中遠海運能源運輸股份有限公司
COSCO SHIPPING Energy Transportation Co., Ltd.

(Formerly known as 中海發展股份有限公司 China Shipping Development Company Limited)
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

2016 ANNUAL REPORT

(Hong Kong Stock Exchange Stock Code: 1138)
(Shanghai Stock Exchange Stock Code: 600026)

CONTENT

COMPANY PROFILE

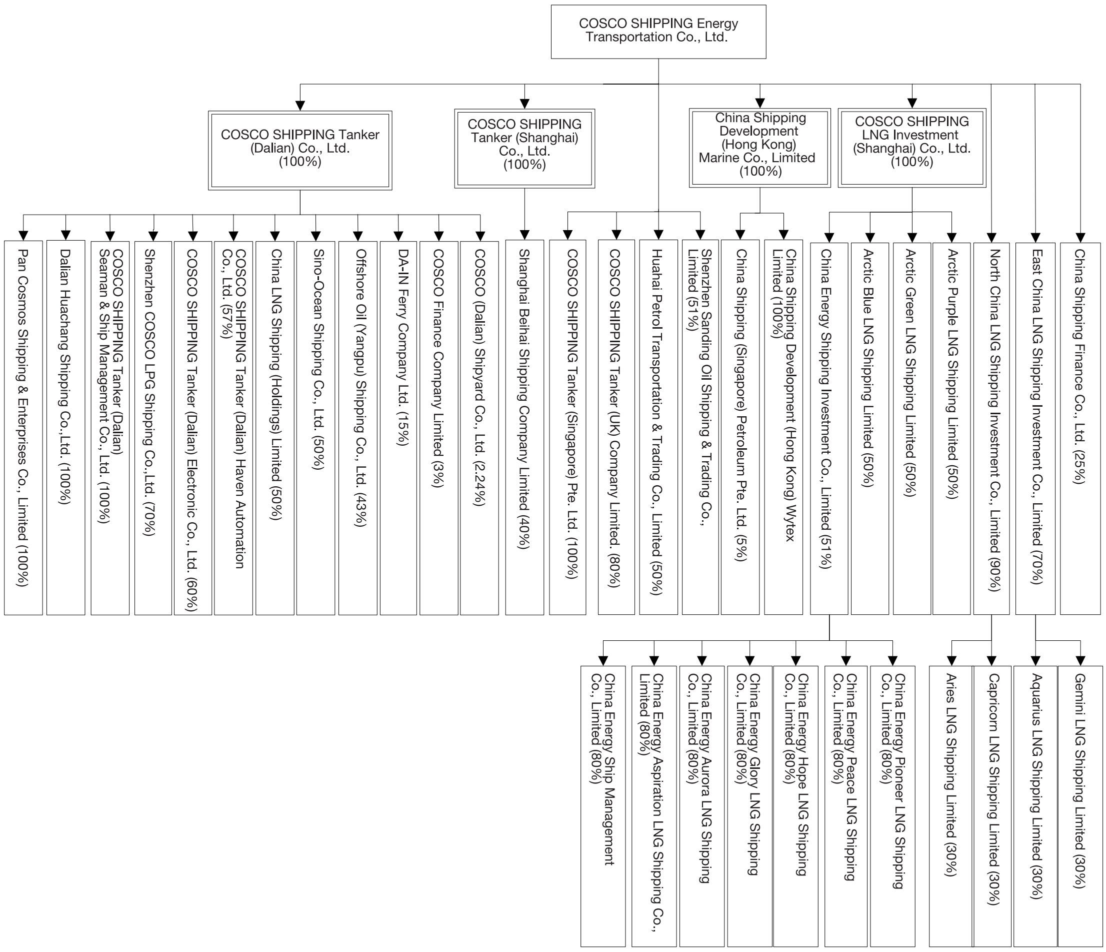
COSCO SHIPPING Energy Transportation Co., Ltd. ("COSCO SHIPPING Energy" or "the Company", together with its subsidiaries, the "Group") is a specialised company engaging in energy shipment such as oil and natural gas, and is a subsidiary of China COSCO Shipping Corporation Limited. Its predecessor is China Shipping Development Company Limited (01138, 600026), headquartered in Shanghai, principal subsidiaries include COSCO SHIPPING Tanker (Shanghai) Co., Ltd. ("Shanghai Tanker"), COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("Dalian Tanker"), COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., China Shipping Development (Hong Kong) Marine Co., Limited and COSCO SHIPPING Tanker (Singapore) Pte. Ltd.

As at 31 December 2016, COSCO SHIPPING Energy owned 100 oil tankers with a total shipping capacity of 14.67 million deadweight tonnes ("DWT") and held an order of 21 oil tankers with a total shipping capacity of 3.905 million deadweight tonnes. It owned 1 liquefied natural gas ("LNG") vessel with a shipping capacity of 0.17 million cubic metres and held an order of 5 LNG vessels with a total shipping capacity of 0.87 million cubic meters. The scale of shipment capacity for the tanker fleet of the Company ranked first globally with an average capacity of 146,700 DWT and an average age of 7.6 years.

COSCO SHIPPING Energy has maintained good cooperative relationship with more than 220 customers globally and the routes span across the world. The Company insists on the concept of "Intrinsically Safe and Safe Development", actively taking in the safety concept of DuPont and fully implementing the TMSA system. Its domestic leading staff training center is equipped with advanced facilities and is well-known in the industry. The five-in-one management system involving safety, quality, environment, energy and occupational health has been established. The subordinate units of the Company have been awarded the honorary title such as the "National Company with safety and integrity", Gold Award of the "Best Shipping Company in the Freight Industry of China", the "Tanker Operator Award" of the International Maritime Organization in China and the "National Civilised Unit".

COSCO SHIPPING Energy is committed to being "the most respected and reliable provider for energy shipment services in the world". It will rely on the national strategy of "One Belt One Road" with the objective of global operation strategy to serve large-scale petrochemical enterprises and strategic partners, thus provide the customers with quality services of all ship types, globalisation and around the clock.

As at 31 December 2016, the composition of the Group were as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2016	2015	2014	2013	2012
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from continuing operations	**9,658,291**	10,709,298	12,273,849	11,344,152	11,053,628
Profit/(loss) before tax from continuing operations	**1,520,888**	3,022,077	321,993	(2,229,350)	(331,375)
Profit/(loss) for the year from continuing operations	**1,206,174**	2,784,955	401,827	(2,217,447)	137,769
Profit/(loss) from discontinued operation, net of tax	**760,501**	(1,527,222)	—	—	—
Profit/(loss) for the year	**1,966,675**	1,257,733	401,827	(2,217,447)	137,769
Profit/(loss) for the year attributable to owners of the Company	**1,934,064**	1,180,921	309,413	(2,234,106)	73,741
		(Restated)			
	RMB	RMB	RMB	RMB	RMB
Earnings/(loss) per share	**0.4797**	0.2970	0.0909	(0.6562)	0.0217
Dividend per share	**0.19**	0.10	0.03	—	—

	At 31 December				
	2016	2015	2014	2013	2012
		(Restated)	(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**58,021,821**	85,579,799	80,947,134	58,842,479	57,860,523
Total liabilities and non-controlling interests	**30,608,732**	53,872,581	55,239,800	37,615,108	34,343,386
Equity attributable to owners of the Company	**27,413,089**	31,707,218	25,707,334	21,227,371	23,517,137
		(Restated)	(Restated)		
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.799**	7.864	7.384	6.235	6.908

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

(1) International oil shipping market

In 2016, the international oil transportation market suffered from various adverse factors such as the slowdown of global economic growth, the sluggish increase in international oil prices, OPEC continuing to consider reducing oil production, and the significant increase in new transportation capacity, while overall transportation prices appeared to have started on a downward trend. For the very large crude carrier ("VLCC") market, the annual average transportation price of the three major traditional routes (the Middle East - Far East TD3, Middle East - US Gulf TD1, West Africa - China TD15) dropped more than 30% month-on-month, while for the international white oil market, the annual average transportation price of the three types of vessels (LR2、LR1、MR) in the three traditional routes (Middle East - Japan TC1, the Middle East - Japan TC5, West India - Japan TC12) declined 38%, 39% and 38% month-on-month respectively.

(2) Domestic oil shipping market

With the continuous implementation of the oil and gas reform, domestic crude oil import rights and imported crude oil usage rights have been expanded, and local oil refineries have recorded higher operating rates. Pursuant to the statistics of the customs department, import of crude oil in China increased by 13.6% to 381 million tonnes in 2016. Domestic transportation demand for crude oil in 2016 bloomed amid a healthy supply of crude oil.

(3) LNG transportation market

In 2016, domestic demand for natural gas increased, leading to a restoration of growth in volume of LNG import. Since international prices of LNG was hovering at a low level in line with crude oil prices, the decline in import cost of LNG favoured the import market to a certain extent. In 2016, import volume of LNG in China increased by 32.97% to 26.1540 million tonnes year-on-year.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In 2016, the Group underwent a major asset restructuring. As at 30 June 2016, the Group completed the disposal of dry bulk shipping segment and the acquisition of Dalian Tanker.

The Group is committed to implementing the overall direction of "business innovation and efficiency, deepening of reform and innovative development", further strengthening the strategy of "global operation and sale under one brand", and holding to the ideology of "leading globally by safe operation and sale". The Group actively developed innovative business models and strived to integrate the outcomes of reform and reorganisation. As a result, the Group was able to exert scale and synergistic effects at the outset and achieve desired results in business, reform, development, innovation, risk control and other aspects.

In 2016, the volume of cargo shipped by the continuing operations of the Group increased by 0.76% year-on-year to 104 million tonnes, while the transport turnover decreased by 4.16% year-on-year to 348.08 billion tonne-nautical miles. Revenue derived from the continuing operations decreased by 9.81% year-on-year to RMB9.658 billion, while operating costs decreased by 7.31% year-on-year to RMB6.957 billion.

In 2016, the volume of cargo shipped by the discontinued operation of the Group was 63 million tonnes, while the transport turnover was 165.954 billion tonne-nautical miles. Revenue derived from the discontinued operation was RMB2.862 billion, while operating costs was RMB2.775 billion.

The profit attributable to owners of the Company was RMB1.934 billion, and the basic and diluted earnings per share was RMB47.97 cents.

(1) Revenue from Principal Operations

In 2016, overall details of the Group's principal operations by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared to 2015	Increase/ (decrease) in operating costs as compared to 2015	Increase/ (decrease) in gross profit margin as compared to 2015
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(%)
Continuing operations						
Oil shipment	7,272,450	5,240,537	27.9	-16.3	-7.3	-7.0
Vessel chartering	2,264,478	1,523,278	32.7	17.9	-6.5	17.5
Others	121,363	192,846	-58.9	25.6	-13.8	72.7
Discontinued operation						
Dry bulk shipment	2,861,791	2,774,759	3.0	-53.3	-53.4	0.1
Total	12,520,082	9,731,420	22.3	-25.7	-27.7	2.2

Principal Operations by Geographical Regions

Regions	Revenue	Increase/ (decrease) in revenue as compared to 2015
	(RMB'000)	(%)
Continuing operations		
Domestic shipment	2,593,038	5.2
International shipment	7,065,253	-14.3
Discontinued operation		
Domestic shipment	1,248,307	-53.1
International shipment	1,613,484	-53.5

(2) Shipping business — Oil shipment

For international oil shipment, the Group 1) increased the proportion of its leasing business so as to lock in gains and avoid the risk of market downturn. The current proportion of the Group's VLCCs that are leased out is approximately 30%, which allows the Group to better ensure that a profit can be realised; 2) continued to enhance its market analysis and estimation abilities, while at the same time focusing on long-haul routes at the height of the market to lock in the gains, and focusing on short-haul routes and on adjusting vessel positions as the market slumped, so as to constantly enhance its ability to adapt to market fluctuations; 3) achieved transportation of total import of five major domestic oil companies of 44.13 million tonnes in 2016, accounting for 52.1% of the total volume of the Group. The Group continued to play the core role in "domestic transportation of domestic oil" to consolidate and improve the proportion of basic sources, so as to effectively avoid market fluctuations; and 4) actively promoted the construction of overseas outlets of British companies and US companies, and completed the business integration of Hong Kong companies, laying a solid foundation for the Group's strategy of "Global operation and sale under one brand".

For domestic oil shipment, the Group 1) capitalised on a linkage advantage of domestic and international trade market, and strived to improve its operating results. Since the domestic market performed significantly better than the international market, the Group turned all crude oil tankers for domestic and foreign trade to domestic transportation; 2) adhered to a strategy of targeting major customers and maintaining a high proportion of COA contracts. In addition to the renewal of COA contracts with its original major customers, the Group entered into a cooperation in domestic transshipment with China National United Oil Corporation and established a winter/summer transportation price differentiation mechanism with several large local refineries in Shandong so as to stabilise supply from local refineries; and 3) promoted business model innovation, improved the operating efficiency of vessels and customer service standards. The Group strengthened "customer thinking", implemented a pilot "customer management system", provided one-on-one personal service to customers to promote the innovation in norm of domestic transportation. In 2016, the Group completed a domestic oil shipping volume of approximately 16.38 billion tonne-nautical miles, representing a 0.31% increase year-on-year, with a 5.16% increase year-on-year in transportation income to approximately RMB2,568.02 million and a 0.8% year-on-year increase in gross profit rate to 42.6%. The Group's market share in domestic oil shipment market remained at around 55%.

In 2016, the Group completed an international shipping volume of approximately 331.57 billion tonne-nautical miles of oil, representing a decrease by approximately 4.37% year-on-year (mainly due to the leasing out of some previously self-owned vessels), with a 14.71% year-on-year decrease in transportation income to approximately RMB6.969 billion and a decrease of approximately RMB631 million by 27.32% year-on-year in gross profit (gross profit margin being 24.10%) to approximately RMB1.679 billion.

