing Lun (曾慶麟), born in April 1949, was appointed as the independent non-executive director of our Company in August 2007. Mr. Tsang is also the Chief Executive Officer of Influential Consultants Ltd. and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Hons) in 1973. Mr. Tsang took up various senior management positions in several listed companies in Hong Kong and Singapore. He joined Hang Seng Bank in 1973 and served for 17 years. Mr. Tsang acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as the head of International Branches Division and the first vice president. After working in the UOB Group, Mr. Tsang acted as an executive director of the Hong Kong Stock Exchange in 1993, an executive director of China Champ Group in 1994 and the alternate chief executive officer and the deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. He is currently an independent non-executive director of Sino-Ocean Land Holdings Ltd., Nexteer Automotive Group Limited and COSCO SHIPPING Development Co., Ltd. (formerly known as China Shipping Container Lines Co., Ltd.), all of which are listed on the Hong Kong Stock Exchange. He was an independent non-executive director of China Rongsheng Heavy Industries Group Holdings Limited (now known as China Huarong Energy Company Limited).

Mr. Lee Peter Yip Wah (李業華), born in April 1942, was appointed as the independent non-executive director of our Company in August 2007. Mr. Lee graduated from The University of Hong Kong with a Bachelor's Degree of Arts in 1965 and was formerly a practising solicitor. He possesses approximately 40 years of experience in management and company secretarial works. Mr. Lee was the former senior partner of Messrs. Woo, Kwan, Lee & Lo. He was admitted as a certified solicitor in Hong Kong, United Kingdom and Singapore in 1971, 1974 and 1995 respectively. He was appointed as a Chinaappointed Attesting Officer in 1993. He is currently an independent non-executive directors of China Merchants Port Holdings Company Limited and SHK Hong Kong Industries Limited, both of which are listed on the Hong Kong Stock Exchange.

Mr. Zhou Qifang (周祺芳), born in December 1943, was appointed as the independent non-executive director of our Company in October 2007. Mr. Zhou graduated from Dalian Maritime University in 1965. Mr. Zhou has over 51 years of experience in the shipping industry. From September 1965 to June 1990, he worked at Guangzhou Ocean Shipping Company, where he held various positions including the head of the ship repairing factory. From June 1990 to July 1992, Mr. Zhou served as the general manager of the Nantong Ocean Shipping Enterprise under China Ocean Shipping Company. China Ocean Shipping Company was restructured and renamed as China Ocean Shipping (Group) Company in 1992. Between July 1992 and July 1997, Mr. Zhou was promoted to the position of vice president of China Ocean Shipping (Group) Company. Between July 1997 and April 2000, Mr. Zhou worked as the general manager of Shekou Industrial Zone Co., Ltd. From October 1997 to April 2000, Mr. Zhou served as a director and the vice president of China Merchants Group Limited and remained as its director and vice president between April 2000 and March 2004. From March 2004 to March 2007, he served as a director of China Merchants Group (Hong Kong) Limited and the chairman of China LNG Shipping (Holdings) Limited. From December 2004 to March 2007, he was appointed as a director of China Merchants Energy Shipping Co. Ltd. He was an independent director of Shanghai International Port (Group) Co. Ltd., which is listed on the Shanghai Stock Exchange.

Mr. Xu Zhengjun (徐政軍), born in September 1955, was appointed as an independent non-executive director of the Company in June 2016. Mr. Xu obtained postgraduate degree in Maritime Transportation Management from Shanghai Maritime University in 2003 and is a senior political officer with over 40 years of experience in the shipping industry. Mr. Xu had been the section chief and the head of department of Shanghai Ocean Shipping Co., Ltd; the general manager of crew company and land property company, which were the subsidiaries of COSCO Container Lines Co., Ltd.; the assistant to general manager of COSCO Container Lines Co., Ltd.; the general manager of Shanghai Ocean Shipping Company; a member of the leading team of COSCO Container Lines Co., Ltd. in charge of audit and supervision affairs; the managing director of COSCO (H.K.) Industry & Trade Holdings Limited and the director and vice chairman of Shenzhen Guangju Energy Co., Ltd. (listed in the PRC) until his resignation in March 2013; Mr. Xu had been vice president and chief legal consultant of COSCO (Hong Kong) Group Limited and director of True Smart International Limited. Since July 2012, he had served as the executive director and managing director of COSCO International Holdings Limited, and was also the chairman of Corporate Governance Committee, and a member of each of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee of the Company, until his resignation in March 2016. Mr. Xu has extensive experience in the shipping industry and onshore industries.

SENIOR MANAGEMENT

Mr. Xu Qiumin (徐秋敏), born in December 1958, was appointed as the deputy general manager of our Company in August 2014, responsible for the operation and management of the container business of the Company. Mr. Xu graduated from Shanghai Maritime University in July 1987 and joined SINOTRANS Group thereafter. He was granted a master degree of the Shanghai Institute of International Finance in March 2002 with the qualification of senior business engineer and senior economist. He has over 30 years of experience in shipping industry. Mr. Xu acted as the deputy manager of administration department and the deputy manager of sea transportation export department of Sinotrans Shanghai Company from July 1987 to March 1991. He was appointed as the general manager of Sino-Am Marine Company Inc. in USA from March 1991 and June 1996. He was the assistant to the general manager and deputy general manager of Sinotrans Shanghai Company from June 1996 to May 1999. He acted as the deputy general manager of Sinotrans Shanghai Group Company from May 1999 to December 2002 and the deputy general manager of Sinotrans Eastern Co., Ltd. from January 2003 to July 2006. He has been the general manager of Sinotrans Container Lines Co., Ltd. since July 2006. Mr. Xu is currently the deputy chairman of Shanghai Shipowners' Association and Lujiazui Shipping Association of Shanghai.

Mr. Geng Chen (耿晨), born in September 1967, was appointed as the deputy general manager of our Company in August 2014, responsible for the operation and management of the dry bulk business of the Company. Mr. Geng graduated from University of International Business and Economics in July 1990. Mr. Geng has been qualified as an international business engineer and has over 24 years of experience in shipping industry. Mr. Geng joined the First Shipping Department of SINOTRANS Group Company in July 1993 which was merged with China National Chartering Co., Ltd. in 1998. Mr. Geng successively took up the position as the deputy manager of the handy-size ship department and the manager of Cape-size Ship Department of China National Chartering Co., Ltd. He acted as the deputy general manager of that company from March 2001 to August 2008 and has been the general manager of that company since August 2008.

Mr. Xie Shaohua (謝少華), born in January 1971, was appointed as the chief financial controller of our Company since August 2007 and is responsible for overseeing all financial aspects of our Company. He was appointed as a deputy general manager and chief financial officer of the Company in October 2016, responsible for the financial, information technology and logistics of the Company. Mr. Xie graduated from Central University of Finance and Economics in 1993 and received master degrees at the University of International Business and Economics and The Chinese University of Hong Kong in 2003 and 2005 respectively. Mr. Xie has over 17 years of experience in the shipping industry. From November 1998 to October 2002, he worked in the finance department of SINOTRANS & CSC Group Company. From November 2002 to May 2007, he served as the deputy general manager of the finance department of Sinotrans Limited.

Ms. Xing Naiqun (邢乃群), born in April 1967, was appointed as the Deputy General Manager and General Counsel of the Company in October 2016, being responsible for the legal affairs, insurance, risk control and internal control and audit of the Company. Ms. Xing graduated from Dalian Maritime University in July 1989, and has been granted a master degree from the Faculty of Law at Stockholm University (瑞典斯德哥爾摩法學院) in November 1997. She has been qualified as a Chinese Lawyer and Grade 1 Enterprise Legal Counsel (一級企業法律顧問), and has accumulated over 28 years of experience in the shipping industry. She joined Sinotrans Group in August 1989, and successively served as the Assistant General Manager in Sinotrans Container Lines Co., Ltd. Beijing Branch (中外運集裝箱公司北京分公司), Manager of Business Department, Manager of Operation Department, and Manager of Legal and Risk Control Department, etc. in China National Chartering Co., Ltd. Currently, she is serving as the Deputy General Manager and General Counsel, etc. in China National Chartering Co., Ltd.

Mr. Liu Chun Ting (劉春庭), born in June 1976, was appointed as the Deputy General Manager of the Company in October 2016. Mr. Liu is responsible for human resources, strategy and planning, operations management and integrated management of the Company. Mr. Liu graduated from Tsinghua University with a bachelor's degree and a master's degree in July 2003. He holds professional qualifications of PRC lawyer, logistician and economist and has over eight years' experience in the shipping industry. Mr. Liu joined Sinotrans Group in August 2003 and served as the head of Human Resources Department of Sinotrans Group, the general manager of Human Resources Department and the general manager of Strategy and Planning Department of the Company, the chief representative of Shenzhen Office of Sinotrans Shipping Limited and a director of Sinotrans Container Lines Co., Ltd.

Mr. Tang Kai (唐凱), born in March 1977, was appointed as the Deputy General Manager of the Company in October 2016, responsible for the market development, crew management and corporate culture of the Company and the operation of Shenzhen Office of the Company. Mr. Tang graduated from Dalian University of Foreign Languages in July 1999 and obtained his master degree from Dongbei University of Finance & Economics in June 2011. He has been qualified as an economist and a senior logistician and has accumulated over 15 years of experience in the shipping industry. He joined Sinotrans Group in September 1999, and successively served as the Youth League Secretary and President Secretary of Sinotrans Group, Director and Deputy General Manager of Sinotrans Shipping (Shenzhen) Limited (深圳中外運航運有限公司), Deputy General Manager of Sinomarine Limited, Director and Deputy General Manager of SINOECL Auto Liners, Limited, Deputy General Manager of Dalian Harbour ECL Logistics Co., Ltd., Director of Sinotrans MOL Shipping Limited (中外運商船三井航運有限公司), General Manager of Crew Management Department of the Company, General Manager of Shenzhen Representative Office of the Company, etc.

Mr. Li Kin Ming (李健明), born in November 1952, was appointed as the port captain of our Company and the general manager of Sinotrans Shipping Management Limited in December 2015, responsible for managing the operation department and technical department and overseeing all shipping technical matters. Mr. Li graduated from the Pre-Sea Deck Cadet Training School of Island Navigation Corp., H.K. in 1972. Mr. Li has over 45 years of experience in the shipping industry. In 1991, Mr. Li served as the port captain of the operation department of Wah Tung Shipping Agency. From September 2000 to June 2004, he was the port captain of the operation department of Worlder Shipping Limited. From July 2004 to October 2014, Mr. Li served as the manager and general manager of the operation department of Sinotrans Shipping Management Limited. In November 2014, Mr. Li served as the assistant general manager of Sinotrans Shipping Management Limited.

Mr. Li Shudong (李樹棟), born in July 1969, was appointed the assistant to the general manager of the Company and the deputy general manager of Sinotrans Shipping Management Limited in April 2011 and is responsible for safety and technical management, and was appointed as the Safety Director of the Company in October 2016. Mr. Li graduated from Dalian Maritime University in 1993 and has over 23 years of experience in the shipping industry. He joined China Busines Marine Co., Ltd. in 1995 and worked in Worlder Shipping Limited in 2001. In 2003, he joined the Company and took up several positions such as the deputy manager of technical department and the senior manager of business department. Mr. Li served as the general manager of Sinotrans Shipping (Shenzhen) Limited from 2005 to 2010 and was responsible for car carrier business.

REPORT OF THE DIRECTORS

The Board hereby presents its report and the audited financial statements of our Group for the year ended 31 December 2016.

BUSINESS OPERATIONS OF THE GROUP

The Group is mainly engaged in dry bulk and container shipping business. We own, operate and manage a scaled modern fleet. There is no material change in the nature of the principal business of the Group during the year.

An analysis of our Group's operating results for 2016 by business segments is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Business review for the year and outlook of the Group are set out in Chairman's Statement on page 2 to page 5 and Business Review and Outlook on page 7 to page 12 of this annual report. The risks and uncertainties may by encountered by the Group are also set out in Chairman's Statement on page 2 to page 5 and Business Review and Outlook on page 7 to page 12 of this annual report.

Discussion on risk management are set out in Corporate Governance Report on page 49 to page 50. The objectives and policies of financial risks management are set out in Notes to the consolidated financial statements on page 109 to page 114.

The environment protection policies of the Group are set out in Environmental, Social and Governance Report on page 19 to page 42 of this annual report.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Particulars of the principal subsidiaries and joint ventures of our Company are set out in Note 33 to the consolidated financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2016 are set out in the financial statements of this annual report on page 89.

DIVIDEND

The Board has proposed a final dividend for the year ended 31 December 2016 of HK4 cents per share and, if such dividend is approved by the shareholders at the annual general meeting of the Company ("Annual General Meeting") to be held on 25 May 2017, it is expected to be paid on or before 15 June 2017 to those shareholders whose names appear on the Company's register of members after the close of business at 4:30 p.m. on 1 June 2017.

In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 1 June 2017.

CLOSE OF REGISTER OF MEMBERS

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify to attend and vote at the Annual General Meeting, share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 19 May 2017 for registration.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 17 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of our Group as at 31 December 2016 are set out in Note 26 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 32.0% and 13.2% of the Group's turnover and purchases, respectively.

The revenue generated from our largest customer accounted for 22.1% of our total revenue, while the purchases from our largest supplier accounted for 5.8% of our total purchases. During the year ended 31 December 2016, none of our Directors or any of their close associates or any of our shareholders who, to the knowledge of the Board, owned more than 5% of our shares had any interest in any of our five largest customers (except SINOTRANS & CSC Group which is our largest customer) or our five largest suppliers.

CONTINUING CONNECTED TRANSACTIONS

Details of the Group's material related party transactions for the year ended 31 December 2016 are set out in Note 31 to the consolidated financial statements. Some of those transactions constituted continuing connected transactions requiring disclosures under Chapter 14A of the Listing Rules, details of which are as follows:

A. Continuing connected transactions exempted from compliance with independent shareholders' approval, reporting and announcement requirements under Rule 14A.76(1) of the Listing Rules

Licensing of trademarks by SINOTRANS & CSC Group Company to the Company

Members of our Group have been using the SINOTRANS & CSC, SINOTRANS, 中國外運長航, 中外運, and trademarks (the ""Trademarks"") registered in the name of SINOTRANS & CSC Group Company and/or its subsidiaries for its shipping business. On 13 June 2016, SINOTRANS & CSC Group Company and our Company renewed the trademark licence agreement, which is valid for three years from 1 January 2016 to 31 December 2018.

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

B. Continuing connected transactions exempted from compliance with independent shareholders' approval under Rule 14A.76(2) of the Listing Rules, but subject to reporting, announcement and annual review requirements

1. Leasing of properties by SINOTRANS & CSC Group to our Group

Members of SINOTRANS & CSC Group have leased certain properties (the "Properties") and provide property management services to our Group as offices and staff quarters in Hong Kong.

On 25 March 2014, the Company and SINOTRANS & CSC Group Company entered into the supplemental renewed master tenancy and property management agreement (the "Supplemental Renewed Master Tenancy and Property Management Agreement") in respect of the leasing of the Properties and the provision of property management services from members of SINOTRANS & CSC Group to members of the Group throughout the respective rental periods. On 11 August 2015, the Company further entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which certain terms and the annual caps of the continuing connected transactions contemplated under the Supplemental Renewed Master Tenancy and Property Management Agreement were revised. Details of the Supplemental Agreement were set out in an announcement dated 11 August 2015.

On 13 June 2016, SINOTRANS & CSC Group Company and the Company entered into the new supplemental renewed master tenancy and property management agreement (the "New Supplemental Renewed Master Tenancy and Property Management Agreement") in respect of the leasing of the Properties by SINOTRANS & CSC Group Company to our Group and the provision of property management services.

The New Supplemental Renewed Master Tenancy and Property Management Agreement has become valid with effect from the date of the New Supplemental Renewal Master Tenancy and Property Management Agreement and will expire on 31 December 2018. The Supplemental Renewed Master Tenancy and Property Management Agreement and the Supplemental Agreement was terminated and ceased to have effect from the date of the New Supplemental Renewal Master Tenancy and Property Management Agreement.

The leasing of the Properties under the New Supplemental Renewed Master Tenancy and Property Management Agreement allows continuous and stable use by our Group of operating premises at market rate without expending the resources and disruption that relocation inevitably entails. For further details, please refer to the announcement dated 13 June 2016.

	Transaction amount (US$'000)	Annual cap (US$'000)
Leasing of properties by SINOTRANS & CSC Group to our Group	2,642	3,905

For the year ended 31 December 2016, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

A) Provision of tenancy services by SINOTRANS & CSC Group to our Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong	1,168	1,168
(b)	Rm 818, Sinotrans Plaza A, A43 Xizhimen Beidajie, Beijing 100044, the PRC	171	252
(c)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou	46	76
(d)	24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen	78	104
(e)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai	615	777
(f)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road	–	641
(g)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC	12	16
(h)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC	6	6
(i)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC	26	33
(j)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC	56	90
(k)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC	43	84
(l)	Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC	94	117

B) Provision of property management services by SINOTRANS & CSC Group to our Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Rm 818, Sinotrans Plaza A, A43 Xizhimen Beidajie, Beijing 100044, the PRC	50	74
(b)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou	17	24
(c)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai	219	268
(d)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road, the PRC	–	75
(e)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC	15	52
(f)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC	1	4
(g)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC	–	2
(h)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC	16	25
(i)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC	9	17

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

C. Non-exempted continuing connected transactions which are subject to independent shareholders' approval, reporting, announcement and annual review requirements

1. Provision and receipt of general services by our Group to/from SINOTRANS & CSC Group

On 25 March 2014, the Company entered into the supplemental parent master services agreement with SINOTRANS & CSC Group Company (the "Supplemental Parent Master Services Agreement") pursuant to which members of the Group provide and receive general services to/from the SINOTRANS & CSC Group to facilitate the operation of our Group or the SINOTRANS & CSC Group. The purpose of entering into the Supplemental Parent Master Services Agreement was to facilitate the cooperation between the SINOTRANS & CSC Group and the Group and better utilize their internal resources to increase competitiveness, which was mutually beneficial to each other. The Supplemental Parent Master Services Agreement was valid for a term of three years from 1 January 2014 to 31 December 2016.

Given general shipping services will be continuously provided between SINOTRANS & CSC Group and our Group, on 13 June 2016, the new supplemental parent master services agreement (the "New Supplemental Parent Master Services Agreement") was entered into between the Company and SINOTRANS & CSC Group Company to set out such general services to be provided. The purpose of entering into the New Supplemental Parent Master Services Agreement was the same as that of the Supplemental Parent Master Services Agreement.

The New Supplemental Parent Master Services Agreement has become valid with effect from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018. The Supplemental Parent Master Services Agreement was terminated and ceased to have effect from 29 June 2016. The general services provided by our Group to SINOTRANS & CSC Group under the New Supplemental Parent Master Services Agreement include (a) vessel technical management services; (b) commercial management services; (c) consultancy services; (d) corporate administrative services; (e) shipping agency services; (f) freight forwarding services; and (g) cargo transportation services; and the general services provided by SINOTRANS & CSC Group to our Group under the New Supplemental Parent Master Services Agreement include (a) commercial management services; (b) consultancy services; (c) shipping broker services; (d) shipping agency services; (e) maintenance and repairing services; (f) supervisory services regarding construction of vessels; (g) crew agency services (including crew management services); (h) insurance broker services; (i) refuelling services; (j) vessels inspection services; (k) freight forwarding services; (l) containers chartering services; and (m) container depot services.

Apart from providing the similar types of services to SINOTRANS & CSC Group, our Group requires some of the general services (i.e. commercial management services, consultancy services, shipping broker services, shipping agency services, freight forwarding services) from SINOTRANS & CSC Group because such services to be provided by SINOTRANS & CSC Group are different in terms of technicality, service scope, physical locations in which our Group does not have available vessels. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps of the above continuing connected transactions under the New Supplemental Parent Master Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
General services provided to SINOTRANS & CSC Group	196,030	363,506
General services received from SINOTRANS & CSC Group	32,301	95,904

A) Provision of general services by our Group to SINOTRANS & CSC Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel technical management services	–	360
(b)	commercial management services	–	200
(c)	consultancy services	–	100
(d)	corporate administrative services	1	10
(e)	shipping agency services	3	18
(f)	freight forwarding services	236	633
(g)	cargo transportation services	195,790	362,185

B) Receipt of general services by our Group from SINOTRANS & CSC Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	commercial management services	–	1,500
(b)	consultancy services	–	500
(c)	shipping broker services	66	2,500
(d)	shipping agency services	1,995	5,380
(e)	maintenance and repairing services	–	2,310
(f)	supervisory services regarding construction of vessels	390	3,200
(g)	crew agency services (including crew management services)	13,292	15,000
(h)	insurance broker services	–	2,680
(i)	refuelling services	230	28,000
(j)	vessels inspection services	–	20
(k)	freight forwarding services	3,360	12,202
(l)	containers chartering services	9,980	14,749
(m)	container depot services	2,988	7,863

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

2. Provision and receipt of general services by our Group (excluding China National Chartering Co., Ltd. ("Sinochart") and Sinotrans Container Lines Co., Ltd. ("Sinotrans Container Lines") (collectively "Combined Group")) to/from Sinochart

On 25 March 2014, the Company entered into the master service agreement with Sinochart (the "Sinochart Master Services Agreement"), which was valid for a term of three years from 1 January 2014 to 31 December 2016. Members of the Combined Group have provided general services to Sinochart including (a) vessel management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; and continue to provide (e) shipping agency services. Sinochart will provide the general services to members of the Combined Group including (a) commercial management services; (b) consultancy services; and (c) shipping broker services. The purpose of entering into the Sinochart Master Services Agreement between members of the Combined Group and Sinochart was to leverage their internal resources and services arrangement to increase the competitiveness.

On 13 June 2016, the Company entered into a new master service agreement with Sinochart (the "New Sinochart Master Services Agreement"), which has been valid from 29 June 2016 (i.e. the date of the Shareholders' approval in the extraordinary general meeting of the Company) and will expire on 31 December 2018. The Sinochart Master Services Agreement was terminated and ceased to have effect from 29 June 2016.

Pursuant to the New Sinochart Master Services Agreement, members of the Combined Group will provide certain general services to Sinochart including (a) vessel technical management services; (b) commercial management services; (c) consultancy services; and (d) shipping agency services; and Sinochart will provide certain general services to the Combined Group, including (a) commercial management services and (b) consultancy services. Apart from providing the similar types of services to Sinochart, our Group requires some of the general services (i.e. commercial management services and consultancy services) from Sinochart because such services to be provided by Sinochart are different in terms of technicality, service scope, physical locations in which our Group does not have available vessels.

The purpose of entering into the New Sinochart Master Services Agreement is the same as that of the Sinochart Master Services Agreement. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps of the above continuing connected transactions under the New Sinochart Master Services Agreement were as follows:

A) Provision of general services by the Combined Group to Sinochart

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel technical management services	125	800
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping agency services	51	180

B) Provision of general services by Sinochart to the Combined Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	commercial management services	–	250
(b)	consultancy services	–	100

As Marine Peace Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove a majority of the board of directors of Sinochart, Sinochart is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinochart. Therefore, Sinochart is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the New Sinochart Master Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3. Provision and receipt of general services by the Combined Group to/from Sinotrans Container Lines

On 25 March 2014, the Company entered into the master service agreement with Sinotrans Container Lines (the "SNL Master Service Agreement"), which was valid for a term of three years from 1 January 2014 to 31 December 2016. Members of the Combined Group provide general services to Sinotrans Container Lines including (a) vessel management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; and continue to provide (e) shipping agency services. Sinotrans Container Lines will provide general services including (a) commercial management services; (b) consultancy services; and (c) shipping broker services to members of the Combined Group. The purpose of entering into the SNL Master Services Agreement between members of the Combined Group and Sinotrans Container Lines was to leverage their internal resources and services arrangement to increase the competitiveness.

On 13 June 2016, the Company entered into a new service agreement with Sinotrans Container Lines (the "New SNL Master Services Agreement"), which has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval in the extraordinary general meeting of the Company) and will expire on 31 December 2018. The SNL Master Services Agreement was terminated and ceased to have effect from 29 June 2016.

Pursuant to the New SNL Master Services Agreement, members of the Combined Group will provide shipping agency services to Sinotrans Container Lines; and Sinotrans Container Lines will provide vessel technical management services to members of the Combined Group.

The purpose of entering into the New SNL Master Services Agreement is the same as that of the SNL Master Service Agreement. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps under the New SNL Master Services Agreement were as follows:

A) Provision of general services by the Combined Group to Sinotrans Container Lines

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	shipping agency services	–	19

B) Provision of general services by Sinotrans Container Lines to the Combined Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel technical management services	–	480

As Marine Harvest Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove a majority of the board of directors of Sinotrans Container Lines, Sinotrans Container Lines is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinotrans Container Lines. Therefore, Sinotrans Container Lines is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the New SNL Master Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4. Chartering of vessels by our Group to/from the SINOTRANS & CSC Group

On 25 March 2014, the supplemental master chartering agreement was entered into between the Company and SINOTRANS & CSC Group Company (the "Supplemental Master Chartering Agreement"), pursuant to which (i) SINOTRANS & CSC Group has chartered vessels from our Group; and (ii) our Group has chartered vessels from SINOTRANS & CSC Group. The Supplemental Parent Master Chartering Agreement was valid for a term of three years from 1 January 2014 to 31 December 2016.

On 13 June 2016, the new supplemental parent master chartering agreement was entered into between the Company and SINOTRANS & CSC Group Company (the "New Supplemental Parent Master Chartering Agreement") to set out the vessel chartering services between our Group and the SINOTRANS & CSC Group.

The New Supplemental Parent Master Chartering Agreement has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 August 2018. The Supplemental Parent Master Chartering Agreement was terminated and ceased to have effect from 29 June 2016. The purpose of entering into the New Supplemental Parent Master Chartering Agreement is to facilitate the cooperation between the SINOTRANS & CSC Group and our Group and better utilize their internal resources to increase competitiveness, which is mutually beneficial to each other. Our Group requires chartering services from the SINOTRANS & CSC Group because the vessels to be chartered by the SINOTRANS & CSC Group are of different from those owned by our Group in terms of carriage capacities, shipping routes or located in different piers globally. To maintain flexibility to meet its business needs, our Group will receive chartering services from the SINOTRANS & CSC Group. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps under the New Supplemental Parent Master Chartering Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Chartering of vessels by our Group to SINOTRANS & CSC Group	2,502	10,000
Chartering of vessels from SINOTRANS & CSC Group to our Group	4,076	21,042

A) Chartering of vessels by the Group to the SINOTRANS & CSC Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	2,502	10,000

B) Chartering of vessels by the SINOTRANS & CSC Group to our Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	4,076	21,042

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

5. Chartering of vessels by the Combined Group to/from Sinochart

On 25 March 2014, the Company entered into the master chartering agreement with Sinochart (the "Sinochart Master Chartering Agreement"), which was valid for a term of three years from 1 January 2014 to 31 December 2016. The purpose of entering into the Sinochart Master Chartering Agreement was to offer chartering services provided by members of the Combined Group to Sinochart and to maintain a steady flow of income into the Combined Group.

On 13 June 2016, the Company entered into the new master chartering agreement with Sinochart (the "New Sinochart Master Chartering Agreement"), which has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018. The Sinochart Master Chartering Agreement was terminated and ceased to have effect from 29 June 2016.

Pursuant to the New Sinochart Master Chartering Agreement, there will be vessels chartering services between the Combined Group and Sinochart. The purpose of entering into the New Sinochart Master Chartering Agreement is (i) to continue offering chartering services provided by members of the Combined Group to Sinochart, (ii) to commence offering chartering services by Sinochart to the Combined Group, (iii) to facilitate the cooperation between the Combined Group and Sinochart; and (iv) to better utilize their internal resources to increase competitiveness, which is mutually beneficial to each other.

The Combined Group requires chartering services from Sinochart because the vessels to be chartered by Sinochart are of different from those owned by the Combined Group in terms of carriage capacities, shipping routes or located in different piers globally. To maintain flexibility to meet its business needs, the Combined Group will receive chartering services from Sinochart. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps under the New Sinochart Master Chartering Agreement were as follows:

A) Chartering of vessels by the Combined Group to Sinochart

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	6,316	49,400
(b)	Address Commission	231	1,853

B) Chartering of vessels by Sinochart to the Combined Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	–	58,725
(b)	Address Commission	–	2,202

As Marine Peace Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove a majority of the board of directors of Sinochart, Sinochart is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinochart. Therefore, Sinochart is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the New Sinochart Master Chartering Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

6. Chartering of vessels by the Combined Group to Sinotrans Container Lines

On 25 March 2014, the Company entered into the master chartering agreement with Sinotrans Container Lines (the "SNL Master Chartering Agreement"), which was valid for a term of three years from 1 January 2014 to 31 December 2016. The purpose of entering into the SNL Master Chartering Agreement was to offer chartering services provided by members of the Combined Group to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group.

On 13 June 2016, the Company entered into the new master chartering agreement with Sinotrans Container Lines (the "New SNL Master Chartering Agreement"), which has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018. The SNL Master Chartering Agreement was terminated and ceased to have effect from 29 June 2016.

Pursuant to the New SNL Master Chartering Agreement, members of the Combined Group will continue to provide vessels chartering services to Sinotrans Container Lines. The purpose of entering into the New SNL Master Chartering Agreement is to offer chartering services provided by members of the Combined Group to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amounts and annual caps under the New SNL Master Chartering Agreement were as follows:

A) Chartering of vessels by the Combined Group to Sinotrans Container Lines

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	23,338	36,500
(b)	Address Commission	–	1,369

As Marine Harvest Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove a majority of the board of directors of Sinotrans Container Lines, Sinotrans Container Lines is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinotrans Container Lines. Therefore, Sinotrans Container Lines is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the New SNL Master Chartering Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

7. Provision of Financial Services by Sinotrans & CSC Finance Co., Ltd.（中外運長航財務有限公司）(the "Finance Company") to the subsidiaries and joint ventures of the Company

On 25 March 2014, the Company entered into the financial services framework agreement (the "Financial Services Framework Agreement") with SINOTRANS & CSC Group Company in respect of the provision of certain financial services by the Finance Company to the subsidiaries and joint ventures of the Company in accordance with the local rules and regulations. The Financial Services Framework Agreement was valid for a term of three years from 1 January 2014 to 31 December 2016.

According to the Financial Services Framework Agreement, SINOTRANS & CSC Group Company agreed that the Finance Company shall provide a series of financial services to the subsidiaries and joint ventures of the Company on terms not less favorable than the benchmark rates set by the Peoples' Bank of China (if applicable) as well as those available from independent commercial banks in the PRC, and the provision of financial services by the Finance Company to the subsidiaries and joint ventures of the Company shall be also within the caps agreed under the Financial Services Framework Agreement, including: (1) the credit facility services; (2) the deposit services; and (3) other financial services (including but not limited to settlement services, notes services, foreign exchange services and other financial services within its business scope).

On 13 June 2016, the Company entered into the new financial services framework agreement (the "New Financial Services Framework Agreement") with SINOTRANS & CSC Group Company in respect of the provision of certain financial services by the Finance Company to the subsidiaries and joint ventures of the Company in accordance with the local rules and regulations. The New Financial Services Framework Agreement has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018. The Financial Services Framework Agreement was terminated and ceased to have effect from 29 June 2016.

According to the New Financial Services Framework Agreement, SINOTRANS & CSC Group Company agreed that the Finance Company shall provide a series of financial services to the subsidiaries and joint ventures of the Company on terms not less favorable than the benchmark rates set by the Peoples' Bank of China (if applicable) as well as those available from independent commercial banks in the PRC, and the provision of financial services by the Finance Company to the subsidiaries and joint ventures of the Company shall be also within the caps agreed under the New Financial Services Framework Agreement, including: (1) the credit facility services; and (2) the deposit services, etc. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2016, the transaction amount and the relevant annual caps under the New Financial Services Framework Agreement were as follows:

	Transaction amount (RMB'000)	Annual cap (RMB'000)
Maximum daily outstanding balance of deposits placed by the Group and joint ventures of the Company (including accrued interests and handling charges but not including any loans advanced by the Finance Company)	345,213	350,000

As SINOTRANS & CSC Group Company holds 55% equity interest of the Finance Company, the Finance Company is a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the New Financial Services Framework Agreement constitute continuing connected transactions of the Company.

D. Possible continuing connected transactions after completion of the Reorganisation

1. Provision of container terminal services by 蛇口裝箱運輸碼頭有限公司 (Shekou Container Terminals Ltd.) ("Shekou Container") to Sinotrans Container Lines

On 1 January 2014, the container terminal service agreement was entered into between Sinotrans Container Lines and Shekou Container (the "Shekou Container Terminal Service Agreement") pursuant to which Shekou Container continues to provide container terminal services (including berthage, cargo handling/loading, container storage, transfer of containers, etc.) (the "Terminal Services") to Sinotrans Container Lines. The term of the Shekou Container Terminal Service Agreement commenced from 1 January 2014 and expired on 31 December 2016.

Given Sinotrans Container Lines requires port support when its container vessels berth at the port of Shekou, the Directors are of the view that the Terminal Services are necessary for Sinotrans Container Lines in its usual and ordinary course of business. Details of the Shekou Container Terminal Service Agreement were disclosed in the announcement of the Company dated 3 August 2016.

As at the year ended 31 December 2016, the Reorganisation was subject to the process of registration for change of shareholders with Administration for Industry and Commerce in the PRC. Given SINOTRANS & CSC Group Company will be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of China Merchants Group Limited ("CMG") after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Shekou Container, which is an indirect wholly-owned subsidiary of CMG, will become an associate of the Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Shekou Container Terminal Service Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

2. **Provision of tug services by 深圳聯達拖輪有限公司 (Shenzhen Lianda Tug Co., Ltd) ("Shenzhen Lianda") to Sinotrans Container Lines**

On 25 May 2016, the tug service agreement was entered into between Sinotrans Container Lines, Shenzhen Lianda and 深圳中外運船務代理有限公司 (China Marine Shipping Agency, Shenzhen Co., Ltd) (the "Tug Service Agreement") pursuant to which Shenzhen Lianda continues to provide tugs for bringing ships into and from the Shekou terminal (the "Tug Services") to Sinotrans Container Lines. The term of the Shekou Container Terminal Service Agreement commenced from 1 May 2016 and will expire on 31 December 2017.