In 2016, the Group completed an oil shipping volume of approximately 347.94 billion tonne-nautical miles of oil, representing a year-on-year decrease of approximately 4.16%, and recorded an operating revenue of approximately RMB9.537 billion, representing a year-on-year decrease of approximately 10.14%. An analysis of the transportation volume and revenue in terms of product types is as follows:

Transportation volume by product types

	2016 (billion tonne-nautical miles)	2015 (billion tonne-nautical miles)	**Increase/ (decrease) (%)**
Domestic	**16.38**	16.33	0.31
Crude oil	**15.73**	15.71	0.08
Refined oil	**0.65**	0.62	6.17
International	**331.56**	346.71	-4.37
Crude oil	**311.22**	311.20	0.01
Refined oil	**20.34**	35.51	-42.72
Total	**347.94**	363.04	-4.16

Revenue by shipment types

	2016 (RMB million)	2015 (RMB million)	Increase/ (decrease) (%)
Domestic	**2,568.02**	2,442.00	5.16
Crude oil	**2,341.31**	2,243.55	4.36
Refined oil	**113.60**	108.98	4.24
Vessel charting	**113.11**	89.47	26.42
International	**6,968.91**	8,170.70	-14.71
Crude oil	**4,232.79**	5,182.37	-18.32
Refined oil	**584.77**	1,156.98	-49.46
Vessel chartering	**2,151.35**	1,831.35	17.47
Total	**9,536.93**	10,612.70	-10.14

(3) **Shipping business — Dry bulk shipment**

In 2016, the Group completed a dry bulk shipping volume of approximately 165.95 billion tonne-nautical miles, achieving an operating revenue of approximately RMB2.86 billion. The shipping volume and operating revenue in terms of product types are as follows:

Transportation volume by types

	1st half 2016 (billion tonne-nautical miles)	1st half 2015 (billion tonne-nautical miles)	Increase/ (decrease) (%)	2015 (billion tonne-nautical miles)
Domestic	**45.95**	35.39	29.86	72.11
Coal	**27.27**	27.23	0.13	53.10
Iron ore	**9.69**	3.05	217.94	7.72
Other dry bulk (note)	**8.99**	5.11	76.09	11.29
International	**120.00**	121.06	-0.88	231.09
Coal	**14.92**	8.84	68.83	20.08
Iron ore	**85.49**	100.83	-15.21	176.74
Other dry bulk (note)	**19.59**	11.39	71.92	34.27
Total	**165.95**	156.45	6.08	303.20

Revenue by product types

	1st half 2016 (RMB million)	1st half 2015 (RMB million)	**Increase/ (decrease) (%)**	2015 (RMB million)
Domestic	**1,248.31**	1,162.85	7.35	2,663.53
Coal	**550.88**	657.68	-16.24	1,310.76
Iron ore	**109.89**	72.19	52.22	149.83
Other dry bulk (note)	**132.66**	126.12	5.19	264.02
Vessel chartering	**454.88**	306.86	48.24	938.92
International	**1,613.48**	1,638.40	-1.52	3,470.48
Coal	**178.74**	93.30	91.58	251.49
Iron ore	**965.75**	1,034.26	-6.62	2,110.30
Other dry bulk (note)	**257.39**	153.05	68.17	545.45
Vessel chartering	**211.60**	357.79	-40.86	563.24
Total	**2,861.79**	2,801.25	2.16	6,134.01

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

(4) Development of LNG Transportation Business

In 2016, the Group continuously and steadily promoted various existing LNG projects and actively coordinated businesses to ensure that vessels under the Mobil project are operated smoothly. In addition, the Group oversaw and promoted the construction of the APLNG project, and fully cooperated in the supervision and construction of the vessels in the YAMAL project. The Group carefully prepared and actively participated in the competition for new projects, in an effort to expand its LNG vessel management business and to improve economic efficiency.

In 2016, COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, with one vessel under operation during the year ended 31 December 2016 (the "Reporting Period"), achieved an annual revenue of approximately RMB36.31 million and a net profit of approximately RMB19.58 million; China LNG Shipping (Holdings) Limited ("**CLNG**"), a joint venture of the Group, with six vessels under operation during the Reporting Period, achieved an annual revenue of approximately RMB1.041 billion and a net profit of approximately RMB369 million in which the share of profits of the joint venture contributed to the Group was approximately RMB108 million. In addition, East China LNG Shipping Investment Co., Limited ("**ELNG**") and North China LNG Shipping Investment Co., Limited ("**NLNG**"), two non-wholly-owned subsidiaries of the Company, recognised their share of profits of associates which amounted to approximately RMB11.59 million and approximately RMB19.82 million respectively. At the end of the Reporting Period, the Group and the joint ventures had a total of 23 LNG vessels with approximately 3.98 million cubic meters under construction and expected to be delivered before the end of 2020.

3. COSTS AND EXPENSES ANALYSIS

In 2016, the Group conscientiously implemented the requirements of the board of directors (the "Directors") of the Company (the "Board") on the enhancement of management and the increase of efficiency and cost reduction, so as to further emphasise the strategic positioning of "cost as the winning factor". The Group started with the management of operations and overall budget in its effort to strengthen cost control, and was able to effectively control various costs and expenses. In 2016, the principal operating cost of the continuing operations of the Group amounted to a total of approximately RMB6.957 billion, down by 7.31% year-on-year, indicating that effective cost control ensured a significant improvement in the operating profit of the Group. The following table sets forth the constitution of costs of the principal operations of the Group:

Item	2016 (RMB' 000)	2015 (RMB' 000)	Increase/ (decrease) (%)	Composition ratio in 2016 (%)
Continuing operations				
Fuel costs	**1,395,564**	1,981,565	-29.57	20.06
Port costs	**773,765**	844,420	-8.37	11.12
Sea crew cost	**984,197**	1,003,718	-1.94	14.15
Lubricants expenses	**140,911**	201,480	-30.06	2.03
Depreciation	**1,615,398**	1,372,394	17.71	23.22
Insurance expenses	**152,309**	143,140	6.41	2.19
Repair expenses	**264,025**	308,387	-14.39	3.80
Charter cost	**994,533**	1,390,246	-28.46	14.30
Others	**635,959**	260,283	144.33	9.13
Total	**6,956,661**	7,505,633	-7.31	100.00

Fuel costs were the main cost of the Group. In 2016, the Group fully exploited the post restructuring integrated management and control efficiency of COSCO Shipping Group's operation platform. Through strengthening cooperation with suppliers and traders, the Group improved its market estimation mechanism and took advantage of the slump in international fuel prices to lock in fuel costs. At the same time, through maximising cruising speed efficiency, the Group aimed to control cargo oil heating, washing, filling, ballast water replacement and other technical aspects and improve fuel efficiency.

In 2016, fuel costs of the continuing operations of the Group were approximately RMB1.396 billion, down by 29.57% year-on-year, accounting for 20.06% of the operating cost. The Group has maintained a significant outcome in cost control through adopting economic speed, centralised purchasing, oil lock and various energy saving measures. The fuel consumption of the continuing operations was 793,416 tonnes with a decrease of 0.50% year-on-year, while average fuel consumption was 2.28 kg/1,000 nautical mile.

4. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

The operating results achieved by the 4 joint ventures in 2016 are as follows:

Company name	Interest held by the Group	2016 Shipping volume (billion tonne-nautical miles)	2016 Operating revenue (RMB'000)	2016 Net profit (RMB'000)
CLNG	50%	18.7	1,040,917	215,685
Sino-Ocean Shipping Co., Ltd.	50%	1.2	67,651	21,637
Huahai Petrol Transportation & Trading Co., Limited	50%	1.95	150,648	24,762
Offshore Oil (Yangpu) Shipping Co., Ltd.	43%	1.56	184,245	68,534

The operating results achieved by the an associate in 2016 is as follows:

Company name	Interest held by the Group	2016 Shipping volume (billion tonne-nautical miles)	2016 Operating revenue (RMB'000)	2016 Net profit (RMB'000)
Shanghai Beihai Shipping Company Limited	40%	13.23	1,280,925	545,969

In 2016, the net profit achieved by China Shipping Finance Co., Ltd. ("CS Finance"), a non-shipping associate, in which the Company held a 25% equity interest, was approximately RMB107 million.

5. FINANCIAL ANALYSIS

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB12,064,988,000, representing an increase of approximately 58.74% as compared to approximately RMB7,600,649,000 for the year ended 31 December 2015.

(2) Capital commitments

	Note	2016 RMB'000	2015 (Restated) RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**8,891,396**	12,148,434
Project investments	(ii)	**655,930**	696,341
Equity investments	(iii)	**—**	777,517
		9,547,326	13,622,292

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2017 to 2018.

(ii) Included capital commitments in respect of project investments are commitments to invest in certain projects held by CLNG.

(iii) Included capital commitments in respect of equity investments are commitments to invest in China Ore Shipping Pte. Ltd. and Shenhua Zhonghai Marine Co., Limited. The capital commitments were derecognised on 30 June 2016 resulting from the discontinued operation.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted for but not provided amounted to RMB121,969,000 (2015: RMB121,975,000). The Group's share of the capital commitments of its joint ventures, which are contracted for but not provided amounted to RMB2,267,070,000 (2015: RMB2,929,925,000).

(3) Capital structure

The Group's net debt-to-equity ratio as at the end of Reporting Period is as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Total debts	**26,540,558**	49,056,531
Less: cash and cash equivalents	**(6,364,583)**	(4,863,247)
Net debt	**20,175,975**	44,193,284
Total equity	**27,423,082**	32,570,092
Net debt-to-equity ratio	**74%**	136%

(4) Trade and bills receivables

	2016	2015
		(Restated)
	RMB'000	RMB'000
Trade and bills receivables from third parties	**1,223,309**	2,741,667
Trade receivables from joint ventures	**122**	40,200
Trade receivables from fellow subsidiaries	**5,526**	12,525
	1,228,957	2,794,392
Less: allowance for doubtful debts	**(22,499)**	(3,094)
	1,206,458	2,791,298

As of the end of the Reporting Period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Within 3 months	**909,021**	2,060,861
4 - 6 months	**104,940**	621,775
7 - 9 months	**102,566**	63,549
10 - 12 months	**28,127**	40,055
1 - 2 years	**60,995**	4,983
Over 2 years	**809**	75
	1,206,458	2,791,298

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

(5) Trade and bills payables

	2016	2015
		(Restated)
	RMB'000	RMB'000
Trade and bills payables to third parties	**752,489**	932,282
Trade payables to immediate holding company	**1,374**	729
Trade payables to fellow subsidiaries	**596,121**	497,475
Trade payables to joint ventures	—	3,260
Trade payables to related companies		
– joint ventures of immediate holding company	—	12,844
– joint ventures of fellow subsidiaries	—	31,382
	1,349,984	1,477,972

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

	2016	2015
		(Restated)
	RMB'000	RMB'000
Within 3 months	**1,038,903**	974,630
4 - 6 months	**58,469**	121,471
7 - 9 months	**35,738**	52,316
10 - 12 months	**3,835**	80,573
1 - 2 years	**19,530**	39,559
Over 2 years	**193,509**	209,423
	1,349,984	1,477,972

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

(6) Provision and other liabilities

	2016	2015
		(Restated)
	RMB'000	RMB'000
Provision for onerous contracts	**495,338**	340,447
Others	**15,281**	15,414
	510,619	355,861
Less: current portion	**(302,551)**	(181,308)
Non-current portion	**208,068**	174,553

As at 31 December 2016, the Group has a provision of RMB495,338,000 (2015: RMB340,447,000) for onerous contracts relating to the non-cancellable chartered-in vessel contracts.

As at 31 December 2016, the committed charter hire expenses of non-cancellable chartered-in vessel contracts with lease term expiring over twenty-four months from the end of the Reporting Period and with period not being covered by chartered-out vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB3,946,995,000 (2015: RMB4,509,494,000).

(7) Derivative financial instruments

	2016	2015
		(Restated)
	RMB'000	RMB'000
Liabilities		
Current portion	—	4,258
Non-current portion	**474,988**	411,385
	474,988	415,643

As at 31 December 2016, the Group held thirty (2015: thirty-two) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was approximately USD537,040,000 (equivalent to approximately RMB3,725,448,000) (2015: approximately USD709,800,000 (equivalent to approximately RMB4,609,159,000)). The interest rate swap agreements, with maturity in 2031 and 2032 (2015: 2016, 2031 and 2032), are designated as cash flow hedges in respect of certain bank borrowings of the Group with floating interest rates.

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

(8) Interest-bearing bank and other borrowings

	2016 RMB'000	2015 (Restated) RMB'000
Current liabilities		
(i) **Bank borrowings**		
Secured	**1,119,250**	1,891,949
Unsecured	**3,475,198**	6,583,848
	4,594,448	8,475,797
(ii) **Other borrowings**		
Secured	—	8,670
Unsecured	**30,185**	2,579,360
	30,185	2,588,030
Interest-bearing bank and other borrowings – current portion	**4,624,633**	11,063,827
Non-current liabilities		
(i) **Bank borrowings**		
Secured	**11,460,562**	16,672,834
Unsecured	**5,149,582**	10,339,898
	16,610,144	27,012,732
(ii) **Other borrowings**		
Secured	—	100,470
Unsecured	**271,665**	5,298,721
	271,665	5,399,191
Interest-bearing bank and other borrowings – non-current portion	**16,881,809**	32,411,923

As at 31 December 2016, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 24 (2015: 67) vessels and 5 (2015: 6) vessels under construction with total net carrying amount of RMB11,150,917,000 (2015: RMB25,186,540,000) and RMB6,568,108,000 (2015: RMB6,004,226,000) respectively and pledged bank deposits.

As at 31 December 2016, secured bank borrowings of RMB12,479,811,000 (2015: RMB17,101,903,000), unsecured bank borrowings of RMB7,342,329,000 (2015: RMB11,607,123,000) and unsecured other borrowings of RMBnil (2015: RMB1,948,080,000) are denominated in USD.

(9) Bonds payable

(a) *Corporate bonds*

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

	2016	2015
	RMB'000	RMB'000
At 1 January	**3,978,488**	4,973,360
Interest charge	**3,557**	5,128
Redemption	**—**	(1,000,000)
At 31 December	**3,982,045**	3,978,488
Less: current portion	**—**	—
Non-current portion	**3,982,045**	3,978,488

(b) *Convertible bonds*

On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

No interest expense was recognised in profit or loss in respect of the convertible bonds for the Reporting Period (2015: RMB14,677,000).

(10) Contingent liabilities

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

Since Dalian Tanker had been insured, all compensations will be borne by the insurance companies, according to the membership certificate underwriting agreement. On 10 November 2016, one of the insurance companies paid Dirham24 million (approximately RMB16 million) to the dock authority for settlement. The case was resolved after the Group settled such amount.

(ii) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group has set up a Limitation of Liability for Maritime Claims Fund amounting to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 31 December 2016, such contingent liability has been removed as a result of the operation discontinued on 30 June 2016.

(iii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2015, claims on damage caused by the fuel leakage amounted to an aggregate of RMB19,370,000 plus court costs. Of which, RMB11,250,000 had been fully settled by insurance companies. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. On 24 July 2015, the court announced the final claims on damage to be RMB4,000,000 and the Group agreed to settle the issues concerned with the amount. The fuel leakage incident in relation to the "Daiqing 75" tanker was resolved after the Group settled such amount.

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

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8,200,000 (approximately RMB56,883,000).

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

(v) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. In March 2014, claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 31 December 2016, such contingent liability has been removed as a result of the operation discontinued on 30 June 2016.

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

(vii) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Company for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (approximately RMB3,399,130,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Company under the owner's guarantees is limited to USD6,400,000 (approximately RMB44,397,000).

(viii) At the 2015 sixth Board meeting on 28 April 2015, the Company approved Bulk Carrier to guarantee not more than 50% of the total debt of Guangzhou Development Shipping Co., Limited, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable. The guarantee was derecognised on 30 June 2016 resulting from the discontinued operation.

(11) Foreign exchange risk management

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

As at 31 December 2016, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB8,957,000 lower/higher (2015: RMB12,951,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

(12) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2016 and 2015.

The Group's exposures to interest rate risk also arises from its borrowings. Loan receivables and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the capital market conditions and certain interest rate swap agreements with banks have been used to achieve optimum ratio between fixed and floating rates borrowings.

As at 31 December 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB150,432,000 (2015: RMB267,561,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

6. OTHERS

(1) Fleet expansion projects

In 2016, the Group has achieved further improvement in its fleet expansion.