Given Sinotrans Container Lines requires tug services when its container vessels berth at the port of Shekou, the Directors are of the view that the Tug Services are necessary for Sinotrans Container Lines in its usual and ordinary course of business. Details of the Tug Service Agreement were disclosed in the announcement of the Company dated 3 August 2016.

Given SINOTRANS & CSC Group Company will be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Shenzhen Lianda, which is an indirect wholly-owned subsidiary of CMG, will become an associate of the Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Tug Service Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

3. **Provision of general services by China Merchants Hoi Tung Trading Company Limited (formerly known as Hoi Tung Marine Machinery Supplies Ltd.) ("China Merchants Hoi Tung") and its subsidiaries (the "Hoi Tung Group") to our Group**

On 13 June 2016, the Company and China Merchants Hoi Tung entered into a master service agreement (the "Hoi Tung Master Services Agreement") in respect of the provision of certain shipping services (including but not limited to, supply of materials and components, shipping broker services, maintenance and repairing services and vessel inspection services) by the Hoi Tung Group to our Group. The purpose of entering into the Hoi Tung Master Services Agreement was to facilitate the cooperation between our Group and China Merchants Group Limited and its subsidiaries (the "CMG Group") and enable our Group to utilize the CMG Group's platform for more shipping services. Our Group requires such general services from the Hoi Tung Group because such services to be provided by the Hoi Tung Group are different from the same types of services available in our Group in terms of technicality, service scope, physical locations in which our Group does not have available vessels.

The Hoi Tung Master Services Agreement has become valid on 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018. For further details, please refer to the announcement and the circular both dated 13 June 2016.

Given SINOTRANS & CSC Group Company will then be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. China Merchants Hoi Tung is a wholly-owned subsidiary of CMG, will be an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Hoi Tung Master Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

4. Provision of maintenance and repairing services by China Merchants Industry Holdings Co., Ltd. ("CMG Industry") to our Group

On 13 June 2016, a service agreement was entered into between the Company and CMG Industry (the "CMG Industrial Maintenance and Repairing Services Agreement") in respect of the provision of maintenance and repairing services from CMG Industry to our Group. The purpose of entering into the CMG Industrial Maintenance and Repairing Services Agreement was to facilitate the cooperation between our Group and the CMG Group and enable our Group to utilize the CMG Group's platform for more shipping services. The Group requires such general services from CMG Industry because such services to be provided by CMG Industry are different from the same types of services available in our Group in terms of technicality, service scope, physical locations in which our Group does not have available vessels. For further details, please refer to the announcement and the circular both dated 13 June 2016.

The CMG Industrial Maintenance and Repairing Services Agreement has become valid on 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018.

Given SINOTRANS & CSC Group Company will then be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. CMG Industry is a wholly-owned subsidiary of CMG, will be an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Industrial Maintenance and Repairing Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

5. Provision and receipt of certain shipping services by China Merchants Logistics Holdings Co., Ltd. ("CMG Logistic") to/from our Group

On 13 June 2016, a service agreement was entered into between the Company and CMG Logistic (the "CMG Logistic Services Agreement") in respect of (i) the provision of certain shipping services (shipping agency services and freight forwarding services) from CMG Logistic to our Group; and (ii) the provision of cargo transportation services from our Group to CMG Logistic. The purpose of entering into the CMG Logistic Services Agreement was to facilitate the cooperation between our Group and the CMG Group and enable both our Group and CMG Logistic to utilise each other's platform for more shipping services. For further details, please refer to the announcement and the circular both dated 13 June 2016.

The CMG Logistic Services Agreement has become valid on 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018.

Given SINOTRANS & CSC Group Company will then be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. CMG Logistic is a wholly-owned subsidiary of CMG, will be an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Logistic Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

6. **Chartering of vessels by our Group to/from China Merchants Energy Shipping Co., Ltd. ("China Merchants Energy")**

Given the chartering services will be continued between China Merchants Energy and our Group after the Reorganisation, on 13 June 2016, the master chartering agreement was entered into between the Company and China Merchants Energy (the "CMG Energy Master Chartering Agreement") to set out such chartering services to be provided.

The CMG Energy Master Chartering Agreement has become valid from 29 June 2016 (i.e. the date of the Shareholders' approval at the extraordinary general meeting of the Company) and will expire on 31 December 2018.

The purpose of entering into the CMG Energy Master Chartering Agreement is to continue and enhance the mutual cooperation between China Merchants Energy and our Group and better utilize each other's areas of advantages in the chartering services. Our Group requires chartering services from China Merchants Energy because the vessels to be chartered by China Merchants Energy are of different from those owned by our Group in terms of carriage capacities, shipping routes or located in different piers globally. To maintain flexibility to meet its business needs, our Group will receive chartering services from China Merchants Energy. For further details, please refer to the announcement and the circular both dated 13 June 2016.

Given SINOTRANS & CSC Group Company will then be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold SINOTRANS & CSC Group Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. China Merchants Energy is a wholly-owned subsidiary of CMG, will be an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Energy Master Chartering Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

7. **Provision of Financial Services by China Merchants Bank Co., Ltd. ("China Merchants Bank") to our Group**

On 13 June 2016, the Company and China Merchants Bank entered into the a financial services agreement (the "CMB Financial Services Agreement") pursuant to which our Group may from time to time obtain certain financial services (including but not limited to, the deposit services, loan services, other financial services such as settlement services, notes services and foreign exchange services) from the China Merchants Bank and its subsidiaries (the "China Merchants Bank Group").

The CMB Financial Services Agreement has become valid from 29 June 2016 and will expire on 31 December 2018.

The purpose of entering into the CMB Financial Services Agreement is that, China Merchants Bank, being a leading registered bank, is able to provide different banking and related services in support of the Group's business and treasury activities. There is no restriction under the CMB Financial Services Agreement on our Group's ability to secure the services of other banks or financial institutions of its choice. Our Group may make its selection according to the fees being charged and the quality of services being delivered. For further details, please refer to the announcement and the circular both dated 13 June 2016.

China Merchants Bank is indirectly owned as to approximately 29.97% by CMG and directly and indirectly owned as to approximately 0.09% by SINOTRANS & CSC Group Company. As a result of the Reorganisation, CMG and its subsidiaries and associates will become connected persons of the Company, China Merchants Bank and its subsidiaries will become associates of the Company. Therefore, financial services provided by China Merchants Bank Group to the Group will become continuing connected transactions of the Group upon completion of the Reorganisation. Accordingly, the transactions contemplated under the CMB Financial Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Our Directors (including independent non-executive Directors) consider that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group on normal commercial terms pursuant to the terms of relevant transaction agreements and are fair and reasonable and in the interests of the Company and our shareholders as a whole. In respect of the possible continuing connected transactions with the CMG Group, given the expected timing of completion of the Reorganisation was uncertain at the relevant time of entering into such agreements, the Company was of the view that such agreements should become valid from the date of the relevant Shareholders' approval so that the transactions contemplated thereunder will become continuing connected transactions of the Group immediately after completion of the Reorganisation.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engages the auditor of our Company, PricewaterhouseCoopers, to perform procedures on the above continuing connected transactions (other than the continuing connected transactions exempted from compliance with independent shareholders' approval, reporting and announcement under Rule 14A.76(1) of the Listing Rules and the transactions with the CMG Group which will only become continuing connected transactions after completion of the Reorganisation) as identified by the management for the year ended 31 December 2016 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor reports that:

(1) nothing has come to their attention that causes them to believe that the Transactions have not been approved by the Board of the Company;

(2) for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the Transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such Transactions; and

(4) with respect to the aggregate amount of each of the Transactions, nothing has come to their attention that causes them to believe that the Transactions have exceeded the maximum aggregate annual value disclosed previously.

DONATION

The Group did not make any charitable and other donations during the year.

RESERVES

Details of movements in the reserves of our Group and our Company during the year are set out in the consolidated statement of changes in equity and Note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2016 amounted to approximately US$52.03 million.

ISSUED SHARES

Details of movements in the issued shares of the Company are set out in Note 23 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the interests or short positions held by the following persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of Shareholders	Long Position/ Short Position	Capacity	Number of Shares Held	As a % of Total Issued Shares
SINOTRANS & CSC Group Company (Note 1)	Long position	Interest of controlled corporation	2,720,520,000	68.15%
Sinomarine Limited (Note 1)	Long Position	Interest of controlled corporation	2,600,000,000	65.13%
Sinotrans Shipping (Holdings) Limited (Note 1)	Long position	Beneficial Owner	2,600,000,000	65.13%

Note:

1. SINOTRANS & CSC Group Company is the beneficial owner of all the issued shares in Sinomarine Limited which is the beneficial owner of all the issued shares in Sinotrans Shipping (Holdings) Limited, and therefore, each of SINOTRANS & CSC Group Company and Sinomarine Limited is deemed, or taken to be, interested in the shares owned by Sinotrans Shipping (Holdings) Limited for the purposes of the SFO.

Save as disclosed above, as at 31 December 2016, no other person (other than the Directors or chief executives of the Company) had any interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 31 December 2016, there was no purchase, sale or redemption of any of our shares by our Company or any of our subsidiaries.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The table below sets out a summary of the operating results, assets and liabilities of the Group for each of the five years ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS				(Restated)	
Revenues	**841,461**	999,774	1,206,811	1,313,032	222,178
Cost of operations	**(888,555)**	(1,030,329)	(1,210,353)	(1,308,842)	(209,712)
Selling, administrative and general expenses	**(34,376)**	(36,424)	(33,397)	(33,846)	(19,095)
Vessels impairment	**(162,793)**	(4,717)	–	–	(5,154)
Other (losses)/gains, net	**(1,555)**	(14,393)	9,371	3,073	4,271
Operating loss	**(245,818)**	(86,089)	(27,568)	(26,583)	(7,512)
Finance income, net	**4,573**	12,024	15,816	24,716	27,745
Share of profits of joint ventures	**455**	153	926	510	900
(Loss)/profit before income tax	**(240,790)**	(73,912)	(10,826)	(1,357)	21,133
Income tax expenses	**(1,324)**	(7,625)	(1,912)	(2,603)	(1,012)
(Loss)/ profit for the year	**(242,114)**	(81,537)	(12,738)	(3,960)	20,121
(Loss)/profit attributable to:					
– Owners of the Company	**(229,579)**	(66,334)	1,862	(638)	20,121
– Non-controlling interests	**(12,535)**	(15,203)	(14,600)	(3,322)	–
	(242,114)	(81,537)	(12,738)	(3,960)	20,121
(Loss)/earnings per share					
– Basic and diluted	**US(5.75) cents**	US(1.66) cents	US0.05 cents	US(0.02) cents	US0.50 cents
Dividend	**20,472**	–	40,945	–	5,118

CONSOLIDATED BALANCE SHEET

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
				(Restated)	
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,074,342**	2,353,225	2,524,144	2,624,066	2,213,736
TOTAL LIABILITIES	**(278,099)**	(296,231)	(333,871)	(439,113)	(37,862)
NON-CONTROLLING INTERESTS	**(7,806)**	(21,614)	(38,726)	825	–
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,788,437**	2,035,380	2,151,547	2,185,778	2,175,874

Notes:

(a) The financial figures for the year ended 2016 were extracted from the consolidated financial statements.

(b) The financial figures for the year 2012 to 2015 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations in 2014 was made on the financial figures for the year 2012.

DIRECTORS

As at 31 December 2016 and up to the date of this report, the composition of the Board was as follows:

Executive Directors:

Mr. Li Hua (General manager of the Company)
Ms. Feng Guoying

Non-executive Directors:

Mr. Li Zhen (Chairman of the Board)
Mr. Tian Zhongshan

Independent non-executive Directors:

Mr. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang
Mr. Xu Zhengjun (appointed on 29 June 2016)

We have received from each of our independent non-executive Directors a written confirmation of his independence to our Company pursuant to the requirements of the Listing Rules. Our Company considers that all of our independent non-executive Directors are independent to the Company.

DIRECTORS OF THE SUBSIDIARIES

For the year ended 31 December 2016 to the date of this report, the names of the persons who served as directors of the Company's subsidiaries were Mr. Li Zhen (李甄), Mr. Li Hua (李樺), Ms. Feng Guoying (馮幗英), Mr. Xie Shaohua (謝少華), Mr. Xu Qiumin (徐秋敏), Mr. Geng Chen (耿晨), Mr. Xia Zheng Guo (夏正國), Mr. Tian Xue Hao (田學浩), Mr. Liu Chun Ting (劉春庭), Mr. Li Shudong (李樹棟), Mr. Ye Jie (葉捷), Mr. Ji Jie (嵇杰), Mr. Liu Bing Shuang (劉炳雙), Mr. Lin Rong Hua (林榮華), Mr. Zhu Wei (朱煒), Mr. Li Xu (李旭), Mr. Zhou Hui (周暉), Mr. Xu Ting Hui (徐挺惠), Mr. Li Jun (李駿), Mr. Li Jing (李京), Mr. Gu Xing (谷興), Mr. Wang Gui Fu (王桂付) and Mr. Zhang Guo Qing (張國慶).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 54 to 57 in this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Each of our executive Directors and non-executive Directors has entered into their service contracts with our Company for a term of three years with effect from November 2013.

Under the letter of appointment entered into between our Company and each of the independent non-executive Directors, each independent non-executive Director is appointed for a term of one year with effect from November 2016. For the twelve months ending November 2017, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.00. For the twelve months ending November 2017, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.00.

No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The remuneration of the Directors and the details of the five highest-paid individuals of our Company are set out in note 11 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2016, none of the Directors or chief executives of our Company or their respective associates had any interest or short position in any shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be recorded in the register kept by our Company, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at 31 December 2016 and at any time during the year, none of our Directors had any material interest, directly or indirectly, in any transactions, arrangements or contract of significance to which our Company, the parent company, subsidiaries or any of our fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2016, none of our Company, any of our subsidiaries, our ultimate holding company or any of our fellow subsidiaries was a party to any arrangement which would enable our Directors to acquire benefits by means of acquisition of shares in or debentures of our Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2016, none of our Directors had any interest in any business which competes or may compete with the business of our Group.

SHARE OPTIONS

On 31 October 2007, the sole shareholder of our Company passed the written resolution for the conditional adoption of the Company's share option scheme (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant options to subscribe for shares of the Company based on the terms and conditions set out therein to (i) any Director (including executive or non-executive Directors but excluding independent non-executive Directors) of the Company or any of our subsidiaries; (ii) any member of senior management of our Group; (iii) any core member of the technical and management teams of our Group; and (iv) any employee of our Group who plays a key role in our Group's strategic development (the "Eligible Participants").

Details of the Share Option Scheme are as below:

(i) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view of achieving the following objectives: (i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and (ii) to attract and retain or otherwise maintain on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) Maximum number of shares

(1) 10% limit

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering, being 400,000,000 shares, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company).

(2) Renewal of the 10% limit

Subject to the issue of a circular by our Company, the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting.

(3) Beyond 10% limit

Subject to the issue of a circular by our Company, the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

(4) Individual limit

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised and outstanding) to each Eligible Participant in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by our Company and the approval of our shareholders in general meeting with such Eligible Participants and their associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our shareholders in general meeting at which all connected persons of our Company shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

(5) Maximum limit of 30%

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company at any time shall not exceed 30% of the shares in issue from time to time.

(iii) Exercise period of options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 7 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 7 years after it has been granted. No option may be granted more than 7 years after the date of approval of the Share Option Scheme.

(iv) Amounts payable upon acceptance of option

Upon acceptance of an option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(v) Exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(vi) The remaining life of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(vii) Shares to be issued under the Share Option Scheme

Pursuant to the Share Option Scheme, no option may be granted more than 7 years after the date of approval of the Share Option Scheme, and the Company has not granted any option since the date of approval of the Share Option Scheme. Accordingly, as at the date of this report, no share was available for issue under the Share Option Scheme.

No share option had been granted under the Share Option Scheme and no other share option scheme was adopted by the Company as at 31 December 2016.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, the Company did not enter into any equity-linked agreements at the end of the year or at any time during the year.

CONTRACTS WITH SINOTRANS & CSC GROUP COMPANY

SINOTRANS & CSC Group Company is the controlling shareholder of our Company, with which our Company has entered into various agreements for regulating the on-going business relationship between our Group and SINOTRANS Group Company. These agreements are the master services agreement, master management agreement, master lease agreement, trademark licence agreement and master chartering agreement, details of which are set out in the section headed "Connected Transactions".

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. And every Directors are not required to take responsibility against all losses or liabilities which the Company may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Articles are valid only if there are no conflict with the Companies Ordinance.

The Company has taken out and maintained insurance for Directors of the Company against the liabilities and costs of the Directors brought by any litigations.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, our Directors acknowledged that, based on publicly available information and to the knowledge of our Directors, our Company had maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance codes adopted by our Company are set out in Corporate Governance Report in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Our Company has adopted the Model Code as the code of conduct regarding our Directors' security transactions. Upon specific enquiry made by the Company, all the Directors of the Company had confirmed that they had complied with the required standards set out in the Model Code throughout the year of 2016.