In 2016, the cash outflow from investment activities of the Group was approximately RMB11.72 billion which has been paid for construction of new vessels, acquisition of a subsidiary and capital increases into joint ventures of the Company, including capital expenditure of approximately RMB4.23 billion paid for the purchase of new vessels by the Group.

In terms of fleet expansion, 4 new tankers with a total capacity of approximately 746,000 DWT and 1 new LNG vessel with capacity of approximately 174,000 cubic metres have been delivered for use in 2016.

As at 31 December 2016, the composition of the Group's fleet is as follows:

	Number of vessels	Deadweight tonnes/Cubic metres	Average age
		('000)	(years)
Oil Tankers	100	14,664	7.5
LPG vessels	4	12	10.9
LNG vessel (note)	1	174	0.2
Total	105	14,678/174	7.6

Note: The carrying capacity of LNG vessel is measured in cubic metres.

7. OUTLOOK AND HIGHLIGHTS FOR 2017

(1) Competitive landscape and development trend in the industry

In 2017, the delivery of tanker transportation capacity reached a cycle peak. The situation of oversupply will further intensify, and as a result, the international oil transport market situation is still grim. However, the forthcoming implementation of the Ballast Water Treatment Convention during the year may lead to the temporary withdrawal of some of the transportation capacity from the market. To a further extent, this may lead to the result that the U.S. shale oil and gas revolution will promote the formation of the new pattern of oil and gas resources from the East and the West. The international crude oil market will form the two major export centres of North America and the Middle East. Asian countries such as China and India will experience rapid growth in energy consumption. Asia will become the focus of global energy trade. The adjustment of the global oil and gas trade and transport pattern has provided an opportunity for us to optimise the market structure, the cargo source structure, the route structure and the customer mix.

Affected by factors like production reduction in marine oil and pipelining of transshipment oil, the domestic oil shipment market is expected to suffer under shrinking domestic trade sources. The oil import rights expansion policy for domestic local oil refineries remains unchanged, which should boost demand for imported crude oil among domestic refineries. Overall, the domestic oil shipment market is expected to remain stable.

The fundamental circumstances of the LNG shipping market is unlikely to improve. In addition, as the fleet size is expected to grow by 13%, transportation prices are expected to remain low. Although the LNG transportation market appears sluggish in the short term, its medium and long term prospects are promising. Currently, there are construction plans for liquefaction capacity of 152 million tonnes globally. As more LNG plants commence operation in 2018, LNG trade is expected to thrive, and the oversupply in the LNG shipment market is expected to improve.

(2) Development strategies of the Company

In the face of a complex market environment, the Group intends to adhere to the “strategic leadership and innovation drive” and “maintenance of global leading position in fleet size, industrial leading position in business structure, global leading position in safety marketing and business model” strategies under the leadership of the Board, so as to enhance the risk resistant ability, sustainable development and core competitiveness of the Group.

(3) Operational plans

In 2017, the Group expects to add 13 new oil tankers with a total tonnage of 2,360,000 DWT of shipping capacity, and 3 new LNG vessels with a total shipping capacity of 520,000 cubic metres. It is anticipated that the following will be put into use throughout the year: 113 oil tankers of 17.02 million DWT, 4 LPG vessels of 10,000 DWT, and 4 LNG vessels of 700,000 cubic metres.

Based on the market conditions of the domestic and international shipping industry in 2017, and taking into account the delivery of new vessels, the Group's major operating goals in 2017 are as follows: shipment turnover volume of 389.6 billion tonne-nautical miles; operating revenue of RMB10.2 billion; operating costs of RMB7.5 billion.

(4) Work initiatives of the Company

In response to the current market environment, the Group will adhere to the following tasks:

A. Commitment to outperforming the market, leading the innovation in business model and building new ecology for corporate development

For the international oil shipment market, the Group will achieve a reasonable distribution of the fleet and forecast the shipping price scientifically, so as to grasp the periodic peak of the market by taking mutual reference to the prediction of shipping price and the transportation volume and hence to realise the transition of experience management to scientific management. It will continue to strengthen safety marketing and promote the contracting of the COA. Advantages of overseas outlets in terms of location, information and platform will be utilised for expanding the western market in depth and establishing excellent triangular routes to realise the diversification of supply structure, customer structure and route structure. The Group will seriously study the proportion among domestic shipping and third country transportation, leasing and self-operation, so as to enlarge the extent of leasing in market bloom to lock in basic income and reduce the exposure risk. Also, new trend of refined oil export will be in high profile, with proper overall arrangement in advance to ensure maximum operating efficiency.

For the domestic oil shipment market, the Group will continue to commit to becoming a leader in innovation of business model, and work hard for the continuous growth in the domestic market. The leading edge in business structure will be fully utilised for providing customers with comprehensive logistics solutions. On the one hand, various innovative business cooperation models will be promoted to improve transportation quality, operational efficiency and vessel profitability. On the other hand, communication with the core customers who have the edge on research and estimation for the upstream market will be strengthened. The Group will also understand the market trends from the supply side and strengthen the business cooperation with local refineries in accordance with the implementation of the national mixed ownership reform and the further unlashing of the quota of imported crude oil, so as to grasp the changes in market demand to seize market opportunities.

For the LNG transportation, the Group will broaden its thinking and establish extensive contacts with major international LNG sellers to seek cooperation opportunities for third-party LNG projects. At the same time, the development of domestic private shippers will also be emphasised to formulate corresponding project intervention strategies to promote the development and expansion of LNG business.

B. By adhering to the strategy of placing cost as the priority, the Group puts great effort in cost reduction and efficiency promotion

Currently, the international oil price is rising and fluctuating. The Group will continue to implement the fuel price locking mechanism to improve the accuracy of estimation of the trend of oil prices, with target reference value determined scientifically, so as to stay in line with the market pace by developing long, medium and short term operation plans. Meanwhile, reasonable speed will be determined for best efficiency and lean management on different parts of fuel consumption will be comprehensively strengthened to control fuel consumption.

C. By strengthening capital management, the Group strives to reduce the capital cost

Composition of the liabilities will be analysed in depth, and adjust the currency structure according to exchange rate of USD and RMB. In addition, capital cost will be lowered. The Group will also coordinate the planned stock funds, so as to ensure a reasonable level of cash flow.

D. By adhering to innovation drive, the Group promotes leapfrog development in fleet scale to expand the new path of industrial upgrading

Relationship between supply and demand in the shipping market and the trend of changes in asset prices will be in high profile. The Group will also explore to a greater extent the possibility of participating in the upstream and downstream business chain, so as to further enhance the overall risk resistant capacity.

E. By ensuring safety and controlling risk, the Group comprehensively strengthens the risk control to create a new prevention barrier for risk

Development in 2017 will be accelerated, in which the keynotes will be tight schedule, heavy mission and speedy pace. The Group will continue to adhere to the safety management objectives of "personnel safety, equipment safety, standard safety, environmental safety and management safety", implementing the safe production responsibility system and enhancing the core competitiveness of the Group. At the same time, the special risk assessment will be strengthened and relevant applicable responsive measures and contingency plans will be formulated in accordance with the risk assessed to ensure quality and efficiency of the development.

F. By strengthening the team of talents and fleet, the group builds a first-class shipping team

By strengthening the pool of talents and fleet, a first-class shipping team will be established. The Group will scientifically grasp the pattern of the growth of young cadres, with targets and strategies in building a reserve of talents, as well as cultivating expert talents who have the ability to master complex problems, and promoting the introduction of professional talents. At the same time, establishment of backbone of the crew team will be strengthened along with the times to build the first-class crew in line with the development of the fleet.

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance can improve the Company's scientific decision-making and risk prevention abilities, ensure normal and effective operations, and promote the sustained development of the Company. The board of directors (the "Directors") of the Company (the "Board") believes that shareholders of the Company ("Shareholders") can derive the greatest benefits from good corporate governance.

I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "Articles"), related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and having regard to the actual conditions of the Company, the Company constantly formulates, improves and implements various operational systems and related procedures for each of the Board and its special committees.

In order to improve the Company's system and enhance corporate governance, in 2011 the Company amended the "Articles" and the relevant rules of procedure, including "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Supervisory Committee" and "Rules of Procedure of the General Meeting" and formulated "Working Regulations for Independent Non-executive Directors", "Measures for the Administration of Connected Transactions", "Risk Control System for Connected Transactions with China Shipping Finance Co., Ltd." and "Working Regulations for Secretary to the Board".

In 2012, pursuant to new regulations released by the CSRC, the Company has revised the Registration System of Insider and made amendments to the relevant provisions under Chapter 15 "Accounting regulation and profit distribution" of the Articles, further clarifying the requirements such as the "Basic principles of profit distribution and cash distribution policy". That reflects the Company's consistent policy of emphasis on returns to shareholders by maintaining a long-term stable proportion of dividends distribution. Such amendments to the Articles were approved by the Shareholders in the 2013 annual general meeting, details of which are set out in the circular of the Company dated 13 April 2013.

The Company adopted a board diversity policy on 23 December 2013, and revised the Implementing Rules of the Nomination Committee of the Board of the Company, to which such contents were added "to review the structure, size and composition of the Board (including but not limited to the skills, knowledge, experience, gender, age, cultural and educational background and diversity of perspectives) at least annually and make recommendations with respect to the changes to be made to the Board in order to coordinate with the Company's corporate strategy." The Company recognises and embraces the importance of Board diversity to corporate governance and the effectiveness of the Board. The purpose of adopting the board diversity policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

In 2014, the Company amended the "Implementation rules of the Audit Committee of the Board", further defining the duties of the Audit Committee member, and the rules of procedures and procedures of decision making, pursuant to the "Operation Instructions for Audit Committee of the Board of Listed Companies on Shanghai Stock Exchange" released on 19 December 2013. In addition, the Company formulated its "Management System of Internal Audit" in 2014 for the purposes of further improving the level of governance of the Company, enhancing internal audit of the Company, and delivering better supervision on, assessment and service for the development of internal audit functions in accordance with the relevant rules and regulations, standards and the relevant regulatory requirements of listed companies on internal audit.

On 8 March 2016, the Company revised the "Implementation rules of the Audit Committee of the Board", further defining the duties of the Audit Committee members to include an internal audit function whereby the Audit Committee shall also review the Company's risk management in addition to its internal control system.

On 28 July 2016, pursuant to the Rules for the Listing of Stocks of the Shanghai Stock Exchange and the Guidelines on the Suspension and Exemption of Information Disclosure for Listed Companies on the Shanghai Stock Exchange, the Company has formulated the Management System for the Suspension and Exemption of Information Disclosure.

During the Reporting Period, checks and balances were achieved through the coordination among the Shareholders' meeting, the Board and its related special Board committees, the supervisory committee of the Company ("Supervisory Committee") and management headed by the chief executive officer. Together with the effective internal control and management systems, the Company's internal management and operations were further standardised and the corporate governance of the Company was further enhanced.

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

The Company has been committed to the perfection and improvement of its internal control system, complemented with special activities such as corporate governance to thoroughly strengthen the establishment of its internal management system. The Board is responsible for the establishment, improvement and effective implementation of internal control; the Supervisory Committee supervises the establishment and implementation of an internal control system by the Board; management is responsible for organising and taking the lead in the daily operation of internal control of the Company; the audit committee of the Company ("Audit Committee") is responsible for guiding and supervising the evaluation of the effectiveness of internal control by internal organs of the Company.

To strengthen and regulate enterprise internal control, and enhance the level of operational management and risk prevention capability, the Company has implemented the establishment of the internal control system since March 2011 pursuant to the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and the Implementation Guidelines for Enterprise Internal Control (《企業內部控制配套指引》) jointly promulgated by the Ministry of Finance, the Securities Regulatory Commission, the Audit Office, the Banking Regulatory Commission and the Insurance Regulatory Commission of the People's Republic of China (the "PRC").

The Company completed preparing the "Internal Control Manual of COSCO SHIPPING Energy 2011 edition" in December 2011. The scope of the Internal Control Manual of COSCO SHIPPING Energy (《中遠海運能源內控手冊》) covers existing operations of the Company, and its contents mainly include human resources, capital management, asset management, financial reporting, comprehensive budgeting, contract management, procurement management, sales management and information system management.

The Company further the establishment of its system for internal control standard in 2012 and 2013. Firstly, by expanding the scope of the internal control system with the inclusion into the scope of establishment of the system of four domestic shareholding subsidiaries under the Company in 2012; secondly, based on the changes to the internal structure and operational flow and taking into account of the establishment of Shanghai Tanker, a wholly-owned subsidiary of the Company, made corresponding adjustments to the design of the internal control and timely update on the system and procedures, and thirdly, implemented self-evaluation on internal control by management to evaluate and test the effectiveness of the internal control system and basedon the result of such evaluation and test, further improve the content of the manuals for internal control. Achievements of the Company in respect of facilitating the establishment of the system for internal control standard were demonstrated in 2012 version of the Internal Control Manual of COSCO SHIPPING Energy (《中遠海運能源內部控制手冊》), 2013 version ofthe Internal Control Manual of COSCO SHIPPING Energy (《中遠海運能源內部控制手冊》) and Risk Management Manual of COSCO SHIPPING Energy (《中遠海運能源風險管理手冊》).

Building on the experiences from and achievements of our efforts on internal control three years ago, in 2014 and 2015, the Company has continued to perfecting the establishment of internal control, further reinforced supervision and examination of the internal control system, and developed on an going basis evaluation of internal control on its effectiveness to ensure an effective operation of the standard of internal control, whereby major risks of the Company shall remain under our control and steady development along the requirements of the Company's standard of internal control be facilitated. Currently, update for the internal control manual 2015 is basically accomplished.

On 8 March 2016, the Company revised the "Implementation rules of the Audit Committee of the Board", further defining the duties of the Audit Committee members to include an internal audit function whereby the Audit Committee shall also review the Company's risk management in addition to its internal control system.

In 2016, after the implementation of material asset restructuring, the Company actively promoted the system construction work. We sort out the rules and regulations of headquarters and drafted 56 new rules and regulations. We also started the internal control system construction synchronously. As at the end of the Reporting Period, in accordance with the "Company Law", "listed company governance guidelines" and other related requirements, to combine with the objectives of internal control, to follow the principles of legal, comprehensive, important, effective, checks and balances, adaptation and cost-effectiveness of internal control, and from the development of its own business situation, the Company has established effective internal controls within the Group's various business segments and formed a relatively sound internal control system basically.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, the Company is independent of its controlling shareholder, China Shipping (Group) Company, and its indirect controlling shareholder, China COSCO Shipping Corporation Limited in respect of its business, personnel, asset, organisational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

IV. THE ESTABLISHMENT AND IMPLEMENTATION OF THE STAFF SALARY SYSTEM, PERFORMANCE APPRAISAL AND INCENTIVE MECHANISM

The Board has implemented the annual salary system and formulated requirements for annual salary system assessment for the senior operating management of its subsidiaries and the headquarters.

In terms of the staff salary system, the Company has established post wages and effectiveness wages together with years of service wages, performance wages and complementary wages. Among them, post wages reflect the difference in responsibilities for different posts, years of service wages reflect the difference in the period of service accumulated and performance wages reflect the difference in labour contribution. Complementary wages reflect the state’s special treatment.

The Company wishes to adopt more effective measures in the future to continuously improve its internal management system so as to bring the incentive and restriction functions of the distribution system into full play.