AUDIT COMMITTEE

Our Company has established an Audit Committee ("the Audit Committee") and prescribed its written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The principal functions of the Audit Committee include the appointment of the external auditor, review and supervision of the Group's financial reporting process, risk management and internal controls as well as the provision of advices and recommendations to the Board. The terms of reference of the Audit Committee are available on our Company's website. As of 31 December 2016, the Audit Committee was chaired by Mr. Tsang Hing Lun and its members were Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Audit Committee has reviewed our Group's consolidated financial statements for the year ended 31 December 2016, including the accounting principles and policies adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2016, our Company had legal claims arising in the ordinary course of business. Our Directors consider that these cases will not have significant financial or operational impact on our Group.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Li Zhen
Chairman

Hong Kong, 9 March 2017

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE MEMBERS OF SINOTRANS SHIPPING LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sinotrans Shipping Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 158, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of principle accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Vessels impairment
- Provision for onerous contracts

Key Audit Matter	How our audit addressed the Key Audit Matter
Vessels impairment	
Refer to note 17 to the consolidated financial statements. As at 31 December 2016, the Group has a large fleet of wholly owned vessels amounted to US$1,046 million. The net asset value of the Group at 31 December 2016 is higher than its market capitalisation. This factor, together with the challenging market conditions, are considered as indicators of impairment. Management has therefore performed impairment assessment of the Group's vessels. The recoverable value of the vessels is supported by the value-in-use calculations of vessels. The value-in-use of each vessel that has impairment indicators is estimated by discounting future cash flow forecasts which involved significant judgements including discount rates, charter hire rate and inflation rates of operating, administrative and general expenses. Management compared the carrying amount and the recoverable amount of the vessels, and concluded that as at 31 December 2016, an impairment provision of US$162.8 million was required and fully provided for.	We evaluated management's impairment assessment by assessing the valuation methodology, the future discounted cash flows used in the value-in-use calculation and the process by which they were prepared and assessing the reasonableness of the underlying key assumptions, including: • The forecast charter hire rates were compared with long term historical actual results and published external industry forecasts; • The inflation rates of operating, administrative and general expenses were compared with economic forecasts; • The forecast utilisation rates were compared with historical actual result; • The discount rates were assessed with our knowledge of discount rates for the industry and with comparable companies; • Reviewing the appropriateness of the sensitivity calculations prepared by management, in particular, the assumptions set out above. We found the Group's judgement and assumptions used in the impairment assessment to be reasonable based on the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for onerous contracts	
Refer to note 25 to the consolidated financial statements. The Group has entered into a number of charter-in contracts and is therefore committed to significant future lease payments. A provision should be made for future lease obligations where the cost of those obligations exceeds the economic benefits expected to be received under the lease. Following the shipping market downturn, the market freight rate remains at a low level and management therefore performed an assessment of the Group's charter-in contracts to identify any onerous contracts that may require provisioning. The onerous contracts are assessed on an individual vessel basis. Management compared the expected future cash inflows and the committed costs under the operation of the charter-in contracts, and concluded that as at 31 December 2016, an onerous contracts provision of US$17.64 million was required and this is fully provided for. The conclusion is based on significant judgements including economic benefits expected under the contracts, calculated using expected charter hire rates and utilisation for the remaining period of the charter term to determine future cash inflows.	Our procedures performed to assess the provision for onerous contracts included: • Checking the completeness of the lease commitments list, which was used to compile the onerous contract assessment by reference to charter hire expense of the chartered-in vessels charged to the consolidated statement of profit or loss and other comprehensive income; • Agreeing the details of the lease commitments list, including the charter hire rate and charter-in period, to the charter-in contracts on a sample basis; • Assessing the reasonableness of key assumptions, including charter hire rate used in the impairment assessment of the vessels; • Checking the calculation of the onerous provision by comparing the expected future cash inflows and the committed costs under the operation of the charter-in contracts. We found the Group's judgements and assumption used in the onerous contract assessment to be reasonable based on the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Lo Pui Shan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Revenues	6	**841,461**	999,774
Cost of operations	7	**(888,555)**	(1,030,329)
Selling, administrative and general expenses	7	**(34,376)**	(36,424)
Vessels impairment	8	**(162,793)**	(4,717)
Other losses, net	9	**(1,555)**	(14,393)
Operating loss		**(245,818)**	(86,089)
Finance income	12	**10,830**	18,788
Finance expenses	12	**(6,257)**	(6,764)
Share of profits of joint ventures		**455**	153
Loss before income tax		**(240,790)**	(73,912)
Income tax expense	13	**(1,324)**	(7,625)
Loss for the year		**(242,114)**	(81,537)
Loss attributable to:			
– Owners of the Company		**(229,579)**	(66,334)
– Non-controlling interests		**(12,535)**	(15,203)
		(242,114)	(81,537)
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(18,495)**	(10,632)
Fair value changes of available-for-sale financial assets		**(142)**	(6)
Total comprehensive loss for the year		**(260,751)**	(92,175)
Total comprehensive loss attributable to:			
– Owners of the Company		**(246,943)**	(75,063)
– Non-controlling interests		**(13,808)**	(17,112)
		(260,751)	(92,175)
Loss per share attributable to owners of the Company			
– Basic and diluted	14	**US(5.75) cents**	US(1.66) cents
Dividend	15	**20,472**	–

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,105,373**	1,291,976
Intangible asset	18	**2,502**	1,349
Investments in joint ventures	19	**74,057**	60,769
Loans to joint ventures	19	**4,000**	5,333
Loans to related companies	20	**15,027**	16,069
Bank deposit	21	**–**	121,714
Available-for-sale financial assets	22	**18,360**	3,863
Deferred income tax assets	27	**15**	339
		1,219,334	1,501,412
Current assets			
Inventories		**17,996**	16,240
Loans to joint ventures	19	**1,333**	1,333
Trade and other receivables	20	**157,194**	300,778
Available-for-sale financial assets	22	**34,507**	25,074
Cash and bank balances	21		
– Cash and cash equivalents		**283,243**	154,978
– Short-term bank deposits		**360,627**	353,302
– Restricted cash		**108**	108
		855,008	851,813
Total assets		**2,074,342**	2,353,225

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**1,878,209**	1,878,209
Other (deficits)/reserves		**(89,772)**	157,171
		1,788,437	2,035,380
Non-controlling interests		**7,806**	21,614
Total equity		**1,796,243**	2,056,994
LIABILITIES			
Non-current liabilities			
Provision for other liabilities	25	**6,393**	–
Borrowings	26	**62,879**	70,833
		69,272	70,833
Current liabilities			
Trade and other payables	24	**178,460**	204,438
Provision for other liabilities	25	**20,554**	12,486
Taxation payable		**1,804**	690
Borrowings	26	**8,009**	7,784
		208,827	225,398
Total liabilities		**278,099**	296,231
Total equity and liabilities		**2,074,342**	2,353,225

The financial statements on pages 89 to 158 were approved by the Board of Directors on 9 March 2017 and were signed on its behalf

....	....
Li Zhen	**Li Hua**
Director	*Director*

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital	Merger reserve	Statutory reserve	Other reserve	Available-for-sale reserve	Exchange reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2016	1,878,209	(448,132)	2,995	51,941	(3)	2,683	547,687	2,035,380	21,614	2,056,994
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(229,579)	(229,579)	(12,535)	(242,114)
Other comprehensive loss										
Currency translation differences	–	–	–	–	–	(17,219)	–	(17,219)	(1,276)	(18,495)
Fair value changes of available-for-sale financial assets	–	–	–	–	(145)	–	–	(145)	3	(142)
Total comprehensive loss	–	–	–	–	(145)	(17,219)	(229,579)	(246,943)	(13,808)	(260,751)
At 31 December 2016	1,878,209	(448,132)	2,995	51,941	(148)	(14,536)	318,108	1,788,437	7,806	1,796,243

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital US$'000	Merger reserve US$'000	Statutory reserve US$'000	Other reserve US$'000	Available-for-sale reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2015	1,878,209	(448,132)	2,995	51,941	–	11,409	655,125	2,151,547	38,726	2,190,273
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(66,334)	(66,334)	(15,203)	(81,537)
Other comprehensive loss										
Currency translation differences	–	–	–	–	–	(8,726)	–	(8,726)	(1,906)	(10,632)
Fair value changes of available-for-sale financial assets	–	–	–	–	(3)	–	–	(3)	(3)	(6)
Total comprehensive loss	–	–	–	–	(3)	(8,726)	(66,334)	(75,063)	(17,112)	(92,175)
Transactions with owners										
Dividends related to 2014	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
Total transactions with owners	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
At 31 December 2015	1,878,209	(448,132)	2,995	51,941	(3)	2,683	547,687	2,035,380	21,614	2,056,994

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Cash generated from operations	28	**5,635**	4,929
Interest received		**10,098**	14,891
Income tax paid		**(9)**	(524)
Net cash generated from operating activities		**15,724**	19,296
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(96,495)**	(176,401)
Proceeds from disposals of:			
– Property, plant and equipment		**7,964**	30,394
– Asset held-for-sale		**–**	61,805
– Joint venture		**128**	–
– Available-for-sales financial assets		**23,329**	74,956
Loan repayments received from a fellow subsidiary		**–**	10,000
Investment in joint ventures		**(12,961)**	(40,485)
Repayment of loans to:			
– Joint ventures		**1,333**	1,334
– Related companies		**1,437**	17,481
Receipt of compensation income from related party		**–**	35,838
Interest income from			
– An available-for-sales financial asset		**1,980**	1,037
– Loans to related companies		**–**	299
– Loan to a fellow subsidiary		**259**	143
Receipt of government subsidy		**144,178**	8,246
Purchase of available-for-sales financial assets		**(49,740)**	(100,293)
Decrease in bank deposits		**112,642**	28,773
Decrease in restricted cash		**–**	40,006
Net cash generated from/(used in) investing activities		**134,054**	(6,867)
Cash flows from financing activities			
Dividend paid		**–**	(41,104)
Interest expenses on bank borrowings		**(1,035)**	(1,375)
Interest expense on financial lease obligation		**(5,222)**	(5,389)
Repayment of bank borrowings		**(6,290)**	(6,346)
Repayment of finance lease obligation		**(1,438)**	(1,255)
Net cash used in financing activities		**(13,985)**	(55,469)
Net increase/(decrease) in cash and cash equivalents		**135,793**	(43,040)
Cash and cash equivalents at beginning of year		**154,978**	201,618
Effect of foreign exchange rate changes		**(7,528)**	(3,600)
Cash and cash equivalents at end of year		**283,243**	154,978

The notes on pages 95 to 158 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Sinotrans Shipping Limited (the "Company") was incorporated in Hong Kong on 13 January 2003 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is 21/F, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 November 2007. The Company and its subsidiaries (collectively the "Group") principally engages in dry bulk shipping business, container shipping business, shipping agency and ship management.

The ultimate holding company is SINOTRANS & CSC Holdings Co., Ltd., a stated–owned enterprise established in the People's Republic of China (the "PRC").

In December 2015, the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") approved the strategic reorganisation between SINOTRANS & CSC Holdings Co., Ltd. and China Merchants Group Limited. According to the approval, SINOTRANS & CSC Holdings Co., Ltd. will be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, China Merchants Group Limited. As of the reporting date, the relevant legal procedures of the above strategic reorganisation have not been completed.

These consolidated financial statements are presented in US dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2017.

2 BASIS OF PREPARATION

(i) The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") (which include Hong Kong Accounting Standards ("HKAS") and Interpretations), the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and requirements of Hong Kong Companies Ordinance Cap.622. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(ii) Amended standards adopted by the Group

The Group has adopted the following amendments to existing standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning on or after 1 January 2016:

Amendments to HKAS 1	Presentation of Financial Statements: Disclosure Initiative
Amendments to HKAS 27 (2011)	Separate Financial Statement: Equity Method
Amendments to HKFRS 10, HKFRS 12, and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS Amendments	Annual improvement to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of the above amendments to existing standards did not have significant effect on the consolidated financial statements or result in any significant changes in the Group's principle accounting policies.

2 BASIS OF PREPARATION (Continued)

(iii) New and amended standards which are not yet effective

The HKICPA has issued the following new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2016 and have not been early adopted:

Amendments to HKAS 7[1]	Statement of Cash Flows
Amendments to HKAS 12[1]	Income Taxes
HKFRS 15[2]	Revenue of Contracts from Customers
HKFRS 9[2]	Financial Instruments
Amendments to HKFRS 2[2]	Classification and Measurement of Share-based Payment Transactions
HKFRS 16[3]	Leases
Amendments to HKFRS 10 and HKAS 28[4]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2017
(2) Effective for annual periods beginning 1 January 2018
(3) Effective for annual periods beginning 1 January 2019
(4) Effective date to be determined

The Group has already commenced an assessment of the related impact of these new standards and amendments to existing standards on the Group. However, the Group is not yet in a position to state whether any substantial changes to the Group's principle accounting policies and presentation of the consolidated financial statements will be resulted.

3 PRINCIPLE ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are those entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Merger accounting for common control combinations

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, as prescribed in Accounting Guideline 5 ("AG 5"), Merger Accounting for Common Control Combinations, issued by the HKICPA.

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 in consideration for goodwill or excess of acquirers' interest in the net fair value of 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.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(i) Merger accounting for common control combinations (Continued)

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 the 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 are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

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, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(ii) Acquisition method of accounting for non-common control combinations

Apart from the business combination under common control which has been accounted for using the principles of merger accounting prescribed in AG 5 (note 3(a)(i)), the Group uses the acquisition method of accounting to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(ii) Acquisition method of accounting for non-common control combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

Intra-group transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions-that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 3(k)(i)). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company (the "Directors") that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollar ("US$" or "US Dollar"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the profit or loss within "other losses, net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

(f) Property, plant and equipment

(i) Vessels under construction

Assets under construction represent primarily vessels under construction, are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Vessels, land and buildings and other property, plant and equipment

Vessels, buildings and other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment losses and is not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance, including vessel repairs and surveys, are expensed in the profit or loss during the financial period in which they are incurred.

For vessels, an element of the cost of an acquired vessel is attributed at acquisition to its service potential reflecting its maintenance condition. This cost is depreciated over the period to the next dry docking. Costs incurred on subsequent dry docking of vessel are capitalised as part of the cost of the vessel and depreciated on a straight-line basis over the estimated period until the next dry docking.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

(ii) Vessels, land and buildings and other property, plant and equipment (Continued)

Depreciation of vessels, buildings and other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Vessels – dry bulk and container vessels	25 years
Buildings	20-25 years
Others (including leasehold improvements, furniture, fixtures and equipment and motor vehicles)	5 years

The residual values of vessels, buildings and other property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(k)(i)).

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised within "other losses, net" in the profit or loss.

(g) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans to joint ventures", "loans to relates companies", "bank deposit", "trade and other receivables" and "cash and bank balances" in the balance sheet.

(3) Available-for-sale financial assets

Available-for-sale financial asset are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial asset are recognised in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss and other comprehensive income as "other losses, net".

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the profit or loss as part of other gain. Dividends on available-for-sale equity instruments are recognised in the profit or loss as part of other gain when the Group's right to receive payments is established.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Inventories

Inventories represent bunkers on board of vessels, which are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the expected amount to be realised from use as estimated by the management.

(j) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 3(k)(ii)). See note 3(h) for further information about the Group's accounting for trade receivables and note 3(k)(ii) for a description of the Group's impairment policies.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(k) Impairment

(i) Impairment of investments in subsidiaries, joint ventures and non-financial assets

Vessels under construction are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or the joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(k) Impairment (Continued)

(iii) Impairment of financial assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

(l) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(m) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(n) Borrowings (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(p) Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(iii) Retirement benefits obligations

The group participates in various retirement schemes which are defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Monthly contribution made by the Group is calculated based on certain percentages of the applicable payroll costs. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions are recognised as employee benefit expense when they are due.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(t) Revenue and income recognition

Revenue and income are measured at the fair value of the consideration received or receivable for the chartering of vessels and provision of services in the ordinary course of the Group's activities, stated in net of discounts returns and value added taxes. Revenue and income is shown after eliminating sales within the Group. The Group recognises revenue and income when the amount of revenue and income can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(t) Revenue and income recognition (Continued)

The Group recognises revenue and income on the following basis:

(i) Revenue from charter hire

Income from time charter is recognised on a straight-line basis over the period of each charter.

Income from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(ii) Revenue from container shipping

Freight revenues from operations of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(iii) Revenue from shipping related businesses

Revenue from provision of ship management and shipping agency services is recognised when the services are rendered.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(u) Leases

Leases where substantially all the risks and rewards of ownership of assets are retained by the lessors are classified as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are classified as finance leases.

(i) Where the Group is the lessee (operating leases)

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the profit or loss on a straight-line basis over the lease periods.

(ii) Where the Group is the lessor (operating leases)

When asset is leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(iii) Where the Group is the lessee (finance leases)

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(u) Leases (Continued)

(iv) Where the Group is the lessor (finance leases)

When asset is leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders or the directors, where applicable.

(w) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(x) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to market risks (including market freight rate risk, bunker price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risks

(1) Market freight rate risk

The Group is exposed to market freight rate risk arising from its charter hire transactions and container shipping business. To manage the market freight rate risk from charter hire transactions, the Group seek to diversify its type of chartering through the use of different forms and length of charter hire arrangements. To manage the market freight rate risk from container shipping business, the Group seek to diversify its source of revenues through operating different routes within the Asia Pacific region.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risks (Continued)

(2) Bunker price risk

The Group is also exposed to bunker price risk for its shipping businesses. Any increase in bunker price may only be partially compensated through freight surcharge bunker price adjustment. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2016 and 2015, the Group had no bunker forward contracts outstanding.

(3) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets comprise cash and bank balances, loans to joint ventures, loans to related companies and available-for-sale financial asset while significant interest bearing liabilities represent borrowings. Interest bearing assets and interest bearing liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2016, with all other variables held constant, the impact on the profit or loss of a 100 basis-point shift in interest rate would be an increase or decrease of US$3,046,000 (2015: US$1,689,000).

(4) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The foreign exchange risk is faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items"). The Group currently does not have regular and established hedging policy in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policy to control the risks, when need arises.

As at 31 December 2016, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax loss for the year would have decreased/increased by approximately US$3,536,000 (2015: US$3,854,000) as a result of the translation of those Non-Functional Currency Items.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The extent of credit exposure of the Group is the aggregate carrying value of cash and bank balances, trade and other receivables (including amounts advanced to related companies), loans to joint ventures and available-for-sale financial assets.

The Group's credit risk from its vessel chartering activities is considered minimal as it is normal shipping practice that substantial part of the charter hire income is prepaid by customers. Under time charters, charter hire is normally paid every 15 days in advance.

Under voyage charters for dry bulk vessels, 80%-95% of freight is normally paid within three to twenty working days of the completion of loading, with the balance paid within a month of the completion of discharge.

The Group also has policies in place to assess the credit worthiness of the lessors of vessels and customers to ensure payments in advance for charter hire expenses to the lessors and vessels are chartered to customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' ageing to minimise its exposure to credit risk.

Cash and bank balances are deposits in banks with sound credit ratings and a fellow subsidiary which is a stated-owned financial institution. Given their sound credit ratings, the Group does not expect to have high credit risk in this aspect. Furthermore, management regularly assesses credit risk for finance lease receivable, loans to joint ventures, amounts advanced to related companies and the issuers of the Group's available-for-sale financial asset by reviewing ageing analysis and financial information of these counterparties on a regular basis to minimise credit risk.

(iii) Liquidity risk

Cash flow forecasting is performed by the Group Finance. The Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and capital commitments (if any) at all times. Such forecasting takes into consideration of the Group's future business plans and strategy to monitor any debt financing requirement.

Surplus cash held by the operating entities over balance required for working capital management are managed centrally by the Group Finance and the surplus cash would be invested in interest bearing bank deposits and available-for-sale financial asset with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At 31 December 2016, the Group has current portion of cash and bank balances of US$643,978,000 (2015: US$508,388,000) that are expected to readily generate cash inflows for managing liquidity risk.

The tables below analyse the Group's and the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts at 31 December
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2016					
Group					
Borrowings (exclude finance lease obligations)	**7,246**	**24,895**	**–**	**32,141**	**29,623**
Finance lease obligations	**6,643**	**26,590**	**44,013**	**77,246**	**41,265**
Trade and other payables	**178,460**	**–**	**–**	**178,460**	**178,460**
	192,349	**51,485**	**44,013**	**287,847**	**249,348**
At 31 December 2015					
Group					
Borrowings (exclude finance lease obligations)	7,402	27,615	4,472	39,489	35,913
Finance lease obligations	6,661	26,590	53,986	87,237	42,704
Trade and other payables	204,438	–	–	204,438	204,438
	218,501	54,205	58,458	331,164	283,055

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider macro-economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings or repay borrowings if necessary.

The Group monitors its capital on the basis of the gearing ratio, which represents ratio of comparing net debt to total capital. Net debt represents total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and bank balances. Total capital represents "total equity" as shown in the consolidated balance sheet plus net debt. During 2016, the Group's strategy, which was unchanged from 2015, was to maintain a gearing ratio below 50%.

Gearing ratio is not presented as the Group had net cash (in excess of debt) as at 31 December 2016 and 2015.

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value as at 31 December 2016 and 2015, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	2016 **US$'000**	2015 US$'000
Available-for-sale financial assets		
Level 1:		
– Equity securities	**173**	173
– Debt securities	**36,261**	–
Level 2:		
– Debt securities	**12,829**	24,901
Level 3:		
– Equity securities	**3,604**	3,863
	52,867	28,937

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are listed investments included in level 1 and is classified as available-for-sale financial assets.

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments.

	Equity securities	
	2016	2015
	US$'000	US$'000
Opening balance at 1 January	**3,863**	4,108
Disposal	**(13)**	–
Other comprehensive loss		
– Currency translation differences	**(246)**	(239)
– Fair value changes of available-for-sale financial assets	**–**	(6)
Closing balance at 31 December	**3,604**	3,863
Total losses for the year recognised in consolidated statement of profit or loss and other comprehensive income and presented in fair value changes of available-for-sale investment	**(246)**	(245)
Total losses for the period recognised in profit or loss related to assets held at the end of the year and presented in other losses, net	**–**	–

There were no changes in valuation techniques during the year.

The fair value of this available-for-sale financial asset (level 3) was based on the estimated future cash flow. There is no transfer into or out of level 3 during the year.

Specific valuation techniques used to value financial instruments include:

- discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Vessels impairment

The operation of shipping industry is subject to cyclical fluctuations, which in turn affects the results of operations.

Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable. Management assesses whether there is any indicators of potential impairment by comparing the net asset value of the Group and its market capitalisation, reviewing results of operation of the vessels, considering the market demand and supply and general market conditions. If impairment indicator exist, the Group tests whether the carrying value of each individual vessel has suffered any impairment in accordance with the accounting policy on impairment of non-financial assets (Note 3(k)(i)).

Based on management's review, impairment indicator exists for dry bulk vessels of the Group and impairment assessment for these vessels has been performed for the year ended 31 December 2016. The recoverable amounts of these vessels have been determined based on the higher of fair value less costs of disposal or value-in-use method. The fair values of these vessels were determined by referencing to the second hand price on published external market report for similar age and size of vessels. While the value-in-use calculations require the use of estimates on the projections of cash flows from the continuing use of these vessels (including the charter hire rate, inflation rate of operating, administrative and general expenses and discount rate). Based on management assessment, an impairment loss of US$162,793,000 is required and recognised for the year ended 31 December 2016.

Were the discount rate of 9% (2015:9%) to increase by 1% from management estimate with all other variables held constant, it is estimated that a further impairment of US$37,779,000 would be provided. Were the charter hire rate to increase or decrease by 1% from management estimate with all other variables held constant, it is estimated that the impairment provision would decrease by US$6,811,000 (2015: US$nil) or increase by US$6,888,000 (2015: US$nil) as at 31 December 2016. Were the inflation rate over expenses to increase or decrease by 0.5% from management estimate with all other variables held constant, it is estimated that the impairment provision would increase by US$5,008,000 (2015: US$nil) or decrease by US$4,916,000 (2015: US$nil) as at 31 December 2016.

(b) Useful lives of vessels

Management determines the estimated useful lives and related depreciation expenses for the vessels by reference to expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market. Useful lives of vessels could change significantly as a result of the changes in these factors.

Management will revise the depreciation charge where useful life is different from previously estimated life.

Were the useful lives to differ by 10% from management estimates with all other variables held constant, it is estimated that the carrying value of vessels would decrease by US$5,703,000 (2015: US$5,992,000) or increase by US$4,945,000(2015: US$4,946,000) as at 31 December 2016.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Residual values of vessels

Management determines the residual values for the vessels based on the current scrap values of steels in an active market at each measurement date, since management decides to dispose of the fully depreciated vessels as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual value to differ by 10% from management estimates with all other variables held constant, it is estimated that the carrying value of vessels would increase or decrease by US$1,353,000 (2015: US$1,594,000) as at 31 December 2016.

(d) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of balance sheet date, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following period.

As at 31 December 2016, were the actual expenses of voyages differ by 5% from management estimates with all other variables held constant, it is estimated that the voyage expenses would increase/decrease by US$4,446,000 in the future periods (2015: US$5,154,000).

(e) Provision for onerous contracts

Management estimate the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated vessel contracts, and estimated future freight rates by reference to market statistics and historical information while unavoidable costs are estimated based on charter hire payments that the historical group is obligated to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision for onerous contracts of US$17,637,000 at 31 December 2016 (2015: US$3,176,000) (note 25).

The dry bulk market is currently highly volatile and freight rates for long periods are difficult to predict with a reasonable certainty. Had the estimated freight rates for onerous contracts as at 31 December 2016, with all other variables held constant, been increased or decreased by 10% from management's estimates, the provision for onerous contracts would have approximately decreased by US$9,743,000 (2015: US$609,000) or increased by US$11,599,000 (2015: US$726,000).

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Revenues recognised during the years from operations of dry bulk shipping, container shipping, and others including shipping agency and ship management are as follows:

	2016 US$'000	2015 US$'000
Dry bulk shipping (note)	**367,068**	501,651
Container shipping (note)	**473,333**	495,895
Others	**1,060**	2,228
	841,461	999,774

Note:

Revenue from dry bulk shipping and container shipping under time charter hire agreements were US$91,453,000 and US$nil respectively for the year ended 31 December 2016 (2015: US$101,492,000 and US$4,661,000 respectively).

(b) Segment information

Operating segments

The chief operating decision makers have been identified as the directors of the Company (the "Directors"). The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's business which is organised on a worldwide basis. The Group's business comprises:

– Dry bulk shipping – dry bulk vessel time chartering and dry bulk cargo voyage chartering.

– Container shipping – container vessel time chartering, container liner service, freight forwarding and other related business.

– Others – shipping agency, ship management and liquefied natural gas ("LNG") shipping business.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment liabilities are those operating liabilities that result from the operating activities of a segment.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2016			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	369,939	473,333	8,920	852,192
Inter-segment revenues	(1,248)	–	(7,860)	(9,108)
Revenues from external customers	368,691	473,333	1,060	843,084
Segment results	(238,118)	26,774	(280)	(211,624)
Depreciation	51,980	7,112	329	59,421
Provision for impairment of trade receivables, net	1,280	–	–	1,280
Additions to property, plant and equipment	73,829	20,701	38	94,568
Provision for onerous contracts	14,916	–	–	14,916
Vessels impairment	162,793	–	–	162,793

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2015			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	US$'000	US$'000	US$'000
Total revenues	504,556	495,895	10,854	1,011,305
Inter-segment revenues	(1,225)	–	(8,626)	(9,851)
Revenues from external customers	503,331	495,895	2,228	1,001,454
Segment results	(72,124)	24,860	(967)	(48,231)
Depreciation	54,269	6,597	497	61,363
Provision for impairment of trade receivables and other receivables, net	1,269	–	–	1,269
Additions to property, plant and equipment	158,135	10,180	7,024	175,339
Reversal of provision for onerous contracts, net	(6,308)	–	–	(6,308)
Vessels impairment	4,717	–	–	4,717

Revenues between segments are carried out on terms with reference to the market practice. Revenues from external customers reported to the Directors are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income, except that revenues from the Group's joint ventures are measured at proportionate consolidated basis in the segment information.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable revenues from external customers are reconciled to total revenues as follows:

	2016 US$'000	2015 US$'000
Revenues from external customers for reportable segments	**843,084**	1,001,454
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(1,623)**	(1,680)
Total revenues per the consolidated statement of profit or loss and other comprehensive income	**841,461**	999,774

The Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. This measurement includes the results from the Group's joint ventures on a proportionate consolidated basis. Corporate expenses, depreciation and amortisation of corporate assets, finance income and finance expenses are not included in the segment results.

A reconciliation of segment results to loss before income tax is provided as follows:

	2016 US$'000	2015 US$'000
Segment results for reportable segments	**(211,624)**	(48,231)
Corporate expenses	**(32,782)**	(36,994)
Depreciation and amortisation	**(957)**	(711)
Finance income	**10,830**	18,788
Finance expenses	**(6,257)**	(6,764)
Loss before income tax	**(240,790)**	(73,912)

For the year ended 31 December 2016, the Group has one (2015: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$185,654,000 (2015: US$118,946,000) is attributable to the container shipping segment.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash and available-for-sale financial assets), which are managed on a central basis. These are part of the reconciliation to total consolidated assets and liabilities. Segment assets and liabilities reported to the Directors are measured in a manner consistent with that in the consolidated balance sheet.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

	As at 31 December 2016			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	**1,068,323**	**281,709**	**98,122**	**1,448,154**
Segment assets include:				
Interests in joint ventures	**20,809**	**–**	**53,248**	**74,057**
Loans to joint ventures	**5,333**	**–**	**–**	**5,333**
Segment liabilities	**124,800**	**144,077**	**4,918**	**273,795**

	As at 31 December 2015			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	1,323,430	275,876	106,733	1,706,039
Segment assets include:				
Interests in joint ventures	20,123	–	40,646	60,769
Loans to joint ventures	6,666	–	–	6,666
Segment liabilities	122,852	159,864	8,895	291,611

Reportable segment assets are reconciled to total assets as follows:

	2016 US$'000	2015 US$'000
Segment assets	**1,448,154**	1,706,039
Corporate assets	**626,188**	647,186
Total assets per the consolidated balance sheet	**2,074,342**	2,353,225

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2016 **US$'000**	2015 US$'000
Segment liabilities	**273,795**	291,611
Corporate liabilities	**4,304**	4,620
Total liabilities per the consolidated balance sheet	**278,099**	296,231

Geographical information

Revenues

The Group's businesses are managed on a worldwide basis.

The revenues generated from the world's major trade lanes for container shipping business mainly include Asia and Australia.

The revenues generated from provision of dry bulk shipping business, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

Shipping agency and ship management income were unallocated revenue and included in others.

	2016 **US$'000**	2015 US$'000
Container shipping		
– Asia	**439,158**	452,188
– Australia	**34,175**	43,707
	473,333	495,895
Dry bulk shipping	**368,691**	503,331
Others	**1,060**	2,228
	843,084	1,001,454

7 EXPENSES BY NATURE

	2016 US$'000	2015 US$'000
Depreciation and amortisation (note 17, 18)	**60,378**	62,074
Hiring of crews and seafarers	**38,287**	42,523
Bunker consumed	**108,759**	164,476
Spare parts, lubricants and materials expenses	**12,598**	25,285
Operating lease expenses		
– vessels	**158,691**	173,814
– office premises	**3,528**	3,373
– containers	**23,517**	26,804
Provision/(reversal of provision) for onerous contracts, net (note 25)	**14,916**	(6,308)
Brokerage and commission	**15,244**	17,571
Port charges	**80,527**	80,933
Cargo handling charges	**167,415**	162,688
Container charges	**11,709**	11,165
Ocean freight expense	**123,031**	196,627
Employee benefit expense (note 10)	**28,815**	29,903
Remuneration to auditors (note)		
– audit service	**969**	936
– non-audit service	**120**	52
Others	**74,427**	74,837
Total cost of operations and selling, administrative and general expenses	**922,931**	1,066,753

Note:

US$871,000 (2015: US$862,000) of the audit services fees and US$120,000 (2015: US$52,000) of non-audit services fees are payable to the Company's auditor.

8 VESSELS IMPAIRMENT

In the fourth quarter of 2016, an impairment assessment was undertaken in respect of the Group's dry bulk vessels. Management has reviewed the latest market developments and the business plan and considers the recoverable amount of these vessels to be adversely impacted by the continuous uncertainty of the global economy, the supplies of vessels, and the challenging shipping market operation environment. Based on the value in use model, an impairment loss of US$162,793,000 is recognised.

9 OTHER LOSSES, NET

	2016 US$'000	2015 US$'000
Provision for impairment of trade and other receivables, net	(1,280)	(1,269)
Exchange gain/(loss)	861	(5,310)
Loss on disposals of property, plant and equipment (note 17(e))	(49,583)	(125,814)
Government subsidy (note)	48,945	129,163
Provision for claims under pending litigations	(649)	(11,216)
Others	151	53
	(1,555)	(14,393)

Note:

Included in government subsidy is an approximate US$48,645,000 (2015: US$127,590,000) subsidy in relation to the demolition of vessels. During the year, the Group, through China Merchants Group Limited, submitted an application of government subsidy of RMB318,612,000 (approximately US$48,645,000) in respect of demolition of five vessels. In prior year, the application of government subsidy in respect of demolition of eighteen vessels amounted to RMB802,441,000 (approximately US$127,590,000) was submitted by SINOTRANS & CSC Holdings Co., Ltd. The government subsidy is applied in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China ("Vessel Demolition Subsidy"). Management is of the view that the Group has fulfilled all the requirements as stipulated in the above laws and notices and is qualified for the subsidy. Management considers the receipt of the subsidy is probable and accordingly such subsidy is recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. In 2016, after taken into account of the subsidy compensation, the net loss of demolition of the five (2015: eighteen) vessels was approximately US$919,000 (2015: net gain of approximately US$1,802,000).