The salary assessment of senior management in 2016 is as follows:

1. Salary of senior managers in 2016 was pre-approved for the RMB1.248 million/person;

2. Salary of deputy senior managers was temporarily pre-approved 0.8 times as senior managers.

The above salary is the annual pre-tax standard in 2016, and the actual payment will convert by the actual office hours, and personal income tax borne by oneself.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing shareholders' value.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code ("Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Reporting Period.

As provided for in code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Yang Jigui and Mr. Qiu Guoxuan, the executive directors, and Mr. Wang Wusheng, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, the independent non-executive directors, were unable to attend the annual general meeting held on 20 May 2016 ("2016 AGM") due to prior commitments. In addition to the 2016 AGM, the independent non-executive directors, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng were unable to attend the extraordinary general meeting held on 19 September 2016 ("2016 EGM") due to prior commitments.

The Company will keep its corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices having regard to the latest developments including any new amendments to the Code.

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. In order to ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2016, the Company held 2 general meetings. The table on pages 37 and 38 of this annual report shows the attendance of the Directors at the general meetings. At the 2016 AGM, 21 resolutions were passed, among which the Report of the Directors for 2015, the Report of Supervisory Committee for 2015, the profit distribution plan for 2015, the remuneration domestic and proposal of the Company's Directors and supervisors (the "Supervisors") for 2016, the re-appointment of domestic and international auditors of the Company for 2016, the election of executive directors, the material asset restructuring and continuing connected transactions were adopted.

According to the Articles, shareholders individually or jointly holding more than 10% of the shares with voting rights at the extraordinary general meeting or class general meeting to be convened may sign one or more written requests with the same format and contents to propose to the Board to the convening of an extraordinary general meeting or class general meeting, and specify the topics thereof.

The Board is grateful to shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at 18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, the PRC.

The registered shareholders are entitled to putting forward a proposal at a general meeting if shareholder(s) individually or jointly holding more than 3% of the equity of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of the proposal and announce the contents thereof.

3. The Board

(1) The responsibility of the Board

The Board of the Company is elected in the shareholders' meeting.

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. During the Reporting Period, the Board also performed the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

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

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Company elects its directors in strict compliance with the procedures for election of Directors as set out in the Articles. Each director shall act in the interests of the Shareholders, and shall use its best endeavours to perform his duties and obligations as a director in accordance with all the applicable laws and regulations. Duties of the Board include making decisions of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to management for the management of the Group. In addition, the Board delegates responsibilities to professional committees under the Board. Details of those committees are set out in this report.

(2) Composition of the Board

According to the Articles, all directors (including independent non-executive directors) are elected by the general meeting of Shareholders with a term of three years. Directors may be re- elected upon the expiration of their terms. The terms of the independent non-executive directors shall be the same with the other directors, i.e. for three years but not exceeding six years.

The Directors of the Company during the Reporting Period were:

Executive directors:	
Mr. Xu Lirong (許立榮) (Chairman)	(Resigned on 3 June 2016)
Mr. Sun Jiakang (孫家康) (Chairman)	(Appointed on 20 May 2016)
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)
Mr. Huang Xiaowen (黃小文)	(Resigned on 19 September 2016)
Mr. Ding Nong (丁農)	(Resigned on 19 September 2016)
Mr. Yu Zenggang (俞曾港)	(Resigned on 19 September 2016)
Mr. Yang Jigui (楊吉貴)	(Resigned on 22 August 2016)
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	(Appointed on 19 September 2016)
Mr. Lu Junshan (陸俊山)	(Appointed on 19 September 2016)
Mr. Han Jun (韓駿) (Chief Executive Officer)	(Resigned on 22 August 2016)
Mr. Qiu Guoxuan (邱國宣)	(Resigned on 22 August 2016)
Non-executive directors:	
Mr. Feng Boming (馮波鳴)	(Appointed on 19 September 2016)
Mr. Zhang Wei (張煒)	(Appointed on 19 September 2016)
Ms. Lin Honghua (林紅華)	(Appointed on 19 September 2016)

Independent non-executive directors:

Mr. Wang Wusheng (王武生)
Mr. Ruan Yongping (阮永平)
Mr. Ip Sing Chi (葉承智)
Mr. Rui Meng (芮萌)
Mr. Teo Siong Seng (張松聲)

The Company convened the annual general meeting of 2016 on 20 May 2016, in which Mr. Sun Jiakang was elected as an executive director of the Company.

The Company convened the first extraordinary general meeting of 2016 on 19 September 2016, in which Mr. Liu Hanbo and Mr. Lu Junshan were elected as executive directors of the Company and Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua were elected as non-executive directors of the Company.

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive directors. The biographies of all directors are set out on pages 236 to 244 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all directors.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new directors to the Board. The appointment of a new director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

(3) The Responsibility of Directors

The Board ensures that each newly appointed director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under the relevant rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive directors play an active role in Board meetings and can make contribution to the formulation of strategies and policies and make reliable judgement on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They also serve as members of various Board committees to monitor the overall performance of the Group in achieving predetermined corporate objectives and benchmarks and making reports for such performance.

4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive directors' work. In the reporting year, the Company had five independent non-executive directors exceeding one-third of the total number of the directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive directors are professionals with extensive experience in the fields of accounting, law, shipping and finance, respectively. Mr. Ruan Yongping, an independent non-executive director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Ruan Yongping, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The five independent non-executive directors do not hold other positions in the Company. They perform their duties in accordance to the Articles and the relevant requirements under the applicable laws and regulations.

In 2016, the independent non-executive directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision making process of the Board. The independent non-executive directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

The Company has received confirmation from each of the independent non-executive directors about their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive directors are completely independent of the Company, its major shareholders and its affiliates and comply fully with the requirements concerning the independent non-executive directors under the Listing Rules.

5. Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code.

6. Board Meetings

In the Reporting Period, the Board convened a total of 14 meetings and considered and passed 65 board resolutions so as to review the financial and operating performance of the Group. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance for Board meeting	Rate of attendance for General meeting
Executive directors:			
Mr. Xu Lirong (許立榮) (Chairman)	(Resigned on 3 June 2016)	4/4	1/1
Mr. Sun Jiakang (孫家康) (Chairman)	(Appointed on 20 May 2016)	8/8	1/1
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)	1/1	0/0
Mr. Huang Xiaowen (黃小文)	(Resigned on 19 September 2016)	8/9	0/2
Mr. Ding Nong (丁農)	(Resigned on 19 September 2016)	9/9	0/2
Mr. Yu Zenggang (俞曾港)	(Resigned on 19 September 2016)	8/9	0/2
Mr. Yang Jigui (楊吉貴)	(Resigned on 22 August 2016)	6/7	0/1
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	(Appointed on 19 September 2016)	4/4	1/1
Mr. Lu Junshan (陸俊山)	(Appointed on 19 September 2016)	4/4	1/1
Mr. Han Jun (韓駿) (Chief Executive Officer)	(Resigned on 22 August 2016)	7/7	1/1
Mr. Qiu Guoxuan (邱國宣)	(Resigned on 22 August 2016)	7/7	0/1
Non-executive directors:			
Mr. Feng Boming (馮波鳴)	(Appointed on 19 September 2016)	3/3	0/1
Mr. Zhang Wei (張煒)	(Appointed on 19 September 2016)	3/3	1/1
Ms. Lin Honghua (林紅華)	(Appointed on 19 September 2016)	3/3	1/1

	Rate of attendance for Board meeting	Rate of attendance for General meeting
Independent non-executive directors:		
Mr. Wang Wusheng (王武生)	14/14	1/2
Mr. Ruan Yongping (阮永平)	14/14	2/2
Mr. Ip Sing Chi (葉承智)	14/14	1/2
Mr. Rui Meng (芮萌)	14/14	0/2
Mr. Teo Siong Seng (張松聲)	14/14	0/2

* In addition to the Directors' attendance in person to the Board meetings as disclosed in the table above, the following directors appointed an alternative to attend Board meetings respectively in 2016: (1) Mr. Huang Xiaowen appointed Mr. Ding Nong to attend 1 Board meeting; (2) Mr. Yang Jigui appointed Mr. Ding Nong to attend 1 Board meeting; (3) Mr. Yu Zenggang appointed Mr. Han Jun to attend 1 Board meeting.

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

7. Chairman and Chief Executive Officer ("CEO")

The posts of the Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgement views. The Board has appointed Mr. Sun Jiakang as the Chairman. The Chairman is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and appropriate issues in a timely manner. The CEO, Mr. Liu Hanbo, an executive director, is responsible for executing the business policy and decisions on management and operations of the Group.

8. The Professional Committees of the Board

In compliance with the code provisions set out in the Code in Appendix 14 of the Listing Rules, the Company has established four professional committees under the Board, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee and the Nomination Committee.

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive directors as at 31 December 2016 with Mr. Ruan Yongping being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2016, the Audit Committee held 4 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee	**Rate of attendance**
Mr. Ruan Yongping (阮永平) (Chairman)	4/4
Mr. Wang Wusheng (王武生)	4/4
Mr. Rui Meng (芮萌)	4/4

The followings are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code during the Reporting Period.

The Audit Committee considered the proposals in respect of the annual report of the Company for 2015, status report of the Company's continuing connected transactions for 2015, appraisal report of the Company's internal control for 2015, the appointment of the Company's domestic and international auditors for 2016 and the interim report of the Company for 2016, and formed the written opinions of the Audit Committee in respect of the Company's annual report for 2015, the draft profit distribution plan for 2015 and the interim report of the Company for 2016.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2016, the Audit Committee held 3 meetings with the external auditors. The Audit Committee reviews the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee comprised 5 members, all being independent non-executive directors with Mr. Ip Sing Chi being the Chairman. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code are as follows:

(a) make recommendations on the remuneration of executive directors and senior management of the Company to seek approval from the Board; and

(b) consider the remuneration package of Directors and senior management and make recommendations on salaries and bonuses, including incentives.

In 2016, the Remuneration and Appraisal Committee held one meeting, and all members attended the meeting. In the meeting, the Remuneration and Appraisal Committee assessed performance of executive directors, reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2015. The Company's remuneration policy for 2016 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the Reporting Period:

Members of the Remuneration and Appraisal Committee	**Rate of attendance**
Mr. Ip Sing Chi (葉承智) (Chairman)	1/1
Mr. Wang Wusheng (王武生)	1/1
Mr. Ruan Yongping (阮永平)	1/1
Mr. Rui Meng (芮萌)	1/1
Mr. Teo Siong Seng (張松聲)	1/1

(3) Strategy Committee

The duties of the Strategy Committee include review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns and submit its advice to the Board. As at the end of the Reporting Period, The Strategy Committee consisted of 9 directors, including 3 executive directors, 3 non-executive directors and 3 independent non-executive directors. Mr. Sun Jiakang was the Chairman. Independent non-executive directors Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

During 2016, the Strategy Committee held one meetings, advising on the major disposal and acquisition. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

Members of the Strategy Committee		**Rate of attendance**
Executive directors:		
Mr. Xu Lirong (許立榮) (Chairman)	(Resigned on 3 June 2016)	1/1
Mr. Sun Jiakang (孫家康) (Chairman)	(Appointed on 20 May 2016)	0/0
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)	0/0
Mr. Huang Xiaowen (黃小文)	(Resigned on 19 September 2016)	1/1
Mr. Ding Nong (丁農)	(Resigned on 19 September 2016)	1/1
Mr. Yu Zenggang (俞曾港)	(Resigned on 19 September 2016)	1/1
Mr. Yang Jigui (楊吉貴)	(Resigned on 22 August 2016)	1/1
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	(Appointed on 19 September 2016)	0/0
Mr. Lu Junshan (陸俊山)	(Appointed on 19 September 2016)	0/0
Mr. Han Jun (韓駿) (Chief Executive Officer)	(Resigned on 22 August 2016)	1/1
Mr. Qiu Guoxuan (邱國宣)	(Resigned on 22 August 2016)	1/1
Non-executive directors:		
Mr. Feng Boming (馮波鳴)	(Appointed on 19 September 2016)	0/0
Mr. Zhang Wei (張煒)	(Appointed on 19 September 2016)	0/0
Ms. Lin Honghua (林紅華)	(Appointed on 19 September 2016)	0/0
Independent non-executive directors:		
Mr. Ip Sing Chi (葉承智)		1/1
Mr. Rui Meng (芮萌)		1/1
Mr. Teo Siong Seng (張松聲)		1/1

(4) Nomination Committee

Pursuant to the Company's Articles, election and replacement of Directors shall be proposed to the Shareholders' general meeting for approval. Shareholders whose shareholding represents 3% or more of the voting shares of the Company are entitled to make such proposal and request the Board to authorise the Chairman to consolidate a list of director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised by the Board, the Chairman shall consolidate a list of director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Company's Articles, the Company is required to give notice of the shareholders' meeting to Shareholders in writing 45 days in advance and dispatch a circular to the Shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in the circular to the Shareholders to facilitate voting by Shareholders. The new directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the Shareholders' general meeting.

During the Reporting Period, the Nomination Committee of the Company consisted of 3 directors, all being independent non-executive directors, and Mr. Wang Wusheng was the Chairman of the committee.

In 2016, the committee convened 4 meetings to consider relevant issues such as the appointment of executive directors and independent non-executive directors of the Company, and relevant proposals were submitted to the Board for approval. The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

Members of the Nomination Committee	**Rate of attendance**
Mr. Wang Wusheng (王武生) (Chairman)	4/4
Mr. Ruan Yongping (阮永平)	4/4
Mr. Rui Meng (芮萌)	4/4

9. Accountability and Audit

FINANCIAL REPORTING

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim financial information and annual consolidated financial statements that give a true and fair view of the Group's affairs and its consolidated financial performance and its consolidated cash flows in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgements and estimates made by management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditors and management, and then submitted to the Audit Committee for review.

Management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the consolidated financial position of the Group in a true and fair way for each financial year. When submitting quarterly results, interim financial information and annual consolidated financial statements and announcement to Shareholders, Directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group.

The Board is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the consolidated financial statements.

The Board has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2016. Baker Tilly China Certified Public Accountants LLP and Baker Tilly Hong Kong Limited, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2016.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The external auditors provides an objective assessment of the financial information presented by management, and is considered one of the essential elements to ensure effective corporate governance. Baker Tilly China Certified Public Accountants LLP and Baker Tilly Hong Kong Limited have been engaged as the Company's external auditors. Their independence and audit process are reviewed and monitored by the Audit Committee which considers the scope of the audit work, audit fees, non-audit services as well as their appointment and retention.

Fees in respect of audit services provided by the Baker Tilly China Certified Public Accountants LLP, Baker Tilly Hong Kong Limited and other auditors to the Group during the Reporting Period amounted to RMB6,365,000, RMB1,814,000 and RMB2,840,000, respectively.

Fees in respect of non-audit services provided by the Baker Tilly China Certified Public Accountants LLP for internal control audit service during the Reporting Period amounted to RMB800,000.

Fees in respect of non-audit services provided by the Baker Tilly Hong Kong Limited for its professional services rendered in respect of the circular dated 22 April 2016 to the Group during the Reporting Period amounted to RMB1,040,000.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

During the year, the Audit Committee, as delegated by the board, has reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

The Company considers the risk management and internal control system effective and adequate during the Reporting Period.