During the fourth quarter of 2016, the Group received RMB993,448,000 (approximately US$144,178,000) of the aforementioned subsidy.

10 EMPLOYEE BENEFIT EXPENSE

The employee benefit expenses, including director's and key management's emoluments, are set out as below:

	2016 US$'000	2015 US$'000
Wages and salaries	26,168	27,434
Pension costs – defined contribution plans	2,647	2,469
	28,815	29,903

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

Name of director	Fees	Salaries, bonus, allowances and benefits-in-kind	Employer's contributions to pension plans	Total
	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2016				
Executive directors				
Li Hua	–	296	9	305
Feng Guoying	–	230	9	239
	–	526	18	544
Non-executive directors				
Li Zhen	–	–	–	–
Tian Zhongshan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
Xu Zhengjun	9	–	–	9
	60	–	–	60
	60	526	18	604

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group.

No director waived or agreed to waive any emoluments during the year (2015: nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors of the Company during the year (2015: nil). There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2015: nil).

Mr. Li Hua is also the chief executive of the Company.

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Name of director	Fees	Salaries, bonus, allowances and benefits-in-kind	Employer's contributions to pension plans	Total
	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2015				
Executive directors				
Li Hua	–	311	7	318
Feng Guoying	–	237	7	244
	–	548	14	562
Non-executive directors				
Li Zhen	–	–	–	–
Tian Zhongshan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
	51	–	–	51
	51	548	14	613

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2015: two) directors of the Company whose emoluments as disclosed in note 11(a). The emoluments paid or payable to the remaining non-director individuals during the year are as follows:

	2016 US$'000	2015 US$'000
Salaries, bonus, allowances and benefits-in-kind	**624**	625
Contributions to pension plans	**26**	21
Bonus	**–**	–
	650	646

The emoluments fell within the following bands:

	Number of individuals 2016	 2015
Emolument band: US$192,000 (HK$1,500,001) – US$256,000 (HK$2,000,000)	**3**	3

12 FINANCE INCOME AND EXPENSES

	2016 US$'000	2015 US$'000
Interest expenses:		
– Bank borrowings	**1,035**	1,375
– Finance lease obligations	**5,222**	5,389
Finance expenses	**6,257**	6,764
Interest income		
– Cash and bank balances	**7,604**	14,416
– Amount due from a fellow subsidiary	**465**	491
– Loans to related parties	**781**	2,729
– Available-for-sale financial assets – debt securities	**1,980**	1,152
Finance income	**10,830**	18,788
Finance income, net	**4,573**	12,024

13 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 26% during the year (2015: 17% to 26%).

	2016	2015
	US$'000	US$'000
Current income tax		
– Hong Kong profits tax	**12**	13
– Overseas taxation	**1,005**	193
– Over provision in prior years	**(5)**	(8)
	1,012	198
Deferred income tax (note 27)	**312**	7,427
Income tax expense	**1,324**	7,625

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2016	2015
	US$'000	US$'000
Loss before income tax	**(240,790)**	(73,912)
Less: share of profits of joint ventures	**(455)**	(153)
	(241,245)	(74,065)
Tax calculated at 16.5% (2015: 16.5%)	**(39,806)**	(12,221)
Income not subject to tax	**(27,804)**	(34,042)
Expenses not deductible for tax purposes	**63,050**	41,233
Effect of different tax rates of other countries	**580**	5,472
Over-provisions in prior years	**(5)**	(8)
Tax losses not recognised as deferred tax assets	**2,726**	1,512
Reversal of previously recognised deferred tax assets	**206**	5,495
Unrecognised deductible temporary differences	**2,377**	184
	1,324	7,625

14 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to owners of the Company (US$'000)	**(229,579)**	(66,334)
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic loss per share (US cents per share)	**(5.75)**	(1.66)

As there were no dilutive potential ordinary shares outstanding during the year (2015: nil), the diluted loss per share for the year is equal to basic loss per share.

15 DIVIDEND

	2016 US$'000	2015 US$'000
Final dividend proposed of US0.51 cents (2015: US$nil) per share	**20,472**	–

On 9 March 2017, the Board proposed the payment of final dividend of HK4 cents (equivalent to US0.51 cents) per share for the year ended 31 December 2016 (2015: nil).

16 SUBSIDIARIES

Subsidiaries with material non-controlling interests

Sinochart and its subsidiary ("Sinochart group") and Sinotrans Container Lines and its subsidiary ("Sinotrans Container Lines group") are with non-controlling interests that are material to the Group.

Summarised balance sheet

	Sinochart group As at 31 December		Sinotrans Container Lines group As at 31 December	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Current				
Assets	**66,008**	91,081	**117,753**	124,795
Liabilities	**(69,088)**	(66,225)	**(116,616)**	(130,228)
Total net current (liabilities)/assets	**(3,080)**	24,856	**1,137**	(5,433)
Non-current				
Assets	**56,584**	61,072	**5,197**	3,151
Liabilities	**(44,533)**	(41,266)	**–**	–
Total net non-current assets	**12,051**	19,806	**5,197**	3,151
Net assets/(liabilities)	**8,971**	44,662	**6,334**	(2,282)

16 SUBSIDIARIES (Continued)

Subsidiaries with material non-controlling interests (Continued)

Summarised statement of profit or loss and other comprehensive income

	Sinochart group For the year ended 31 December		Sinotrans Container Lines group For the year ended 31 December	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Revenue	**224,962**	324,788	**473,313**	491,234
(Loss)/profit before income tax	**(33,016)**	(28,929)	**9,623**	6,536
Income tax expense	**(312)**	(7,417)	**(873)**	–
Post-tax (loss)/profit	**(33,328)**	(36,346)	**8,750**	6,536
Other comprehensive (loss)/income	**(2,363)**	(4,084)	**(134)**	340
Total comprehensive (loss)/income	**(35,691)**	(40,430)	**8,616**	6,876
Total comprehensive (loss)/income allocated to non-controlling interests	**(18,202)**	(20,619)	**4,394**	3,507
Dividends paid to non-controlling interests	**–**	–	**–**	–

Summarised cash flows

	Sinochart group		Sinotrans Container Lines group	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cash flows (used in)/generated from operating activities				
Cash (used in)/generated from operations	**(7,946)**	(3,734)	**13,635**	13,862
Interest received	**–**	–	**147**	–
Net cash (used in)/generated from operating activities	**(7,946)**	(3,734)	**13,782**	13,862
Net cash generated from/(used in) investing activities	**13,158**	535	**(2,878)**	(450)
Net cash used in financing activities	**(6,662)**	(6,574)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(1,450)**	(9,773)	**10,904**	13,412
Cash, cash equivalents at beginning of year	**21,890**	32,963	**25,648**	11,931
Exchange (losses)/gains on cash and cash equivalents	**(48)**	(1,300)	**1,562**	305
Cash and cash equivalents at end of year	**20,392**	21,890	**38,114**	25,648

The information above is the amount before inter-company eliminations.

17 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Vessels under construction	Land and buildings	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2015	1,753,354	72,329	552	9,945	1,836,180
Currency translation differences	(1,428)	–	(88)	(432)	(1,948)
Additions	219	168,096	6,501	779	175,595
Disposals	(419,501)	–	–	(1,075)	(420,576)
Transfer	175,075	(175,075)	–	–	–
At 31 December 2015	1,507,719	65,350	6,965	9,217	1,589,251
Currency translation differences	(1,506)	–	(114)	(383)	(2,003)
Additions	67,515	24,130	–	3,236	94,881
Disposals	(142,401)	–	–	(282)	(142,683)
Transfer	41,640	(41,640)	–	–	–
At 31 December 2016	1,472,967	47,840	6,851	11,788	1,539,446
Accumulated depreciation and impairment					
At 1 January 2015	489,237	–	217	6,295	495,749
Currency translation differences	(415)	–	(40)	(327)	(782)
Depreciation charge for the year	60,657	–	135	1,050	61,842
Disposals	(263,213)	–	–	(1,038)	(264,251)
Impairment	4,717	–	–	–	4,717
At 31 December 2015	290,983	–	312	5,980	297,275
Currency translation differences	(475)	–	(10)	(291)	(776)
Depreciation charge for the year	58,450	–	286	1,181	59,917
Disposals	(84,867)	–	–	(269)	(85,136)
Impairment	162,793	–	–	–	162,793
At 31 December 2016	426,884	–	588	6,601	434,073
Net book value					
At 31 December 2016	1,046,083	47,840	6,263	5,187	1,105,373
At 31 December 2015	1,216,736	65,350	6,653	3,237	1,291,976

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The land and buildings are located outside Hong Kong.

(b) At 31 December 2016, the Group's vessels with an aggregate net book value of US$66,937,000 (2015: US$69,657,000) were pledged as security for the bank borrowings (note 26(b)).

(c) The aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets as at 31 December 2016 (where the Group is the lessor) comprised the vessels under time charter arrangements, amounted to US$783,909,000 (2015: US$943,242,000), US$138,027,000 (2015: US$211,069,000) and US$42,210,000 (2015: US$nil) respectively.

(d) The net book value of a vessel held under finance lease as at 31 December 2016 amounted to US$39,628,000 (2015: US$42,026,000) (note 26).

(e) The loss on disposal of property, plant and equipment mainly represented the loss resulting from the demolition of 5 vessels in 2016 (2015: 18 vessels) amounting to US$49,564,000 (2015: US$125,788,000). A government subsidy of US$48,645,000 (2015: US$127,590,000) in relation to the demolition of these vessels was applied in 2016 (note 9).

(f) During the year, no interest expenses (2015: nil) were capitalised to the vessels during the construction period (note 12).

(g) Depreciation of US$58,804,000 (2015: US$60,844,000) is included in the "cost of operations" and depreciation of US$1,113,000 (2015: US$998,000) is included in the "selling, administrative and general expenses" in the consolidated statement of profit or loss and other comprehensive income.

(h) In the fourth quarter of 2016, an impairment assessment was undertaken in respect of the Group's dry bulk vessels. Management has reviewed the latest market developments and the business plan and considers the recoverable amount of these vessels to be adversely impacted by the continuous uncertainty of the global economy, the supplies of vessels, and the challenging shipping market operating environment. As a result, the assumption regarding the charter hire rate used in the current year's value in use model have been reduced based on the external sources of information and management's expectation on the future development of the shipping market. Based on the value in use model, an impairment loss of USD162,793,000 is recognised.

18 INTANGIBLE ASSET

	Computer Software	
	2016	2015
	US$'000	US$'000
At 1 January		
Cost	**1,592**	669
Accumulated amortisation	**(243)**	(11)
Net book amount	**1,349**	658
Year ended		
Opening net book amount	**1,349**	658
Additions	**1,614**	923
Amortisation charge (note 7)	**(461)**	(232)
Closing net book amount	**2,502**	1,349
At 31 December		
Cost	**3,206**	1,592
Accumulated amortisation	**(704)**	(243)
Net book amount	**2,502**	1,349

Amortisation of US$461,000 (2015: US$232,000) is included in the 'selling, administrative and general expenses' in the consolidated statement of profit or loss and other comprehensive income.

19 INTERESTS IN JOINT VENTURES

	2016	2015
	US$'000	US$'000
Investment in joint ventures (note a)	**74,057**	60,769
Loans to joint ventures (note b)	**5,333**	6,666
Current portion of loans to joint ventures	**(1,333)**	(1,333)
	4,000	5,333
Unlisted investments, at cost	**1**	129

19 INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) Investment in joint ventures

	2016 US$'000	2015 US$'000
At 1 January	**60,769**	22,886
Share of profit	**455**	153
Investment/acquisition during the year (note)	**12,961**	40,485
Dividend declared	**(128)**	(2,755)
At 31 December	**74,057**	60,769

The joint ventures listed below have share capital consisting solely of ordinary shares, which is held indirectly by the group.

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest indirectly held by the Group	Principal Activities
Faship Maritime Carriers Inc. ("Faship")	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited ("Friendship 1")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited ("Friendship 2")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Arctic LNG 1 Limited ("ALNG 1") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited ("ALNG 2") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited ("ALNG 3") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited ("ALNG 4") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited ("ALNG 5") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel

Note: On 21 December 2015, the Group acquired 25.5% equity interest in each of ALNG 1, ALNG 2, ALNG 3, ALNG 4 and ALNG 5 from Dynagas Holding Ltd, which comprised of share capital amounted to approximately US$1,000 and capital contribution related to the shareholder loan amounted to US$40,484,000. Each of these five joint ventures has entered into a shipbuilding contract for the construction of an ice breaking LNG vessel with expected delivery in the period between the forth quarter 2017 and the first quarter 2019 and a time charter agreement to lease the vessel for a term commencing from the delivery of the vessel until 31 December 2045. During the year, the Group made further capital contribution amounted to US$12,961,000.

(b) Loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (2015: secured and bear interest at 1%) over London Interbank Offered Rate ("LIBOR") per annum. The loans are repayable by instalments and are wholly repayable on or before 2020. Effective interest rate as at 31 December 2016 was 2% (2015: 1.61%). The fair value of the loan to joint ventures is approximately the carrying amount.

19 INTERESTS IN JOINT VENTURES (Continued)

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures.

	2016 **US$'000**	2015 US$'000
Capital commitment in respect of the vessels under construction	**12,146**	364,368

In accordance with the joint venture agreements signed between the Group, China LNG Shipping (Holdings) Limited and Dynagas Holding Limited, the Group acquired 25.5% equity interest of each of ALNG 1, ALNG 2, ALNG 3, ALNG 4 and ALNG 5 (collectively "ALNG companies"). The Group's maximum aggregate shareholder's commitment is US$99,450,000 and is not obliged to contribute further funding unless otherwise agreed and to the extent the ALNG companies request further funding, such request funding shall be contributed pro rata to the shareholders' shareholding in the ALNG companies.

Each of the ALNG companies has entered into a shipbuilding contract for the construction of an ice breaking LNG vessel at a contract price of approximately US$317,532,000. The vessels are scheduled to be delivered in the period between the fourth quarter 2017 and the first quarter 2019.

On 12 December 2016, each of the ALNG Companies assigned their respective rights and interests under the shipbuilding contracts to the Hai Kuo Shipping 1601 Limited, Hai Kuo Shipping 1602 Limited, Hai Kuo Shipping 1603 Limited, Hai Kuo Shipping 1605 Limited and Hai Kuo Shipping 1606 Limited (collectively "Hai Kuo Companies") pursuant to the assignment agreements entered among them at the purchase price. Upon the delivery of the vessels to the relevant Hai Kuo Companies, each Hai Kuo Company will become the owner of the relevant vessel. On the same day, each of the Hai Kuo Companies entered into the bareboat charters agreement with each of the ALNG Companies to lease the five Vessels on bareboat charter terms to the ALNG Companies for a charter period of 144 months. At the end of the charter period, each of the ALNG Companies will be obliged to purchase the vessels from the Hai Kuo Companies pursuant to the terms of the bareboat charters agreement. During the charter period, the ALNG Companies will lease the vessels to Yamal Trade Pte. Ltd. pursuant to the terms of the time charters.

Each of the ALNG Companies has a payment obligation of a deposit of US$47,630,000 under the bareboat charter agreement. Given the 25.5% equity interest held by the Group, the capital commitment of the Group in respect of each of ALNG3, ALNG4 and ALNG5 amounted to US$4,049,000, which totalled US$12,146,000 for the 3 vessels.

Summarised financial information for joint ventures

Set out below are the summarised financial information for significant joint ventures which is accounted for using the equity method.

19 INTERESTS IN JOINT VENTURES (Continued)

Summarised balance sheet

	2016 US$'000	2015 US$'000
Current		
Cash and cash equivalents	**17,924**	11,788
Other current assets (excluding cash)	**664**	7,792
Total current assets	**18,588**	19,580
Financial liabilities (excluding trade payables)	**(2,667)**	(8,180)
Other current liabilities (including trade payables)	**(11,096)**	(9,408)
Total current liabilities	**(13,763)**	(17,588)
Non-current		
Assets	**383,994**	211,128
Financial liabilities	**(135,255)**	(10,667)
Total non-current assets	**248,739**	200,461
Net assets	**253,564**	202,453

Summarised statement of profit or loss and other comprehensive income

	2016 US$'000	2015 US$'000
Revenue	**6,534**	6,987
Depreciation and amortisation	**(2,671)**	(2,564)
Interest expense	**(741)**	(194)
Others	**(2,585)**	(3,930)
Profit or loss for continuing operations	**537**	299
Income tax expense	**–**	–
Post-tax profit from continuing operations	**537**	299
Other comprehensive income	**–**	–
Total comprehensive income	**537**	299
Dividends received from joint ventures	**–**	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for difference in accounting policies between the group and the joint ventures, and not Sinotrans Shipping Limited's share of those amounts.