INTERNAL AUDIT

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business and direct access to any level of management including the chairman of the Company and the chairman of the Audit Committee as it considers necessary. It submits regular reports for the Audit Committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions.

INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

10. Delegation by the Board of Directors

Management is authorised to carry out daily management of the Company. Department heads are responsible for various aspects of the operations. The major corporate matters delegated by the Board to management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

11. Directors' and Company Secretary's Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Reporting Period, the Company has also organised two briefing sessions conducted by Jun He Law Offices Shanghai Office and Baker Tilly China Certified Public Accountants LLP respectively for the Directors of the Company. The briefing sessions covered topics including the new regulations issued by China Securities Regulatory Commission and the Shanghai Stock Exchange on the trading of shares of the listed companies by their major shareholders and directors, supervisors and senior managements, and Accounting Standards for Business Enterprise of P.R.C..

A summary of training received by the Directors since 1 January 2016 up to 31 December 2016 is as follows:

Name		Programme
Executive directors:		
Mr. Xu Lirong (許立榮) (Chairman)	(Resigned on 3 June 2016)	A
Mr. Sun Jiakang (孫家康) (Chairman)	(Appointed on 20 May 2016)	B
Mr. Zhang Guofa (張國發) (Vice Chairman)	(Resigned on 8 March 2016)	
Mr. Huang Xiaowen (黃小文)	(Resigned on 19 September 2016)	A、B
Mr. Ding Nong (丁農)	(Resigned on 19 September 2016)	A、B
Mr. Yu Zenggang (俞曾港)	(Resigned on 19 September 2016)	A、B
Mr. Yang Jigui (楊吉貴)	(Resigned on 22 August 2016)	A、B
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	(Appointed on 19 September 2016)	
Mr. Lu Junshan (陸俊山)	(Appointed on 19 September 2016)	
Mr. Han Jun (韓駿) (Chief Executive Officer)	(Resigned on 22 August 2016)	A、B
Mr. Qiu Guoxuan (邱國宣)	(Resigned on 22 August 2016)	A、B
Non-executive directors:		
Mr. Feng Boming (馮波鳴)	(Appointed on 19 September 2016)	
Mr. Zhang Wei (張煒)	(Appointed on 19 September 2016)	
Ms. Lin Honghua (林紅華)	(Appointed on 19 September 2016)	
Independent non-executive directors:		
Mr. Wang Wusheng (王武生)		A、B
Mr. Ruan Yongping (阮永平)		A、B、C
Mr. Ip Sing Chi (葉承智)		A、B
Mr. Rui Meng (芮萌)		A、B
Mr. Teo Siong Seng (張松聲)		A、B

Notes:

A: attending briefing session held by Baker Tilly China Certified Public Accountants LLP

B: attending briefing session held by Jun He Law Offices Shanghai Office

C: follow-up training as an independent non-executive director held by Shanghai Stock Exchange

In 2016, the Company Secretary took no less than 15 hours of relevant professional training and complied with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consists of 4 members, of which two supervisors are elected from the staff as representatives of the employees of the Company. The supervisors of the Company during 2016 were:

Mr. Weng Yi (翁羿)(Chairman)	(Appointed on 19 September 2016)
Mr. Xu Wenrong (徐文榮)(Chairman)	(Resigned on 19 September 2016)
Mr. Chen Jihong(陳紀鴻)	
Mr. Xu Yifei (徐一飛) (Representatives of the employees)	(Appointed on 20 July 2016)
Ms. An Zhijuan (安志娟) (Representatives of the employees)	(Appointed on 20 July 2016)
Ms. Chen Xiuling (陳秀玲) (Representatives of the employees)	(Resigned on 20 July 2016)
Mr. Luo Yuming (羅宇明) (Representatives of the employees)	(Resigned on 20 July 2016)

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2016, the Supervisory Committee convened 7 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2016, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

13. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for the matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organising results presentation, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquiries in respect of the Company, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community may at any time make enquiry in respect of the Company in writing at the Company's head office in PRC by post, facsimile or email via the numbers and email address provided on the Company's website. Shareholders may direct enquiries about their shareholdings to the Company's Share Registrars.

In order to further improve the information disclosure management system, to enhance the quality of annual report disclosure and transparency of the Company, the Company has, in accordance with relevant state laws and regulations, regulatory documents and the Company's Articles, formulated the "Annual Report Disclosure of Major Accountability System for China Shipping Development". Accordingly, if there are significant errors in information disclosure of annual report, the responsibility of the person concerned should be held accountable and make the appropriate treatment.

14. Change to the Company's Articles

To reflect the nature of business of the Group following the completion of the restructuring and addresses the Group's business development needs, the 2016 EGM has approved change the Chinese and English name of the Company from "中海發展股份有限公司" and "China Shipping Development Company Limited" to "中遠海運能源運輸股份有限公司" and "COSCO SHIPPING Energy Transportation Co., Ltd.", respectively. The 2016 EGM has also approved the change of articles of association of the Company to reflect the above changes.

The Board hereby presents their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016 (the "Reporting Period" or the "Year under Review").

PRINCIPAL ACTIVITIES

The Company's principal activities consist of investment holding, and/or the shipment of oil and cargoes along the coast of the PRC and internationally, and/or vessel chartering.

The principal activities of the principal subsidiaries of the Company, associates and joint ventures of the Group are oil and cargo shipment, vessel chartering and banking and related financial services.

SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below.

	For the year ended 31 December				
	2016	2015	2014	2013	2012
		(Restated)			
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Turnover	**9,658,291**	10,709,298	12,273,849	11,344,152	11,053,628
Operating costs	**(6,956,661)**	(7,505,633)	(10,885,620)	(11,524,839)	(11,252,251)
Gross profit/(loss)	**2,701,630**	3,203,665	1,388,229	(180,687)	(198,623)
Other income and net gains/(losses)	**10,039**	1,004,508	385,883	(612,389)	663,340
Marketing expenses	**(14,697)**	(15,055)	(57,470)	(49,309)	(50,256)
Administrative expenses	**(678,259)**	(498,083)	(441,583)	(489,151)	(418,976)
Other expenses	**(65,838)**	(55,731)	(45,349)	(44,933)	(27,401)
Share of profits of associates	**268,099**	215,932	91,083	—	—
Share of profits of joint ventures	**169,458**	223,506	205,902	111,581	293,701
Finance costs	**(869,544)**	(1,056,665)	(1,204,702)	(964,462)	(593,160)
Profit/(loss) before tax	**1,520,888**	3,022,077	321,993	(2,229,350)	(331,375)
Income tax (expense)/credit	**(314,714)**	(237,122)	79,834	11,903	469,144
Profit/(loss) for the year from continuing operations	**1,206,174**	2,784,955	401,827	(2,217,447)	137,769
Discontinued operation					
Profit/(loss) from discontinued operation, net of tax	**760,501**	(1,527,222)	—	—	—
Profit/(loss) for the year	**1,966,675**	1,257,733	401,827	(2,217,447)	137,769
Profit/(loss) for the year attributable to:					
Owners of the Company	**1,934,064**	1,180,921	309,413	(2,234,106)	73,741
Non-controlling interests	**32,611**	76,812	92,414	16,659	64,028
	1,966,675	1,257,733	401,827	(2,217,447)	137,769
		(Restated)			
Earnings/(loss) per share	**RMB cents**	RMB cents	RMB cents	RMB cents	RMB cents
Basic and diluted	**47.97**	29.70	9.09	(65.62)	2.17

	At 31 December				
	2016	2015	2014	2013	2012
		(Restated)	(Restated)		
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**58,021,821**	85,579,799	80,947,134	58,842,479	57,860,523
Total liabilities and non-controlling interests	**(30,608,732)**	(53,872,581)	(55,239,800)	(37,615,108)	(34,343,386)
	27,413,089	31,707,218	25,707,334	21,227,371	23,517,137

This summary does not form part of the audited consolidated financial statements.

Notes:

1. The consolidated results of the Group for the years ended 31 December 2014, 2013 and 2012 are extracted from the Company's 2014 annual report, while those for the years ended 31 December 2016 and 2015 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 86 and 87 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2013 and 2012 are extracted from the Company's 2013 annual report, while those as at 31 December 2016, 2015 and 2014 were prepared based on the consolidated statement of financial position as set out on pages 88 and 89 of the consolidated financial statements.

3. The calculation of basic and diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to owners of the Company for that year of RMB1,934,064,000 and weighted average number of 4,032,033,000 ordinary shares.

4. The calculation of basic and diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to owners of the Company for that year of RMB1,180,921,000 and weighted average number of 3,975,547,000 ordinary shares.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 86 to 89.

No net profit has been transferred to the statutory surplus reserve as the Company's statutory surplus reserve has reached the statutory minimum standard extract at the end of 2016. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under accounting principles generally accepted in the PRC ("PRC GAAP") and the amount determined under HKFRS.

The Board recommend the payment of a final dividend of RMB19 cents per share in respect of the year to the shareholders of the Company ("Shareholders") on the register of members at the close of business on 30 June, 2017. There was no arrangement under which a shareholder has waived or agreed to waive any dividends. The proposed final dividend is subject to the approval of the Company's independent shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the Reporting Period.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the Report of the Directors. According to the Schedule 5 to the Company Ordinance, a business review shall cover certain aspects, the details of which are as follows:

A fair review of the Company's business

Please refer to the section of "ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on pages 5 to 11 of this annual report.

A description of the principal risks and uncertainties facing the Company

(1) The risk of macroeconomic fluctuations

The shipping of commodities and energy products, such as oil and LNG, operated by the Group is more prone to macroeconomic fluctuations. When the macro-economy is booming, the demand for commodities and energy products will increase rapidly, and will, in turn, increase the shipping demand for these products. However, when the macro-economy is in recession, the shipping demand for the aforesaid products will be affected inevitably. In addition, events such as geopolitics, natural disasters and accidents may possibly cause fluctuations in the shipping industry.

(2) The risk of intensive competition in the shipping market

With increased market liberalisation in the shipping industry, and accelerated growth rate in global oil tanker shipment capacity that has surpassed the growth rate in shipping demand, the trend of oversupply in global oil tanker shipment capacity has become more obvious, vessel utilisation rate shows a declining trend, competition in the shipping industry has intensified.

(3) The risk of competition from other modes of transportation

Maritime shipping has the advantages of large shipping capacity and low price, it is a major mode of transportation for commodities, particularly it has outstanding advantages in the transportation of cargoes such as petroleum, coal and iron ore, but other modes of transportation still pose a certain level of competition to maritime shipping. For example, the connection of crude oil transportation pipelines and the construction of deep water terminals in coastal ports of the PRC will reduce the demand for secondary transshipments of crude oil. Therefore, although the imported volume of crude oil in China has been growing continuously in recent years, however, due to the impact of the above factors, the volume of secondary transshipments of crude oil has not increased in proportion to the imported volume of crude oil accordingly.

(4) *The risk of freight rate fluctuations*

Freight rate is one of the core factors that determine the Group's profitability level, hence freight rate fluctuations will cause uncertainties in the Group's economic benefits. By the adoption of measures, such as signing COA contracts with large petroleum enterprises to increase the proportion of domestic oil shipping or establishing joint venture companies to enhance the stability of freight rates, the Group is able to avoid the risk brought by volatility in shipping market freight rates to a certain extent. However, as the imbalance of supply and demand in the oil tanker shipment market further aggravates, market freight rates are facing downward pressure, freight rate fluctuations may have considerable impact on the Group's operating activities.

(5) *The risk of fuel price fluctuations*

The costs of principal operations of the Group mainly include, among other things, fuel costs, port expenses, depreciation charges and crew expenses, of which fuel costs account for the largest proportion. During 2015 and 2016, the percentage of fuel costs in the costs of principal operations of the Group was 26.40% and 20.06%, respectively. In recent years, with greater crude oil price fluctuations in the international market, prices of bunker oil are also more volatile, together with increasing revision and enhancement in new domestic and international requirements in vessel discharge, there will be greater impact on the fuel purchasing price of the Group. Therefore, future fluctuations in fuel prices will have considerable impact on the costs of principal operations and profitability level of the Group.

In recent years, the Group has reduced fuel consumption through various methods, including promoting the utilisation of vessel energy-saving technology and adopting economic shipping speed, and has reduced the fuel purchasing costs by enhancing fuel purchase and supply management, adopting diversified purchasing methods and responding timely to new conditions in the fuel market. Although the above measures may offset some impact brought by fuel price fluctuations, however they are still unable to fully cover the risk of fuel price fluctuations.

(6) *The risk of safety in shipping*

Ships may encounter various types of accidents, such as running aground, fire, collision, sinking, pirate, environmental incidents, in the course of shipping at sea, as well as the possibility of bad weather and natural disaster, these will cause losses to the vessels and the cargoes carried on board. The Group may face the risks of litigation and compensation as a consequence, the vessels and cargoes may also be seized as a result. Among these, the level of hazard caused by oil leakage leading to environmental pollution is particularly severe. Once an oil leakage has occurred causing pollution, the Group will face the risk of compensation in huge amount, which will have considerable impact on, among other things, the Group's reputation and normal operation. The Group has purchased insurance actively to control risk as far as possible, but insurance compensation will still be unable to fully cover the possible losses resulting from the above-stated risks.

Moreover, events such as changes in international relations, regional conflicts, wars and terrorist attacks may also have impact on the safety of shipping and normal operations of vessels. In recent years, pirate activities have been unusually frequent, pirate problems in the Somali seas have become a focus of global concern, and pirates pose a material danger to the safety of shipping. Although the Group has adopted various types of preventive measures against pirates, nevertheless pirates still pose material risks to endanger the shipping industry.

Furthermore, with the arrival of the Group's peak period of vessel delivery, the fleet size has expanded rapidly, and the Group has more new vessel captains and transformed vessel captains. And during the fleet rejuvenation process, the crew members may have difficulties in catching up with the pace of fleet expansion in the aspects of knowledge, skills and experience, resulting in risks and uncertainties to the shipping safety of vessels, and posing a greater challenge to the existing safety management capability and shipping crew.

(7) The risk of higher capital expenditure

As at 31 December 2016, it is expected by the Group that its fleet will increase by 13 new oil tankers of 2,362,000 DWT and 4 LNG vessels of 695,000 cubic metres in 2017, the capital expenditure in 2017 is expected to be USD2.12 billion. As the lead time for construction of vessels is relatively long, a substantial amount of capital expenditure will require a longer time to generate benefits, thus the commencement of operation of a large number of new vessels may increase depreciation charges and finance costs, and hence will reduce profitability, within a certain period of time.

(8) The risk of exchange rate

Part of the business income and part of the operating costs of the Group are collected and paid in US dollars, differences also exist between the Group's balances of assets and liabilities denominated in US dollars. Although the Group has effectively reduced the risk of exchange rate fluctuations through appropriate matching of income and cost denominated in US dollars, however, with expanding size of the external trading business of the Company and the Group's relatively high proportion of liabilities denominated in US dollars, future fluctuations in exchange rate may affect the operations of the Group.

Particulars of important events affecting the Company that have occurred since the end of the Reporting Period

Please refer to the section of "EVENTS AFTER THE REPORTING PERIOD" on page 63 of this report of the directors.