19 INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

Summarised financial information	2016 US$'000	2015 US$'000
Opening net assets 1 January	**202,453**	48,901
Profit for the period	**537**	299
Investment/acquisition during the year	**50,830**	158,766
Dividend declared	**(256)**	(5,513)
Closing net assets	**253,564**	202,453
Interest in Joint Venture @50% for Faship, Friendship 1, Friendship 2, 25.5 % for ALNG 1, ALNG 2, ALNG 3, ALNG 4, ALNG 5	**74,057**	60,769
Carrying value	**74,057**	60,769

20 TRADE AND OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Trade receivables, net of provision (note a)		
– fellow subsidiaries	**8,565**	7,261
– third parties	**78,502**	103,270
	87,067	110,531
Prepayments, deposits and other receivables, net of provision (note b)	**59,911**	176,435
Loans to related companies (note c)	**16,071**	17,088
Amounts due from related parties (note d)		
– fellow subsidiaries	**2,223**	1,987
– joint ventures	**53**	3,439
– ultimate holding company	**6,896**	7,367
	9,172	12,793
	172,221	316,847
Less: non-current portion: loans to related companies	**(15,027)**	(16,069)
Current portion	**157,194**	300,778

20 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The Group does not grant any credit term to its customers. Ageing analysis of Group's trade receivables, net of provision at the respective balance sheet dates are as follows:

	2016	2015
	US$'000	US$'000
Within 6 months	**84,631**	107,590
7-12 months	**1,693**	1,629
1-2 years	**933**	2,301
2-3 years	**1,962**	1,754
Over 3 years	**2,227**	473
Trade receivables	**91,446**	113,747
Less: impairment provision		
Within 6 months	**–**	–
7-12 months	**(134)**	(165)
1-2 years	**(335)**	(1,029)
2-3 years	**(1,769)**	(1,549)
Over 3 years	**(2,141)**	(473)
Provision for impairment of trade receivables	**(4,379)**	(3,216)
Trade receivables, net of provision	**87,067**	110,531

As at 31 December 2016, management has impaired trade receivables of US$4,379,000 (2015: US$3,216,000). The individually impaired receivables mainly relate to balances under disputes with the charterers. It was assessed that a portion of the receivables is expected to be recovered.

Save as disclosed in the above, trade receivables are past due but not considered to be impaired as at 31 December 2016 and 2015. These trade receivables relate to fellow subsidiaries and a number of independent customers for whom there is no history of default.

(b) As at 31 December 2016, other receivables include government subsidy in relation to the demolition of vessels amounted to US$18,395,000 (2015: US$123,574,000). Details of the government subsidy are set out in note 9 to the consolidated financial statements.

As at 31 December 2016, other receivables of US$1,792,000 (2015: US$1,792,000) were considered as impaired by management and were provided for.

(c) Loans to related companies are denominated in US$ and bear floating interest rates. The effective interest rate as at 31 December 2016 was 4.13% to 4.31% (2015: 3.74% to 3.93%). The interest rates are based on 3-month LIBOR plus a margin of 0.7% (2015: 0.7%) per annum. The maturity dates of the loans range from 2020 to 2021. These loans were secured by the vessels of these related companies.

(d) Amounts due from related parties are unsecured, interest free and repayable on demand. These balances are neither past due nor impaired and there is no history of default.

(e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Other than the loan receivables from related companies as stated in note 20(c), the Group does not hold any collateral as security.

20 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(f) Movements on the Group's provision for impairment of trade receivables are as follows:

	2016 US$'000	2015 US$'000
At 1 January	**3,216**	2,913
Additional	**1,289**	514
Written off during the year	**(9)**	(161)
Exchange	**(117)**	(50)
At 31 December	**4,379**	3,216

As at 31 December 2016 and as at 31 December 2015, the fair value of the Group's trade and other receivables are approximately the same as their carrying amounts.

21 CASH AND BANK BALANCES

	2016 US$'000	2015 US$'000
Non-current		
Bank deposit	**–**	121,714
Current		
Cash and cash equivalents	**283,243**	154,978
Short-term bank deposits (note a)	**360,627**	353,302
Restricted cash	**108**	108
	643,978	508,388
Cash and bank balances	**643,978**	630,102

Notes:

(a) The short-term deposits include deposits of US$48,328,000 (2015: US$37,258,000) which are placed with Sinotrans & CSC Finance Co., Ltd, a fellow subsidiary which is a registered financial institution in the PRC. The deposits are with original maturity over 3 months and bear interest at prevailing market rates.

21 CASH AND BANK BALANCES (Continued)

Notes: (Continued)

(b) The cash and bank balances of the Group are denominated in the following currencies:

	2016 US$'000	2015 US$'000
US dollar	**392,726**	500,554
Renminbi	**243,564**	126,384
Hong Kong dollar	**1,290**	1,300
Japanese Yen	**5,181**	256
Others	**1,217**	1,608
Cash and bank balances	**643,978**	630,102

As at 31 December 2016 and as at 31 December 2015, the fair value of the Group's cash and bank balance are approximately their carrying amounts.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 US$'000	2015 US$'000
Unlisted investments		
– Equity security (note a)	**3,604**	3,863
– Debt security (note b)	**–**	12,581
	3,604	16,444
Listed investments		
– Equity security	**173**	173
– Debt security (note b)	**49,090**	12,320
	49,263	12,493
	52,867	28,937
At 1 January	**28,937**	4,108
Addition	**49,740**	85,903
Disposal	**(23,329)**	(60,829)
Currency translation differences	**(2,339)**	(239)
Fair value change	**(142)**	(6)
At 31 December	**52,867**	28,937
Less: Non-current portion	**(18,360)**	(3,863)
Current portion	**34,507**	25,074

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes:

(a) At 31 December 2016, the unlisted equity security of RMB25,000,000 (approximate US$3,604,000) (2015: RMB25,000,000 (approximate US$3,863,000)) represent the Group's investment in equity interest in a fellow subsidiary which is included in the non-current portion.

(b) Debt securities with fixed interest ranging from 3.5% to 5.9% per annum with maturity between year 2017 and 2021.

(c) The maximum exposure to credit risk of these investments at the reporting date is its carrying value.

(d) None of these financial assets is either past due or impaired at 31 December 2015 and 2016.

(e) Among the available-for-sales financial assets, 72% (2015: 99%) is denominated in Renminbi and the remaining balances are denominated in US dollar and KR Won.

23 SHARE CAPITAL

	2016		2015	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		US$'000		US$'000
Ordinary shares				
Issued and fully paid	**3,992,100,000**	**1,878,209**	3,992,100,000	1,878,209

Notes:

(a) The Company adopted a share option scheme on 31 October 2007. Under the terms of the share option scheme, the Directors may, at their discretion, grant an option to eligible participants to subscribe for the Company's shares at the subscription price which will not be less than the highest of (i) the closing price of the Company's shares at the Stock Exchange daily quotation sheets on the date of grant; (ii) the average of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. No share options were granted during the year ended 31 December 2016 and 2015.

24 TRADE AND OTHER PAYABLES

	2016	2015
	US$'000	US$'000
Trade payables (note a)		
– fellow subsidiaries	**12,272**	13,277
– third parties	**140,379**	156,975
	152,651	170,252
Other payables and accruals	**24,564**	29,118
Amounts due to related parties (note b)		
– fellow subsidiaries	**1,143**	4,939
– joint ventures	**102**	129
	1,245	5,068
	178,460	204,438

24 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) At 31 December 2016, ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date are as follows:

	2016 US$'000	2015 US$'000
Within 6 months	**126,917**	148,534
7-12 months	**5,826**	3,999
1-2 years	**8,704**	6,215
2-3 years	**1,300**	2,000
Over 3 years	**9,904**	9,504
Trade payables	**152,651**	170,252

(b) Amounts due to related parties are unsecured, interest free and repayable on demand.

As at 31 December 2016 and 2015, the fair value of the Group's trade and other payables are approximately their carrying amounts.

25 PROVISION FOR OTHER LIABILITIES

	2016 US$'000	2015 US$'000
Provision for onerous contracts	**17,637**	3,176
Provision for claims under pending litigations	**9,310**	9,310
	26,947	12,486
Less: Non-current portion	**(6,393)**	–
Current portion	**20,554**	12,486

The movements in the provision for other liabilities are as follows:

	Provision for onerous contracts		Provision for claims under pending litigations	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
At 1 January	**3,176**	9,484	**9,310**	1,340
Provision during the year	**18,051**	2,889	**649**	11,216
Utilisation during the year	**(3,135)**	(9,197)	**–**	–
Settlement during the year	**–**	–	**(649)**	(3,005)
Currency translation differences	**(455)**	–	**–**	(241)
At 31 December	**17,637**	3,176	**9,310**	9,310

The Group made a provision of US$18,051,000 (2015: US$2,889,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts based on the management's estimation basis as mentioned in (note 5(e)).

26 BORROWINGS

The present value of finance lease obligation and the bank borrowings were repayable as follows:

	Bank borrowings		Finance lease obligation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within 1 year	**6,346**	6,346	**1,663**	1,438	**8,009**	7,784
Between 1 and 2 years	**6,346**	6,346	**1,819**	1,607	**8,165**	7,953
Between 2 and 5 years	**16,931**	19,039	**7,047**	6,227	**23,978**	25,266
Over 5 years	**–**	4,182	**30,736**	33,432	**30,736**	37,614
	29,623	35,913	**41,265**	42,704	**70,888**	78,617
Less: current portion	**(6,346)**	(6,346)	**(1,663)**	(1,438)	**(8,009)**	(7,784)
Non-current portion	**23,277**	29,567	**39,602**	41,266	**62,879**	70,833

Notes:

(a) At 31 December 2016, bank borrowings of US$nil and US$29,623,000 (2015: US$9,791,000 and US$26,122,000) bear floating rate and at fixed rate ranging from 2.6% to 3.5% (2015: 3.5%) per annum respectively.

(b) As at 31 December 2016, the Group's bank borrowings of US$29,623,000 (2015: US$35,913,000), were secured by its vessels with aggregate carrying amount of US$66,937,000 (2015: US$69,657,000) (note 17(b)).

(c) The exposure of the group's total borrowings to interest rate changes and the contractual repricing dates at end of the year are follows:

	2016	2015
	US$'000	US$'000
6 months or less	**–**	9,791

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.2% (2015: 3%) and are within level 2 of the fair value hierarchy.

The group's borrowings are denominated in US$.

26 BORROWINGS (Continued)

Notes: (Continued)

(d) On 2015, the Group entered into a finance lease arrangement with a third party, pursuant to which the Group hire a dry bulk vessel by monthly instalments and has an option to purchase the vessel at a consideration prior to the expiry of the lease. The Group has accounted for this transaction as a finance lease payable. The finance lease is repayable in various instalments up to 2026.

The Group's finance lease payable is repayable as follows:

	2016	2015
	US$'000	US$'000
Finance lease payable – minimum lease payments:		
– within one year	**6,643**	6,661
– in the second year	**6,643**	6,643
– in the third to fifth year	**19,947**	19,947
– after the fifth year	**44,013**	50,656
	77,246	83,907
Future finance charges on finance lease	**(35,981)**	(41,203)
Present value of finance lease payable	**41,265**	42,704

27 DEFERRED INCOME TAX

The analysis of deferred income tax assets are as follows:

	2016	2015
	US$'000	US$'000
Deferred income tax assets:		
– To be recovered within 12 months	**–**	–
– To be recovered after more than 12 months	**15**	339
	15	339

27 DEFERRED INCOME TAX (Continued)

The movement in the deferred income tax is as follows:

	Tax loss US$'000	Other accruals and provision US$'000	Others US$'000	Total US$'000
At 1 January 2015	7,434	221	357	8,012
(Charged)/credited to profit or loss	(7,188)	118	(357)	(7,427)
Currency translation difference	(231)	(15)	–	(246)
At 31 December 2015 and at 1 January 2016	**15**	**324**	**–**	**339**
(Charged)/credited to profit or loss	**–**	**(312)**	**–**	**(312)**
Currency translation difference	**–**	**(12)**	**–**	**(12)**
At 31 December 2016	**15**	**–**	**–**	**15**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US$24,434,000 (2015: US$20,960,000) in respect of losses amounting to US$77,737,000 (2015: US$74,419,000) that can be carried forward against future taxable income and other accruals and provision amounting to US$26,145,000 (2015: US$14,309,000). US$10,585,000 of the losses will expire in 2017.

28 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before income tax to cash generated from operations

	2016 US$'000	2015 US$'000
Loss before income tax	**(240,790)**	(73,912)
Adjustments for:		
Vessels impairment	**162,793**	4,717
Depreciation and amortisation	**60,378**	62,074
Provision for impairment of trade and other receivables, net	**1,280**	1,269
Loss on disposals of property, plant and equipment	**49,583**	125,814
Share of profits of joint ventures	**(455)**	(153)
Interest income, net	**(4,573)**	(12,024)
Provision/(reversal of provision) for onerous contracts, net	**14,916**	(6,308)
Provision for claims under pending litigations	**649**	11,216
Government subsidy	**(48,945)**	(129,163)
Exchange (gain)/loss	**(861)**	5,310
Changes in working capital:		
Inventories	**(1,756)**	14,713
Trade and other receivables (excluding amounts due from related parties)	**36,312**	36,769
Amounts due (from)/to related parties, net	**(203)**	2,600
Trade and other payables (excluding amounts due to related parties)	**(22,693)**	(37,993)
Cash generated from operations	**5,635**	4,929

29 CONTINGENT LIABILITIES

Sinochart as both defendant and plaintiff

In 2007, a chartered-in vessel of Sinochart grounded off and sank when unloading in Japan. The chartered-in shipowner subsequently brought a claim against Sinochart, alleging the port was unsafe and thus holding Sinochart liable for all the losses and costs incurred in the sum of US$190,000,000. Sinochart thus brought a claim against the sub-charterer in a back-to-back position. To protect the interest of Sinochart, Sinochart obtained an irrevocable stand-by letter from Sumitomo Mitsui Banking Corporation in the amount of US$190,000,000.

In July 2013, the High Court in London ruled that Sinochart was liable for the incident and should compensate the shipowner for an amount of approximately US$166,627,000. At the same time, Sinochart obtained judgement against the sub-charterer in the same sum.

In October 2013, the sub-charterer appealed against the judgement and Sinochart therefore also lodged an appeal for the judgement against it.

In January 2015, the Court of Appeal in the UK reversed the judgement of the first instance and judged that Sinochart was not liable to undertake the compensation liability against the shipowner while the sub-charterer was not liable to undertake any responsibility against Sinochart.

In May 2015, the case continued to appeal to the Supreme Court in the UK by the shipowner.

Based on latest status of the legal proceedings and by reference to the advice from legal counsel, directors of the Company expected to settle this potential claim at approximately US$198,700,000. Accordingly, a provision for the case amounted to US$8,700,000 has been made as at 31 December 2016 (2015: US$8,700,000).

In addition to the above, as at 31 December 2016, Sinochart was also involved in other 8 (2015: 6) pending lawsuits amounted to approximately US$2,698,000 (2015: US$2,024,000). Taking into account the latest status of legal proceedings and the progress of settlement negotiations, the provisions for those cases is in the sum of US$610,000 as at 31 December 2016 (2015: US$610,000).

Save as disclosed above, the Group was involved in a number of claims and lawsuits currently under way. These claims and lawsuits are incidental to the Group's business operation, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels and early termination of vessel chartering contracts.

As at 31 December 2016 and 31 December 2015, the Group is unable to ascertain the likelihood and amounts of these respective claims, other than those provided for. However, based on the information available to the Group, the Directors are of the opinion that these cases will not have the significant financial or operational impact to the Group.

30 COMMITMENTS

(a) Capital commitments in respect of property, plant and equipment and intangible assets

	2016	2015
	US$'000	US$'000
Contracted but not provided for	**191,605**	277,900

(b) Capital commitments in respect of investment in joint ventures

	2016	2015
	US$'000	US$'000
Capital commitment in respect of the vessels under construction	**12,146**	364,368

(c) Operating lease commitments-where the Group is the lessee

At 31 December 2016, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2016	2015
	US$'000	US$'000
Office premises		
– no later than one year	**494**	2,631
– later than one year and no later than five years	**146**	409
	640	3,040
Vessels		
– no later than one year	**93,915**	106,896
– later than one year and no later than five years	**123,021**	125,920
– over five years	**10,604**	22,805
	227,540	255,621
	228,180	258,661

30 COMMITMENTS (Continued)

(d) Operating lease commitments-where the Group is the lessor

At 31 December 2016, the Group has the following future minimum lease receipts under non-cancellable operating leases in relation to chartering of vessels. These vessels chartering agreements have varying terms ranging from 1 to 5 months (2015: 1 to 24 months):

	2016	2015
	US$'000	US$'000
Vessels		
– no later than one year	**10,946**	7,234

31 RELATED PARTY TRANSACTIONS

SINOTRANS & CSC Holdings Co., Ltd., the parent company, is controlled by the PRC Government. The PRC Government is the Company's ultimate controlling party. In accordance with HKAS 24 (Revised), "Related Party Disclosures" issued by the HKICPA, enterprises directly or indirectly controlled, jointly controlled or significant influenced by the PRC Government ("state-owned enterprises"), together with SINOTRANS & CSC Holdings Co., Ltd. and its group companies are all related parties of the Group.

The Group has certain transactions with other state-owned enterprises including but are not limited to the charter hire income and expenses and bank interest income. In the ordinary course of the Group's business, transactions occur with state-owned enterprises are based on the terms and prices agreed by both parties.

Apart from the above-mentioned transactions with the state-owned enterprises, the following is a summary of significant related party transactions and balances during the year.