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2017" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 23 to 26 of this annual report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 6 to 11 of this annual report.

Costs and expenses

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on page 12 of this annual report.

Other income and net gains

The Group's other income and net gains from continuing operations was RMB10 million in 2016, representing a decrease of approximately 99% compared with 2015, mainly due to the Group has disposed of certain vessels in 2015 which received certain government subsidies in that year.

Share of profits of associates and joint ventures

Please refer to the section of "OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on page 13 of this annual report.

Finance costs

The Group's finance costs from continuing operations was RMB869.5 million in 2016, representing a decrease of approximately 17.71% compared with 2015, mainly due to the Group had early repaid certain bank and other borrowings during the Reporting Period.

Income tax

The Group's income tax expense from continuing operations was RMB314.7 million in 2016, representing an increase of approximately 32.72% compared with 2015, mainly due to the profit growth of business in 2016.

The Company's environmental policies and performance

The shipping industry shoulders important responsibilities of global logistics. Nevertheless, the pollutant discharge during navigation still poses a threat to marine environment. As a large shipping company, the Group adheres to the concept of "being an excellent marine citizen", keeps strengthening the environmental management system, advances the development of larger-scale, large, young and low-carbon fleet, reduces its impacts on the environment with improvement in the management and technology upgrading and pursues green, circular, low-carbon and sustainable development. The Group takes targeted measures including practicing low-speed navigation, reducing pollutant discharges and saving water to increase the efficiency of resource usage as much as possible and to reduce the environmental impact of ships during navigation.

Compliance with relevant laws and regulations with a significant impact on the Company

Save for Code Provision A.4.2 of Corporate Governance Code set out in Appendix 14 to the Listing Rules (for details, please refer to the descriptions on page 31 under the "CORPORATE GOVERNANCE REPORT" herein), the Group has been in compliance with relevant laws and regulations that have a significant impact on the Company.

Key relationships with employees, customers, suppliers and others

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

CHARITABLE DONATIONS

The Group has not made any donation during the year (2015: RMB800,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 39 to the consolidated financial statements.

No equity-linked agreements that will or may result in the Group issuing shares entered into by the Group subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company ("Articles"), the existing shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HKFRS, amounted to RMB8,373,216,000 before the proposed final dividend.

In addition, according to the PRC Company Law, an amount of approximately RMB7,750,215,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for 29.37% of the Group's total turnover. The largest customer is Ningbo China Offshore Oil Shipping Co,.Ltd. "寧波中海油船務有限公司" and the sales to it accounted for 8.91% of the Group's total turnover in the year. None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 20.91% of the Group's total purchases. The largest supplier is China Shipping International Ship Management Co., Ltd., which is a subsidiary of China Shipping (Group) Company ("China Shipping", the Company's immediate holding company), and the purchases from it accounted for 9.30% (2015: 22.4% purchased from COSCO SHIPPING Development Co., Ltd.) of the Group's total purchases in the year. Three subsidiaries of COSCO Shipping constituted three of the remaining four largest suppliers of the Group.

Except as mentioned above, none of the Directors, Supervisors, their close associates of any Shareholders, who, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive directors:

Mr. Sun Jiakang (孫家康)	(Appointed on 20 May 2016)
Mr. Liu Hanbo (劉漢波)	(Appointed on 19 September 2016)
Mr. Lu Junshan (陸俊山)	(Appointed on 19 September 2016)
Mr. Xu Lirong (許立榮)	(Resigned on 3 June 2016)
Mr. Zhang Guofa (張國發)	(Resigned on 8 March 2016)
Mr. Huang Xiaowen (黃小文)	(Resigned on 19 September 2016)
Mr. Ding Nong (丁農)	(Resigned on 19 September 2016)
Mr. Yu Zenggang (俞曾港)	(Resigned on 19 September 2016)
Mr. Yang Jigui (楊吉貴)	(Resigned on 22 August 2016)
Mr. Han Jun (韓駿)	(Resigned on 22 August 2016)
Mr. Qiu Guoxuan (邱國宣)	(Resigned on 22 August 2016)

Non-executive directors:

Mr. Feng Boming (馮波鳴)	(Appointed on 19 September 2016)
Mr. Zhang Wei (張煒)	(Appointed on 19 September 2016)
Ms. Lin Honghua (林紅華)	(Appointed on 19 September 2016)

Independent non-executive directors:

Mr. Wang Wusheng (王武生)
Mr. Ruan Yongping (阮永平)
Mr. Ip Sing Chi (葉承智)
Mr. Rui Meng (芮萌)
Mr. Teo Siong Seng (張松聲)

Supervisors:

Mr. Weng Yi (翁羿)	(Appointed on 19 September 2016)
Mr. Chen Jihong (陳紀鴻)	
Mr. Xu Yifei (徐一飛)	(Appointed on 20 July 2016)
Ms. An Zhijuan (安志娟)	(Appointed on 20 July 2016)
Mr. Xu Wenrong (徐文榮)	(Resigned on 19 September 2016)
Mr. Luo Yuming (羅宇明)	(Resigned on 20 July 2016)
Ms. Chen Xiuling (陳秀玲)	(Resigned on 20 July 2016)

Pursuant to the Company's Articles, all the Directors are appointed for a term of three years.

The Company has received annual confirmations of independence from Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as at the date of this report still considers them to be independent.

Note 1: Mr. Xu Lirong, an executive director of the Company, has tendered his resignation as an executive director, the Chairman of the Company, and as the chairman of the Board's Strategy Committee and Nomination Committee due to the transfer of the work's main emphasis.

Note 2: Mr. Zhang Guofa, an executive director of the Company, has tendered his resignation as an executive director, the Vice Chairman of the Company, and as a member of the Board's Strategy Committee and Nomination Committee due to the Group's redeployment of human resources.

Note 3: Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Yang Jigui, Mr. Han Jun and Mr. Qiu Guoxuan, the executive directors of the Company, have tendered their resignation as executive director due to changes in allocation of human resources.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 236 to 244 of this annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company, which will expire on 17 June 2018 (or the date of the Company's annual general meeting in 2018, whichever is earlier) and is subject to termination by either party giving not less than three months' written notice.

No director or supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION BY BANDS

The emoluments paid or payable to the Directors, Supervisors and senior management during the year were fell within the following bands:

Remuneration by bands	Number of Directors	Number of Supervisors	Number of Senior Management
RMBnil to RMB300,000	9	4	1
RMB300,001 to RMB600,000	2	—	5
RMB600,001 to RMB1,000,000	—	—	3

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee is headed by Mr. Ip Sing Chi, an independent non-executive director. The other three members of the Remuneration and Appraisal Committee are Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Rui Meng and Mr. Teo Siong Seng, all being independent non-executive directors. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 50(1) to the consolidated financial statements, China Shipping provided miscellaneous management and other services to the Group during the year for a total fee of RMB12,140,000 (2015: RMB27,923,000), and China COSCO Shipping Corporation Limited provided miscellaneous management and other services to the Group during the year for a total fee of RMB3,783,000 (2015: RMB5,217,000). Each of Mr. Xu Lirong (resigned on 3 June 2016), Mr. Zhang Guofa (resigned on 8 March 2016), Mr. Huang Xiaowen (resigned on 19 September 2016), Mr. Ding Nong (resigned on 19 September 2016), Mr. Yu Zenggang (resigned on 19 September 2016) and Mr. Yang Jigui (resigned on 22 August 2016) were interested in such services agreement to the extent they were senior management and common director of China Shipping and were directors of the Company at the time and they have abstained from voting in respect of the relevant Board resolutions.

PERMITTED INDEMNITY PROVISIONS

No permitted indemnity provision is in force for the benefit of one or more directors or supervisors of the Company or the directors or supervisors of an associated company of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the following shareholders held 5% or more of the nominal value of any class of share capital of the Company, carrying rights to vote in all circumstances at any shareholders' general meeting of the Company, according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping (Group) Company[3]	A	1,536,924,595 (L)	56.17%	38.12%
GIC Private Limited[4]	H	154,132,000 (L)	11.89%	3.82%

Note 1: A - A Shares
H - H Shares
L - represents long position

Note 2: Percentage shown on that as recorded in the Section 352 of the SFO register kept by the Company. As at 31 December 2016, the total issued share capital of the Company was 4,032,032,861 shares of which 1,296,000,000 were H Shares and 2,736,032,861 were A Shares.

Note 3: As at the end of the Reporting Period, Mr. Sun Jiakang, Mr. Feng Boming, Mr. Zhang Wei, Ms. Lin Honghua and Mr. Weng Yi were directors or employees of China COSCO Shipping Corporation Limited, the indirect controlling shareholder of the Company. China Shipping (Group) Company, the controlling shareholder of the Company, and its subsidiaries held 7,000,000 A Shares of the Company through CICC-CCB-Zhongjin Ruihe collective asset management schemes (中金公司－建設銀行－中金瑞和集合資產管理計劃), held 2,065,494 A Shares of the Company through Guotai Junan securities asset management-Industrial Bank - Guotai Junan Junxiang Xinli No.6 collective asset management schemes (國泰君安證券資管－興業銀行－國泰君安君享新利六號集合資產管理計劃) and held 8,641,504 A Shares of the Company through AEGONINDUSTRIAL Fund Management Co., Ltd - China Shipping (Group) Company collective asset management schemes (興業全球基金－上海銀行－中國海運(集團)總公司). Therefore, China Shipping and its subsidiaries aggregately held 1,554,631,593 A Shares of the Company as at the end of the Reporting Period, representing 38.56% of the total number of shares of the Company.

Note 4: As at 31 December 2016, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above Shares as an investment manager.

Save as disclosed above, as at 31 December 2016, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the directors (including but not limited to the connected transactions and continuing connected transactions stated below), as at 31 December 2016 or during the Reporting Period, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, none of the Directors, Supervisors, chief executive or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2016 are set out in note 47 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company and the Group had connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the connected transactions and continuing connected transactions are set out in note 50 to the consolidated financial statements.

The extraordinary general meeting held on 28 December 2015 and the 2016 AGM have approved the continuing connected transactions for a term of three years which commenced from 1 January 2016.

The independent non-executive directors have reviewed the connected transactions and continuing connected transactions set out in note 50 to the consolidated financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Each of the independent non-executive directors has further confirmed that, the values of all connected transactions and continuing connected transactions between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its international auditor to perform certain factual finding procedures in respect of the continuing connected 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 Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that in respect of the disclosed continuing connected transactions:

a. nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's 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

d. with respect to the aggregate amount of each of the continuing connected transactions set out in note 50 to the consolidated financial statements, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company and disclosed in the previous announcements dated 12 November 2015, 29 March 2016 and 29 April 2016 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2016, the Company had approximately 8,068 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry knowhow and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2016, the total staff costs was approximately RMB2.054 billion (2015: approximately RMB2.411 billion).

EMPLOYEE HOUSING

According to the relevant local laws and regulations in the PRC, both the Group and its employees in the PRC are required to contribute to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant contributory obligations beyond the contributions to the said fund.

The Company provided staff quarters to selected employees and, according to a housing reform scheme in Shanghai, the PRC, arrangements were made to transfer the staff quarters to employees who agreed to remain in service for the Company for a period of 10 years. As as the date of this report, nearly all of the staff quarters have been transferred to relevant employees on the above basis.

MEDICAL INSURANCE SCHEME

As required by the regulations of the local government in the PRC effective from 1 July 2001, the Company participates in a defined contribution medical insurance scheme organised by local social security authorities. Under the scheme, the Company is required to make monthly contributions at the rate of 12% of the total salaries of the employees. In addition, pursuant to the aforementioned regulations, the contributions are accounted for as staff welfare payables accrued by the Company. The Company has no obligation for the payment of medical benefits beyond such contributions to the registered insurance companies.

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Group are set out in note 46 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2016 to reduce future contributions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

On 20 January 2017, the Board announced that the Company entered into an capital contribution agreement with China Shipping and COSCO SHIPPING Development Co., Ltd., pursuant to which all three parties agreed to have capital contributions by way of cash in proportion to their existing shareholdings in CS Finance. As a result, the Company will contribute RMB150 million to CS Finance as capital injection. Upon the completion of the capital contribution, the registered capital of CS Finance will be increased to RMB1,200 million while the equity interest holds by the Company in CS Finance remains at 25%. The Board considered that making a further capital contribution to CS Finance will bring considerable economic benefits to the Company.

By order of the Board
Sun Jiakang
Chairman

Shanghai, the PRC
28 March 2017

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter refer to as "the Company" or "Company"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2016 in accordance with the format and requirement provided in the Memorandum for Periodic Work Reporting of Listed Companies (No.5) – Guidance on Independent Non-executive Directors' Work during Annual Duty Reporting Period (《上市公司定期報告工作備忘錄 (第五號) 一獨立董事年度報告期間工作指引》) as below, and will report the same to shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As independent non-executive directors of the eighth Board of the Company with tenures of no more than six consecutive years, we are familiar with the basic knowledge of the operation of listed companies and the relevant laws and regulations, and possess the work experience and qualification necessary for due performance of the duties as independent non-executive directors. We hereby reiterate that we never have any relations with COSCO SHIPPING Energy Transportation Co., Ltd. which would impact our independence, and that none of us belongs to the personnel who are identified by the China Securities Regulatory Commission for banning the entry into the securities market and the banning has not been lifted so far. We undertake again that any one of us will voluntarily resign as an independent non-executive director in case of any disqualification to act as an independent non-executive director during our tenure.

As at 31 December 2016, the Board comprises 11 directors, including 4 shareholding directors, 2 management directors and 5 independent non-executive directors. The constitution is in compliance with the minimum number of independent non-executive directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The independent non-executive directors are professionals with work experience in the fields of finance, shipping, accounting and law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions. The three independent non-executive directors, Mr. Wang Wusheng, Mr. Ruan Yongping and Mr. Ip Sing Chi, act as Chairman of the relevant committee (as the case may be), in three professional committees, i.e., the Nomination Committee, the Audit Committee, the Remuneration and Appraisal Committee under the Board. For further information of the biographical details of the five independent non-executive directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

Our five independent non-executive directors all earnestly performed their duties with independent judgement by fulfilling the statements and undertakings we made during selection since the date on which we were selected and appointed at the general meeting of the Company. We acted independently of the substantial shareholders and the ultimate controlling shareholder of the Company or other entities or individuals who have a stake in the Company, protecting the legitimate rights and interests of shareholders as a whole according to law.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

1. Attendance of Board Meetings and General Meetings

In 2016, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2016, the Company convened 14 Board meetings (13 meetings of which were held by way of correspondence) and 2 general meetings. We have reported our duty performance report in the 2016 Annual General Meeting and the Report is published in the Company's website and the website of the Shanghai Stock Exchange.

The following table shows the attendance of independent non-executive directors at the above meetings in 2016:

Name	Number of Board meetings/ general meetings required to attend this year (times)	Attend Board meetings/ general meetings in person (times)	Attend Board meetings/ general meetings by proxies (times)	Board meetings/ general meetings absence (times)
Mr. Wang Wusheng (王武生)	14/2	14/1	0/0	0/1
Mr. Ruan Yongping (阮永平)	14/2	14/2	0/0	0/0
Mr. Ip Sing Chi (葉承智)	14/2	14/0	0/0	0/2
Mr. Rui Meng (芮萌)	14/2	14/1	0/0	0/1
Mr. Teo Siong Seng (張松聲)	14/2	14/0	0/0	0/2

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) The Strategy Committee of the Board of the Company consisted of 9 directors, including 3 executive directors, 3 non-executive directors and 3 independent non-executive directors. Mr. Sun Jiakang was the Chairman. Independent non-executive directors Mr. Ip Sing Chi, Mr. Teo Siong Seng and Mr. Rui Meng with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers. During 2016, the Strategy Committee held one meeting, advising on the major asset disposal and acquisition of the Company.

(2) The Audit Committee comprised 3 members, all being independent non-executive directors, and Mr. Ruan Yongping was the Chairman. During 2016, the Audit Committee held 4 meetings, considered the proposals in respect of the annual report of the Company for 2015, appraisal report of the Company's internal control for 2015, the appointment of the Company's domestic and international auditors for 2016 and the interim financial report of the Company for 2016, reviewed the accounting policies adopted by the Company, the effectiveness of internal control system and the relevant financial issues. Relevant opinions were issued for the reference of the Board to ensure the completeness, fairness and accuracy of the Group's consolidated financial statements and the relevant information.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2016, the Audit Committee held 3 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

2. Work of Professional Committees of the Board (Continued)

(3) The Remuneration and Appraisal Committee comprised of 5 members, all being independent non-executive directors and Mr. Ip Sing Chi was the Chairman. In 2016, the Remuneration and Appraisal Committee held one meeting. In the meeting, the Remuneration and Appraisal Committee reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2015. The Company's remuneration policy for 2016 is based on the qualification, duties and responsibilities of Directors.

(4) The Nomination Committee of the Company consisted of 3 directors, all being independent non-executive directors, and Mr. Wang Wusheng was the Chairman of the committee. In 2016, the committee convened 4 meetings to consider relevant issues such as the appointment of executive directors and non-executive directors of the Company, and relevant proposals were submitted to the Board for approval.

Each of us earnestly executed our duties as independent non-executive directors in the above-mentioned four professional committees under the Board.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Connected Transactions

The Company formulated and executed the "Measures for the Administration of Connected Transactions of COSCO SHIPPING Energy", pursuant to which, the connected transactions business was operated according to law and regulation. For example, a class general meeting is convened as required at which the substantial shareholders abstain from voting, the minority shareholders vote and approve the execution of transactions while independent non-executive directors all make statements and express independent opinions, which eradicates the occurrence of the transfer of profits by the substantial shareholders through connected transactions.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

2. External Guarantee and Funds Embezzlement

The Company monitored its external guarantee actions in strict compliance with the external guarantee procedures explicitly provided in the Articles of Association of the Company. The "Measures for the Administration of Preventing Funds Embezzlement by Controlling Shareholder and Related Parties in COSCO SHIPPING Energy Transportation Co., Ltd." (《中遠海運能源運輸股份有限公司防範控股東及關聯方資金佔用管理辦法》) was worked out and executed, and so far there has occurred neither any illegal guarantee action in the Company, nor the funds embezzlement by the substantial shareholders.

3. Use of the Raised Funds

The Company complied with the relevant laws and regulations in respect of the deposit and use of the raised funds during the course of funds-raising management. The raised funds were deposited in separate accounts and used for professional purposes, there was no illegal use of the funds nor situations which may impair shareholders' interests.

4. Nomination of Senior Managerial Staff and their Remuneration

In 2016, the Nomination Committee held 4 meetings. At the meetings, the proposal on advising the appointments of Mr. Sun Jiakang as an executive director of the Company《關於聘任孫家康先生為公司執行董事的議案》, the proposal in respect of the appointments of senior management of the Company《關於聘任公司高級管理人員的議案》, the proposal in respect of the appointments of Mr. Liu Hanbo as an executive director and the general manager of the Company《關於聘任劉漢波先生為公司執行董事、總經理的議案》and the proposal in respect of the appointments of Mr. Lu Junshan, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as directors of the Company《關於聘任陸俊山先生、馮波鳴先生、張煒先生和林紅華女士為公司董事的議案》were considered respectively, and the same were submitted to the Board for its approval. The nomination procedure is in line with the relevant laws and regulations as well as the requirements of the Articles of Association of the Company.

As a listed company controlled by the state-owned enterprise, the Company has not established any share incentive mechanism currently. However, the Company has established incentive mechanisms that correlated with business results in order to refine management exploit potentials, increase profitability and to promote activeness of managers and technicians.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

5. Results Forecast and Preliminary Financial Data

In 2016, the proceeds of sale of the Company's wholly-owned subsidiary, China Shipping Bulk Carrier Co., Limited, which specialises in dry bulk transportation; the Group's enhanced cost control measures, in particular its effective control over fuel costs. As a result, the Company recorded a slight increase in operating profit as compared to 2015. As at the end of January 2017, the Company has released the relevant announcements on the positive alert of results increase and making profits forecast and explanation for the reasons thereof according strictly to the requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

6. Appointment or Replacement of Certified Public Accountants

During the year, there is no change in external auditors.

7. Cash Dividends and Other Returns for Investors

The Company has distributed cash dividends for twelve consecutive financial years since 2000, the amount of dividends totaling to RMB7.607 billion (tax inclusive).

In 2012, the domestic and international shipping markets continued to be sluggish. The Company achieved a net profit attributable to owners of the Company of RMB73.74 million in the financial year through increasing revenue and reducing expenses, cutting costs and improving efficiency. Basic earnings per share were RMB0.0217. Given the overall excess supply over demand in the shipping market in 2013, the operating situation cannot be optimistic and enterprises still face capital stringency. The Board did not recommend the distribution of profit for the financial year of 2012. To this end, the Company convened the "Cash Dividend Meeting for 2012" on 22 April 2013. The senior management of the Company carried out online communication with investors through online platforms to enable investors to gain a more comprehensive and in-depth understanding of the details of the Company's cash dividend distribution.

In 2013, the shipping market suffered continuous downturn with a slump in freight rate due to the sluggish demand and oversupply of shipping capacity in the domestic and overseas shipping markets. As a result, the Company suffered a net loss attributable to owners of the Company of RMB2.234 billion in the financial year. The Board did not recommend the distribution of profit for the financial year of 2013. Such proposal was approved at the AGM of the Company held on 6 June 2014.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

7. Cash Dividends and Other Returns for Investors (Continued)

In 2014, the Company achieved a net profit attributable to owners of the Company of RMB309 million. The Board recommended the distribution of a final dividend of RMB3 cents per share (tax inclusive) for the financial year of 2014 which had been approved at the AGM of the Company held on 18 June 2015 and the dividend has been paid to shareholders in July 2015.

In 2015, the Company achieved a net profit attributable to owners of the Company of RMB417 million (before restatement). The Board recommended the distribution of a final dividend of RMB10 cents per share (tax inclusive) for the financial year of 2015 which had been approved at the 2016 AGM and the dividend has been paid to shareholders in July 2016.

8. Fulfilment of Undertakings by the Company and Shareholders

China Shipping (Group) Company ("China Shipping"), the controlling shareholder of the Company, actively fulfilled its non-competition undertakings made on 23 May 2001 to the Company that it would not engage in any business which may compete with the Company, and that it would procure subsidiaries controlled by it not to carry out any business which may compete with the Company.

In 2016, the State-owned Assets Supervision and Administration Commission of the State Council has transfered all the state-owned interests of China Ocean Shipping (Group) Corporation and China Shipping to China COSCO Shipping Corporation Limited ("COSCO Shipping) and COSCO Shipping became an indirect controlling shareholder of the Company. COSCO Shipping has also made non-competitive undertakings to the Company.

From then to date, no breach of the undertaking was committed.

9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the PRC and Hong Kong. In the meantime, the Company has promoted the investor relations management and the exchange and communication with investors at home and abroad, and has disclosed information according to laws and regulations to improve the transparency of the Company, in order to ensure the informed right of the investors from domestic and abroad.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

10. Implementation of Internal Controls

In accordance with the Notice Regarding the Trial of Regulation on Internal Control of Listed Companies (關於做好上市公司內部控制規範試點有關工作的通知) issued by the CSRC in 2012, the Company was designated as a pilot entity for establishing internal controls among listed companies and strived to advance the establishment of internal controls within the Company in an all-round manner.

The Company further the establishment of its system for internal control standard in 2012 and 2013. Firstly, by expanding the scope of the internal control system with the inclusion into the scope of establishment of the system of four domestic shareholding subsidiaries under the Company in 2012; secondly, based on the changes to the internal structure and operational flow and taking into account of the establishment of Shanghai Tanker (上海油運), a wholly-owned subsidiary of the Company, made corresponding adjustments to the design of the internal control and timely update on the system and procedures, and thirdly, implemented self-evaluation on internal control by management to evaluate and test the effectiveness of the internal control system and based on the result of such evaluation and test, further improve the content of the manuals for internal control. Achievements of the Company in respect of facilitating the establishment of the system for internal control standard were demonstrated in 2012 version of the Internal Control Manual of China Shipping Development (《中海發展內部控制手冊》), 2013 version ofthe Internal Control Manual of China Shipping Development (《中海發展內部控制手冊》) and Risk Management Manual of China Shipping Development (《中海發展風險管理手冊》).

Building on the experiences from and achievements of our efforts on internal control three years ago, in 2014 and 2015, the Company has continued to perfecting the establishment of internal control, further reinforced supervision and examination of the internal control system, and developed on an going basis evaluation of internal control on its effectiveness to ensure an effective operation of the standard of internal control, whereby major risks of the Company shall remain under our control and steady development along the requirements of the Company's standard of internal control be facilitated.

In 2016, after the implementation of material asset restructuring, the Company actively promoted the system construction work. We sort out the rules and regulations of headquarters and drafted 56 new rules and regulations. We also started the internal control system construction synchronously. As at the end of the Reporting Period, in accordance with the "Company Law", "listed company governance guidelines" and other related requirements, to combine with the objectives of internal control, to follow the principles of legal, comprehensive, important, effective, checks and balances, adaptation and cost-effectiveness of internal control, and from the development of its own business situation, the Company has established effective internal controls within the Group's various business segments and formed a relatively sound internal control system basically.

III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

11. Operation of the Board and its Professional Committees

The Board was established with clear terms of reference and sound systems, and the independent non-executive directorship system was effectively implemented. In accordance with the provisions of relevant laws and regulations such as the PRC Company Law as well as the Articles of Association, the Company formulated the Rules and Procedures of Meetings of the Board of Directors, which formed an integral part of the Articles of Association. All procedures, rules and systems required by the Rules and Procedures of Meetings of the Board of Directors were strictly followed.

According to the Implementation Rules, professional committees of the Board convened regular or ad hoc meetings to conduct special discussions or researches on any resolution relating to significant matters before it was proposed to the Board for consideration and approval. This not only ensured the quality of resolutions proposed to the Board, but also strengthened the communications and exchanges among the Company, our independent non-executive directors and relevant intermediaries. It was also instrumental in improving the operation efficiency of the Board and making scientific decisions for significant matters, and played an active role in promoting the standardised operation of the Company.

12. Other Matters which are Required by the Independent Non-executive Directors to be Improved

We, the 5 independent non-executive directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2016, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

We hope that in the new year, the Company will further expand its market presence, strive to achieve stable development and reward its shareholders with excellent results.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2016, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2017, we will continue to comply with the laws and regulations and the provisions of the Articles of Association of the Company in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

We would like to take this opportunity to express our respect and gratitude to the Board, the management team and relevant staff of the Company for their positive and effective cooperation and support for our performance of duties.

Independent Non-executive Directors:
Wang Wusheng,
Ruan Yongping,
Ip Sing Chi,
Rui Meng,
Teo Siong Seng

28 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2016, the Supervisory Committee held seven meetings, details of which are set out below:

	Date	Resolutions
1	29-Jan-16	1. Proposal on provision for impairment
2	29-Mar-16	1. 2015 Supervisor Committee's report of the Company 2. 2015 general manager's report of the Company 3. 2015 financial report of the Company 4. Profit distribution plan of the Company for 2015 5. 2015 annual report, annual report summary and announcement of annual results of the Company 6. 2015 internal control self evaluation report of the Company 7. 2015 society responsibility report of the Company 8. Proposal on change of accounting estimation of fixed sssets of ships of the Company 9. Proposal on reversing deferred income tax liabilities recognised by the Company in previous years 10. the plan in Relation to Major Asset Disposal and Acquisition and Connected Transactions of the Company 11. the Major Asset Disposal and Acquisition consititute Connected Transactions 12. the report and the summary report of the Major Asset Disposal and Acquisition and Connected Transactions of the Company 13. motion on the signing the agreement of 2016-2018 annual property leasing with China Shipping (Group) Company
3	28-Apr-16	1. 2016 first quarterly report of the Company 2. Proposal on newly connected transactions of marine material supply and service after the Major Asset Disposal and Acquisition 3. Proposal on newly connected transactions of financial services after the Major Asset Disposal and Acquisition

	Date		Resolutions
4	22-Aug-16	1.	the accept of Mr. Xu Wenrong's resignation as the chairman of the Surpervisor Committee and the appointment of Mr. Weng Yi as a supervisor of the Company
5	29-Aug-16	1.	General manager's report on 2016 interim results
		2.	2016 interim financial report of the Company
		3.	2016 interim report and 2015 interim results announcement of the Company
6	28-Oct-16	1.	motion on the election of the chairman of the Supervisor Committee of the Company
		2.	2016 third quarterly report of the Company
7	12-Dec-16	1.	Proposal on changes in accounting estimates and accounting policies

(2) During the Reporting Period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations of the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, and senior managerial staff.

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2016. The following were presented to the supervisors: the 2015 audited financial report of the Company, the proposed profit distribution plan of the Company for 2015, the 2015 annual report and annual report summary of the Company, and the proposed material assets restructuring plan and connected transactions of the Company. Through attending these Board meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.

(4) Members of the Supervisory Committee were present at the 2016 AGM, at which the Supervisory Committee gave an account of the 2015 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2016:

(1) The Company has established a comparatively complete internal controlling system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalised process for listed companies. As far as the Supervisory Committee is aware, the directors and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties.

(2) During the Reporting Period, after major asset restructuring, the Company's assets has been optimised and the Company kept profitability. The Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2016 annual consolidated financial statements represented 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 in 2016 and the 2016 annual consolidated financial statements were audited by Baker Tilly China Certified Public Accountant LLP and Baker Tilly Hong Kong Limited.

(3) During the Reporting Period, the scrapping of old vessels was negotiated on an arm's length basis and was conducted on normal commercial terms. We have not found any insider trading in such transactions. As far as the Supervisory Committee is aware, connected transactions entered into with the controlling shareholder and its subsidiaries during the Reporting Period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.

(4) In the Reporting Period, according to the PRC Company Law, the PRC Security Law, the Listing Corporation Governance Guidelines of CSRC and relevant laws and regulations, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures of the Company and improves the corporate governance of the Company. Checks and balances were achieved through the coordination among the Shareholders at the general meeting, the Board and its related special Board committees, the Supervisory Committee of the Company and management headed by the General Manager. With the implementation of the effective internal control and management systems, the Company's internal management and operations are further standardised and the corporate governance of the Company is further enhanced.