31 RELATED PARTY TRANSACTIONS (Continued)

(a) The following significant transactions were carried out with related parties:

	2016 US$'000	2015 US$'000
Charter hire income from fellow subsidiaries	**159,120**	243,197
Charter hire expenses paid to a joint venture	**3,287**	3,628
Charter hire expenses paid to fellow subsidiaries	**1,970**	1,822
Commission expenses to fellow subsidiaries	**66**	234
Expenses for hiring of crews and seafarers to a fellow subsidiary	**10,752**	9,705
Interest income from loans to joint ventures (note 19(b))	**103**	97
Interest income from a fellow subsidiary	**465**	491
Interest income from loan to related companies	**678**	2,632
Rental expenses to fellow subsidiaries	**2,642**	2,417
Service fee paid to fellow subsidiaries	**104,483**	142,859
Service fee income from fellow subsidiaries	**239**	263
Service fee paid to a related company	**390**	1,540
Agency income from fellow subsidiaries	**127,626**	27,886
Vessel and container leasing cost paid	**13,036**	23,814
Commercial management fee from joint ventures	**156**	300

In the opinion of the Directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) During the year, the Group was allowed to use trademarks registered in the name of SINOTRANS & CSC Holdings Co., Ltd. on a free-of-charge basis.

(c) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 20 and 24.

(d) Key management compensation

	2016 US$'000	2015 US$'000
Salaries, bonus, allowances, and benefits-in-kind	**526**	548
Contributions to pension plans	**18**	14
	544	562

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 December	
	2016	2015
	US$'000	US$'000
ASSETS		
Non-current assets		
Subsidiaries (note a)	**272,884**	221,249
Amount due from subsidiaries	**1,123,088**	1,185,409
Property, plant and equipment	**1,389**	1,583
Intangible asset	**2,502**	1,349
Loans to related companies	**15,027**	16,069
Available-for-sale financial assets	**14,756**	–
Bank deposits	**–**	121,714
Deferred income tax assets	**15**	15
	1,429,661	1,547,388
Current assets		
Trade and other receivables	**4,860**	7,215
Loans to related companies	**1,044**	1,018
Available-for-sale financial assets	**21,505**	–
Cash and bank balances		
– Cash and cash equivalents	**170,277**	68,427
– Short-term bank deposits	**307,321**	312,820
	505,007	389,480
Total assets	**1,934,668**	1,936,868

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance Sheet of the Company (Continued)

	As at 31 December	
	2016	2015
	US$'000	US$'000
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**1,878,209**	1,878,209
Other reserves (note b)	**52,030**	54,259
Total equity	**1,930,239**	1,932,468
LIABILITIES		
Current liabilities		
Trade and other payables	**4,414**	4,386
Taxation payable	**15**	14
	4,429	4,400
Total equity and liabilities	**1,934,668**	1,936,868

The balance sheet of the Company was approved by the Board of Directors on 9 March 2017 and was signed on its behalf

Li Zhen
Director

Li Hua
Director

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Notes:

(a) Subsidiaries

Pursuant to an agreement entered into between the Company and a wholly-owned subsidiary, Sinotrans Ship Trading Limited ("SSTL") dated 16 August 2016, the Company made an equity loan of approximately US$51,635,000 (2015: US$204,713,000) to SSTL through capitalising the amount due from subsidiary. The Company has no right to require SSTL to return the equity loan. Accordingly, the equity loan is accounted for as investment in subsidiaries.

(b) Reserve movement of the Company

	Retained earnings US$'000
At 1 January 2015	90,290
Profit for the year	5,073
Other comprehensive income	–
Total comprehensive income	5,073
Transactions with owners	
Dividend	(41,104)
Total transactions with owners	(41,104)
At 31 December 2015	54,259
At 1 January 2016	**54,259**
(Loss) for the year	**(2,260)**
Other comprehensive income	
Currency translation differences	**178**
Fair value changes of available-for-sale financial assets	**(147)**
Total comprehensive income	**(2,229)**
Transactions with owners	
Dividend	**–**
Total transactions with owners	**–**
At 31 December 2016	**52,030**

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2016, the Company has interests in the following principal subsidiaries and joint ventures:

(i) List of principal subsidiaries

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Best Aero Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Bloom World Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Bright Sincere Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
*China National Chartering Co., Ltd.	Beijing, China	RMB700,000,000	49%	Owning and Chartering of vessels
*China National Chartering (Hong Kong) Co Limited	Hong Kong	HK$50,000,000	49%	Owning and chartering of vessels
Dragon Rich Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Double Strong International Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Earning Top Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Effort Plus Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Federal Delight Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Flying Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Fortress Shipping Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
#Golden Year Shipping Limited	British Virgin Islands	1 share or US$1	100%	Investment holding
Great Han Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Hope Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Great Jin Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Kent Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Great Legend Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Majesty Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
Great Mind Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Praise Shipping S.A.	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Qin Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Resource Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Reward Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Scenery Shipping Limited	Hong Kong	HK$3	100%	Owning and chartering of vessel
Great Song Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Sui Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Talent Shipping limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Tang Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Great Yuan Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Zhou Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Holy Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
#Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
King strategy Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Marine Harvest Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Marine Peace Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Marine Peace Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Merchant Bright Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
On Great Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Prime Blue Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Rich Target Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
#Silver Year Shipping Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Sinotrans (Bermuda) Ltd	Bermuda	12,000 shares of US$1 each	100%	Chartering of vessels

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Sinotrans Agencies (S) Pte Limited	Singapore	5,000,000 shares of SGN1 each	100%	Provision for agency services for shipping forwarding and aircargo
Sinotrans Canada Inc.	Canada	1,000 common shares of US$1 each. 1,500 Series 1 preference shares at US$100 per share	100%	Provision of shipping agency Services
*Sinotrans Container Lines Company Limited	Shanghai, China	RMB400,000,000	49%	Container Shipping
#Sinotrans Navigation Limited ("Tianze")	Shanghai, China	RMB100,000,000	100%	Owning and chartering of vessel
#Sinotrans Ship Management Limited	Hong Kong	HK$2	100%	Provision of ship management services
#Sinotrans Ship Trading Limited	British Virgin Islands	1 share of US$1	100%	Provision of investing services
#Sinotrans Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
#Sinotrans Shipping Chartering Inc.	Panama	2 shares of US$1 each	100%	Chartering of vessels
Top Central Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Trade Elegancy Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Sinotrans Shipping LNG Limited (formerly "High Praise Limited")	Hong Kong	HK$1	100%	Investment holding
Trade Endeavor Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Integrity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Top Kent Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Trade Sincerity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Worlder Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Victory Action Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Yunfu Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yungui Shipping company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yunhua Shipping company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yunrong Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel

Directly held by the Company

* Despite the fact that the Group does not hold more than half of the equity interests in these companies, the directors of the Company believe that the Group is able to exercise control over these companies through its right of appointment of the representatives on their board of directors

Directors of the company's subsidiaries

During the year and up to the date of this report, Mr. Li Zhen, Mr. Li Hua and Ms. Feng Guoying are also directors in certain subsidiaries of the company. Other directors of the company's subsidiaries during the year and up to the date of this report include: Mr. Xu Qiumin, Mr. Geng Chen, Mr. Xia Zheng Guo, Mr. Tian Xue Hao, Mr. Xie Shaohua, Mr. Liu Chun Ting, Mr. Li Shudong, Mr. Ye Jie, Mr. Ji Jie, Mr. Liu Bing Shuang, Mr. Lin Rong Hua, Mr. Zhu Wei, Mr. Li Xu, Mr. Zhou Hui, Mr. Xu Ting Hui, Mr. Li Jun, Mr. Li Jing, Mr. Gu Xing, Mr. Wang Gui Fu and Mr. Zhang Guo Qing.

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(ii) List of joint ventures

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest indirectly held by the Group	Principal activities
Faship Maritime Carriers Inc.	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel
Arctic LNG 1 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel

DEFINITIONS

In this annual report, the following expressions shall have the meaning set out below unless the context otherwise requires. Certain technical terms are explained in the section headed "Glossary of Technical Terms".

"Arctic LNG Carrier"	a LNG carrier designed for navigation in Arctic Circle under particular icing conditions
"Baltic Dry Index" or "BDI"	the BDI is published every London working day by the Baltic Exchange, which collates information for Handysize, Supramax, Panamax and Capesize vessels to create this leading freight market indicator
"Board"	the board of Directors of our Company
"CBMC"	Sinomarine Limited, a company incorporated in the PRC on 24 December 1984 and a direct wholly-owned subsidiary of SINOTRANS Group Company, the controlling shareholder of the Company
"Chartering Opportunity"	a business opportunity to charter out dry bulk vessels to a potential customer
"China Containerized Freight Index" or "CCFI"	"CCFI" is the abbreviation of China Containerized Fright Index that reflects the fluctuation of sport freight rates on export container transport market of China
"China LNG Shipping (Holdings) Limited"	China LNG Shipping (Holdings) Limited, a company incorporated in Hong Kong with limited liability
"Company" or "our Company"	Sinotrans Shipping Limited (中外運航運有限公司), a company incorporated on 13 January 2003 with limited liability under the laws of Hong Kong
"Deed of Non-Competition"	the deed of non-competition entered into by and between SINOTRANS Group Company and our Company on 8 November 2007 in respect of the main businesses conducted by our Group
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dynagas Holding Ltd"	Dynagas Holding Ltd, a company incorporated in the Republic of the Marshall Islands with limited liability
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "our Group"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by the present subsidiaries of our Company or (as the case may be) its predecessor
"Lease Agreements"	two tenancy agreements in relation to the leased properties for our Group to be used as office and staff quarters in Hong Kong, the details of which are set out in the section headed "Connected Transactions — Connected Transactions — A. 2. Leasing of properties by Sinotrans Group to our Group" in the Prospectus
"Master Management Agreement"	an agreement dated 9 November 2007 which was entered between our Company and Parakou Shipping Limited for the provision of the management services by Parakou Shipping Limited to our Group in relation to four vessels of our Group

"Master Tenancy Agreement"	an agreement which was entered between our Company and Sinotrans Group Company on 9 November 2007 in respect of the leasing of the Properties, the term of which shall commence on 1 January 2008 and continue until 31 December 2009
"Master Service Agreement"	an agreement dated 9 November 2007 which was entered between our Company and Sinotrans Group Company for the provision and receipt of the general services by our Group to/from members of Sinotrans Group
"MS Tanker"	M.S. Tanker Shipping Limited, a company incorporated in Hong Kong on 7 April 2004, which is owned as to 50% by Marine Peace Shipowning Limited (an indirect wholly-owned subsidiary of our Company) and 50% by Mitsui O.S.K. Lines, Ltd.
"Prospectus"	the Company's prospectus dated 12 November 2007
"Relevant Services"	time chartering of self-owned dry bulk vessels, time chartering of self-owned container vessels, and crude oil shipping
"SINOTRANS Group" or "SINOTRANS & CSC Group"	SINOTRANS & CSC Group Company and its subsidiaries (but excluding our Group)
"SINOTRANS Group Company" or " SINOTRANS & CSC Group Company"	SINOTRANS & CSC Holdings Co., Ltd., formerly known as China National Foreign Trade Transportation (Group) Corporation, a PRC state-owned enterprise formed in 1950, being the ultimate controlling shareholder of our Company
"Trademark Licence Agreement"	the trademark licence agreement dated 9 November 2007 entered between Sinotrans Group Company and the Company, pursuant to which Sinotrans Group Company has granted a non-exclusive licence to the Group the right of using the Trademarks
"we," "us" or "our"	our Company or our Group (as the case may require)
"YAMAL Trade Pte Ltd"	YAMAL Trade Pte Ltd, a company incorporated in Republic of Singapore with limited liability, originally was a party of an ship-building contract and a charterer under a time charter

In this annual report, terms such as "associate", "connected party", "connected party transaction", "controlling shareholder", "subsidiary", and "substantial shareholder" shall have the meaning ascribed to them in the Listing Rules.

GLOSSARY

This glossary contains certain definitions of technical terms used in this annual report in connection with our Company and our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

"ABS"	the American Bureau of Shipping, a classification society established in 1862, being one of the largest classification societies in the world with a classed fleet of over 10,000 commercial vessels and offshore facilities. ABS is a member of International Association of Classification Societies (IACS) and is recognised by the Hong Kong government
"Ballast Water"	It is defined as any solid or liquid that is brought on board a vessel to increase the draft, change the trim, regulate the stability or to maintain stress loads within acceptable limits
"BS OHSAS 18001"	The Occupational Health and Safety Assessment Series, developed by the British Standards Institution, the Det Norske Veritas and other thirteen organizations in 1999, which is an internationally applied British Standard for occupational health and safety management system
"Capesize"	a dry bulk vessel with a capacity of over 100,000 DWT
"Daily TCE"	daily time charter equivalent rate, the basis on which we measure our charter rate level. It is determined by dividing total voyage revenue (net of voyage expenses) by total voyage days for the relevant time period. Voyage expenses primarily consist of port charges and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. Daily TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types under which the vessels may be employed between the periods
"dry bulk"	unpacked goods such as coal, metallic minerals, iron, building materials, cement, timber, salt, grains and similar materials
"drydocking"	the removal of a vessel from the water for inspection, maintenance and/or repair
"DWT"	the deadweight of a ship expressed in tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
"EEDI"	Energy Efficiency Design Index, is an estimation of CO_2 emission per metric tonne of cargo sailed one mile when at design stage, which for new ships, is the single most important technical measure aimed at promoting the use of energy efficiency equipment & engines
"EEOI"	Energy Efficiency Operation Indicator, is expressed as kg CO_2 emission/(metric tonne nautical mile), which is a monitoring tool for managing ship and fleet efficiency performance over time

"FFA"	Forward Freight Agreement, a kind of forward freight rate agreement concluded between the buyer and seller, specifying the routes, prices, quantities, etc. The two parties agree to take or pay the difference between BDI and the transaction price in a certain point of time
"g/ton-mile"	The amount of emissions when the vessel transported ton of cargo and sailed 1 nautical mile
"g of standard coal/ton-mile"	The amount of standard coal equivalent consumed by the main engine and auxiliary engine when the vessel transported ton of cargo and sailed 1 nautical mile
"Handymax"	a dry bulk vessel with a capacity of between 40,000 DWT and 59,999 DWT
"Handysize"	a dry bulk vessel with a capacity of between 10,000 DWT and 39,999 DWT
"hire"	a sum of money to be paid to the shipowner by a charterer under a time charter for the use of a vessel
"IHC pool"	a commercial pool of Handysize tonnage managed by International Handybulk Carriers Limited
"ISM Code"	the International Management Code for the Safe Operation of Ships and for Pollution Prevention
"ISM Code"	The International Safety Management Code, is developed by the International Maritime Organization, aiming to provide an international standard for pollution prevention, safety management and operation of ships
"LNG"	liquefied natural gas
"MLC 20016"	The Maritime Labor Convention, 2006, known as the "Bills of Rights" of seafarers, is an updated comprehensive maritime labor convention that developed by the International Labor Organization on basis of previously adopted sixty-eight relevant conventions and recommendations.
"off-hire"	the situation applying to a ship on time charter when hire temporarily ceases to be paid by the charterer, or the time gap between two charters
"operating costs"	the costs of operating a ship which primarily consists of the costs of lubricants, spare parts, repairs and maintenance, crewing costs and insurance costs (but excluding capital expenditure, drydocking costs and voyage costs)
"P&I Association"	a mutual association providing P&I insurance coverage
"P&I insurance"	protection and indemnity insurance, obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss
"Panamax"	a dry bulk vessel with a capacity of between 60,000 and 99,999 DWT

"Plan-Do-Check-Act"	It was made popular by Dr. W. Edwards. Deming, an American Scholar. It is an iterative four-step management method via processes of Plan, Do, Check and Act to deliver results in accordance with the expected output and encourage continual improvement of processes and products
"port charges"	a general term which includes charges and dues of every nature assessed against a vessel, cargo and passengers in a port. Such charges can be classified into three categories: (i) charges in relation to the vessel such as vessel tonnage tax, vessel port dues, pilot fee and towage, (ii) charges in relation to the cargoes such as cargo port duties, loading and discharge fees and cargo handling fees and (iii) other expenses such as ship repairing costs and advances by the crew
"technical management"	management of those aspects of ship owning and operation that relate to the physical operation of a vessel, including the provision of crew, routine maintenance, repairs, drydocking and supplies of stores and spares
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"time charter"	a contract under which the shipowner hires out a ship for a specified period of time. The shipowner is responsible for providing the crew and paying the operating costs while the charterer is responsible for paying the voyage costs. The shipowner is paid charter hire on a per day basis
"VLCC"	a very large crude oil carrier, a vessel designed for the carriage of crude oil with a capacity of between 200,000 to 319,999 DWT
"voyage charter"	a contract under which a shipowner hires out a ship for a specific voyage between the loading port and the discharging port. The shipowner is responsible for paying both the operating costs and the voyage costs. The shipowner is paid freight on the basis of cargo movement between ports

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Ms. Feng Guoying

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Mr. Zhou Qifang
Mr. Lee Peter Yip Wah

REMUNERATION COMMITTEE

Mr. Zhou Qifang *(Chairman)*
Mr. Li Zhen
Mr. Tsang Hing Lun

NOMINATION COMMITTEE

Mr. Li Zhen *(Chairman)*
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

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