(5) In the Reporting Period, the Company implemented a major asset restructuring, which were in strict compliance with relevant laws and regulations of the PRC, and will help the Company a better future and are in the interest of the shareholders, especially the public shareholders.

(6) During the Reporting Period, the Directors and senior management could perform their duties, earnestly implement the resolutions of the shareholders' meeting and the Board. The Company stored and used the raised funds specifically, and did not change the use of raised funds in any other forms or damage the shareholders' interests. The Company did not use the raised funds unlawfully. For the corporate bonds issued by the Company, the Company has paid pre-determined annual interests on time in accordance with the terms of the issue.

By order of the Supervisory Committee
Weng Yi
Chairman of the Supervisory Committee

Shanghai, the PRC
28 March 2017

BAKER TILLY
HONG KONG | 天職香港

TO THE MEMBERS OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.
(Formerly known as China Shipping Development Company Limited)
(Established in the People's Republic of China as joint stock company with limited liability)

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 86 to 233, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 period. 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 (Continued)

1. Significant investing activities

1.1 Accounting for business combination not involving entities under common control

Refer to note 2.4(b) to the consolidated financial statements for the Group's accounting policies and refer to note 44(b) to the consolidated financial statements for detailed disclosures of business combination recognised by the Group as at 31 December 2016.

The key audit matter

On 12 November 2016, the Group undertook a step acquisition of an additional 43% equity interest in 深圳市三鼎油運貿易有限公司 ("Shenzhen Sanding"), bringing the Group's total equity interest to 51%, for a consideration of RMB251,981,000. Previously, the Group held a 8% equity interest in Shenzhen Sanding and the investment was recognised as available-for-sale investments in the consolidated financial statements. The accounting for the step acquisition has been prepared by management applying HKFRS 3 "Business Combinations". The risk of inappropriate accounting inherent in a step acquisition could have a material effect on goodwill arising from the acquisition. In accordance with HKFRS 3, accounting for the acquisition of a subsidiary requires a fair value exercise to assess the assets acquired and liabilities assumed, including valuing any separately identifiable intangible assets and goodwill. The valuation of intangible assets can be a particularly subjective process.

How the matter was addressed in our audit

Our audit procedures in relation to the acquisition accounting included:

- inspection of the agreements relating to the business combination;
- evaluation of the independence and professional competence of the management's external expert;
- assessing the accuracy and relevance of the data used by management and the external expert;
- assessing the appropriateness of the key assumptions adopted by management, based on our understanding of the facts and circumstances; and
- examining whether the accounting entries prepared by management for the business combination were in accordance with HKFRS 3.

Our audit procedures in relation to the impairment assessment of the goodwill included:

- assessing the valuation methodology;
- assessing the appropriateness of the key assumptions used by management based on our understanding of the facts and circumstances; and
- assessing the accuracy and relevance of the data used by management.

KEY AUDIT MATTERS (Continued)

1. Significant investing activities (Continued)

1.2 Accounting for business combination involving entities under common control

Refer to note 2.4(a) to the consolidated financial statements for the Group's accounting policies and refer to note 44(a) to the consolidated financial statements for detailed disclosures of business combination recognised by the Group as at 31 December 2016.

The key audit matter	How the matter was addressed in our audit
On 29 March 2016, the Company acquired a 100% equity interest in COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("Dalian Tanker") from China Ocean Shipping (Group) Company at a consideration of RMB6,629,408,800 which was settled on a net basis together with the disposal of a discontinued operation. The Group has applied merger accounting as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA to account for business combinations involving entities under common control. The Dalian Tanker common control combination has been accounted for on the basis that the entities had been combined from the date when the combining entities or businesses first came under the control of the controlling party. There is a risk of inappropriate application of Accounting Guideline 5 to the business combination which could have a material effect on the Group's consolidated financial statements.	Our audit procedures included: • inspection of the agreements relating to the business combination; • obtaining and examining the audited financial statements of Dalian Tanker for the year ended 31 December 2015; • assessing whether the accounting entries for the business combination prepared by management were in accordance with Accounting Guideline 5; • examining the accounting adjustments made by the Group to the financial position of Dalian Tanker as at 31 December 2016 and 2015 and 1 January 2015 to achieve consistency in the application of the Group's accounting policies; and • assessing the appropriateness of the application by the Group of Accounting Guideline 5.

KEY AUDIT MATTERS (Continued)

1. Significant investing activities (Continued)

1.3 Disposal of discontinued operation

Refer to note 2.24 to the consolidated financial statements for the Group's accounting policies and refer to note 7 to the consolidated financial statements for detailed disclosures of discontinued operation recognised by the Group as at 31 December 2016.

The key audit matter

The Group disposed of the entire dry bulk shipment segment during the year. The disposal was treated as discontinued operation which had the effect of reporting the results of that business segment up to the date of disposal. Costs incurred by the Group which were part of the transaction were classified as part of continuing operations, as discontinued operation or as a deduction from profit on disposal, depending on the nature of the specific costs. This classification involved significant judgement on the part of management. Due to the complexity of the disposal transaction, there is a risk that the transaction will not have been appropriately recognised.

How the matter was addressed in our audit

Our audit procedures included:

- inspection of the agreements relating to the transaction, re-performing the calculation of profit on disposal and forming our own view on the appropriateness of accounting for the disposal;
- checking the appropriateness of the inclusion of costs relating to the transaction within continuing operations, a discontinued operation and profit on disposal, by reference to the reasons the business incurred those costs; and
- assessing appropriateness of the recognition of the results of the operation disposed of for the appropriate period.

2. Revenue recognition

Refer to notes 2.20 and 3.12 to the consolidated financial statements for the Group's accounting policies and accounting estimates and judgements and refer to note 6 to the consolidated financial statements for detailed disclosures of turnover recognised by the Group as at 31 December 2016.

The key audit matter

Accuracy and timing of revenue recognition is one of the key judgmental areas for the audit, particularly in respect of the different revenue streams in the Group. These include the various contractual arrangements which carry particular billing terms which can lead to complexity and a consequent risk of error in the calculation of revenue and any deferred and accrued revenue.

How the matter was addressed in our audit

Our audit procedures included:

- testing controls over the Group's revenue systems;
- scrutinising manual journals relating to revenue to assess the timing and appropriateness of revenues recorded and recognised; and
- conducting substantive analytical procedures on revenue.

KEY AUDIT MATTERS (Continued)

3. Impairment of assets: vessels

Refer to notes 2.8 and 3.4 to the consolidated financial statements for the Group’s accounting policies and accounting estimates and judgements and refer to note 18 to the consolidated financial statements for detailed disclosures of property, plant and equipment recognised by the Group as at 31 December 2016.

The key audit matter

The Group has vessels with a net carrying amount of RMB32,327,154,000 as at 31 December 2016. Following a review of the business, the outlook for the industry and operating plans, management has evaluated this carrying amount by applying significant judgement in assessing the impairment charge. Based on their best estimates, management is of the view that no impairment losses for the Group’s vessels should be recognised during the year.

In particular, management’s estimates are dependent upon the key bases, including:

- cash flow forecasts which are derived from internal forecasts and management’s assumptions relating to future performance; and

- discount rates and the long term growth rates including the assessment of risk factors and growth expectations for the relevant segment.

How the matter was addressed in our audit

Our audit procedures included:

- checking the accuracy and relevance of the data used by management to estimate fair value less costs of disposal and value in use;

- assessing key assumptions used by management to estimate values in use based on our assessment of conditions and expectations in the shipping industry;

- considering the appropriateness of the resale values estimated by management based on our assessment of conditions in the shipping industry and on the values obtained by the Group in respect of vessels that have been disposed of during the year; and

- considering the potential impact of reasonably possible downside changes in these key assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 will 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 THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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.

Those charged with governance are 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. This report is made solely to you, as a body, 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.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 those charged with governance 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 those charged with governance 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, 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.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2017
Tong Wai Hang
Practising Certificate Number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 (Restated) RMB'000
Continuing operations			
Turnover	6	**9,658,291**	10,709,298
Operating costs		**(6,956,661)**	(7,505,633)
Gross profit		**2,701,630**	3,203,665
Other income and net gains	8	**10,039**	1,004,508
Marketing expenses		**(14,697)**	(15,055)
Administrative expenses		**(678,259)**	(498,083)
Other expenses		**(65,838)**	(55,731)
Share of profits of associates		**268,099**	215,932
Share of profits of joint ventures		**169,458**	223,506
Finance costs	9	**(869,544)**	(1,056,665)
Profit before tax	10	**1,520,888**	3,022,077
Income tax	11	**(314,714)**	(237,122)
Profit for the year from continuing operations		**1,206,174**	2,784,955
Discontinued operation			
Profit/(loss) for the period/year from discontinued operation, net of tax	7	**760,501**	(1,527,222)
Profit for the year		**1,966,675**	1,257,733
Other comprehensive income	14		
Items that will not be reclassified subsequently to profit or loss, net of nil tax:			
Remeasurement of defined benefit plan payable		**(160)**	—
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange realignment		**443,913**	352,977
Fair value loss on available-for-sale investments		**(4,488)**	—
Net loss on cash flow hedges		**(30,641)**	(104,840)
Release upon disposal of discontinued operation		**362,032**	—
Share of other comprehensive (expense)/income of associates		**(23,590)**	3,457
Share of other comprehensive income of joint ventures		**71,113**	56,555
Other comprehensive income for the year		**818,179**	308,149
Total comprehensive income for the year		**2,784,854**	1,565,882

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 (Restated) RMB'000
Profit for the year attributable to owners of the Company:			
– Continuing operations		**1,191,541**	2,774,179
– Discontinued operation		**742,523**	(1,593,258)
		1,934,064	1,180,921
Profit for the year attributable to non-controlling interests:			
– Continuing operations		**14,633**	10,776
– Discontinued operation		**17,978**	66,036
		32,611	76,812
Profit for the year		**1,966,675**	1,257,733
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,787,042**	1,554,173
Non-controlling interests		**(2,188)**	11,709
		2,784,854	1,565,882
Earnings per share	16		
			(Restated)
		RMB cents	RMB cents
From continuing and discontinued operations			
– Basic and diluted		**47.97**	29.70
From continuing operations			
– Basic and diluted		**29.55**	69.78

The accompanying notes from pages 94 to 233 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	31 December 2016	31 December 2015 (Restated)	1 January 2015 (Restated)
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investment properties	17	**1,104,907**	1,097,975	1,139,996
Property, plant and equipment	18	**41,854,733**	63,136,985	60,980,247
Prepaid land lease payments	19	**79,599**	81,978	86,922
Goodwill	20	**58,168**	—	—
Investments in associates	21	**1,994,902**	2,040,968	1,711,702
Investments in joint ventures	22	**2,169,448**	6,187,294	5,990,867
Loan receivables	23	**1,453,585**	2,119,286	786,540
Available-for-sale investments	24	**279,761**	125,863	90,984
Deferred tax assets	25	**52,258**	486,993	462,108
		49,047,361	75,277,342	71,249,366
CURRENT ASSETS				
Current portion of loan receivables	23	**18,899**	—	—
Inventories	26	**451,402**	715,086	1,092,022
Trade and bills receivables	27	**1,206,458**	2,791,298	2,273,078
Prepayments, deposits and other receivables	28	**908,984**	1,887,095	1,115,889
Pledged bank deposits	29	**24,134**	45,731	769,688
Cash and cash equivalents	29	**6,364,583**	4,863,247	4,447,091
		8,974,460	10,302,457	9,697,768
CURRENT LIABILITIES				
Trade and bills payables	30	**1,349,984**	1,477,972	1,866,235
Other payables and accruals	31	**1,153,027**	1,165,492	557,323
Current portion of provision and other liabilities	32	**302,551**	181,308	189,261
Current portion of derivative financial instruments	33	—	4,258	18,578
Current portion of interest-bearing bank and other borrowings	34	**4,624,633**	11,063,827	9,758,444
Current portion of other loans	35	**2,251**	—	44,714
Current portion of obligations under finance leases	36	—	48,751	43,979
Current portion of bonds payable	37	—	—	4,143,383
Current portion of employee benefits payable	38	**12,620**	13,130	—
Tax payable	11	**120,136**	134,312	5,092
		7,565,202	14,089,050	16,627,009
NET CURRENT ASSETS/(LIABILITIES)		**1,409,258**	(3,786,593)	(6,929,241)
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,456,619**	71,490,749	64,320,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 (Restated) RMB'000	1 January 2015 (Restated) RMB'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	39	**4,032,033**	4,032,033	3,481,405
Reserves	40	**23,381,056**	27,675,185	22,225,929
		27,413,089	31,707,218	25,707,334
Non-controlling interests		**9,993**	862,874	596,657
TOTAL EQUITY		**27,423,082**	32,570,092	26,303,991
NON-CURRENT LIABILITIES				
Provision and other liabilities	32	**208,068**	174,553	158,821
Derivative financial instruments	33	**474,988**	411,385	291,553
Interest-bearing bank and other borrowings	34	**16,881,809**	32,411,923	31,956,005
Other loans	35	**1,049,820**	1,199,539	930,946
Obligations under finance leases	36	—	354,003	404,481
Bonds payable	37	**3,982,045**	3,978,488	3,975,124
Employee benefits payable	38	**140,890**	145,380	—
Deferred tax liabilities	25	**295,917**	245,386	299,204
		23,033,537	38,920,657	38,016,134
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**50,456,619**	71,490,749	64,320,125

Sun Jiakang
Director

Liu Hanbo
Director

The accompanying notes from pages 94 to 233 form 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 RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (as previously reported)	3,481,405	4,413,848	273,418	–	–	2,877,435	66,120	93,158	(121,477)	5,632	(1,000,649)	766,025	10,974,085	21,829,000	818,729	22,647,729
Business combination involving entities under common control	–	–	–	(76,179)	7,189,225	–	–	–	–	–	(18,026)	–	(3,216,686)	3,878,334	(222,072)	3,656,262
At 1 January 2015 (restated)	3,481,405	4,413,848	273,418	(76,179)	7,189,225	2,877,435	66,120	93,158	(121,477)	5,632	(1,018,675)	766,025	7,757,399	25,707,334	596,657	26,303,991
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	1,180,921	1,180,921	76,812	1,257,733
Exchange realignment	–	–	–	–	–	–	–	–	–	–	352,340	–	–	352,340	637	352,977
Net loss on cash flow hedges	–	–	–	–	–	–	–	–	(41,824)	–	–	–	–	(41,824)	(63,016)	(104,840)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	(10,606)	–	16,787	–	–	6,181	(2,724)	3,457
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	–	–	(1,758)	58,313	–	–	56,555	–	56,555
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(52,430)	(1,758)	427,440	–	1,180,921	1,554,173	11,709	1,565,882
Capital contribution from former shareholder	–	–	–	–	224,390	–	–	–	–	–	–	–	–	224,390	–	224,390
Conversion of convertible bonds	550,628	3,336,091	–	–	–	–	–	–	–	–	–	(766,025)	–	3,120,694	–	3,120,694
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	–	–	–	–	(120,961)	(120,961)	–	(120,961)
Dividend in specie	–	–	–	–	–	–	–	–	–	–	–	–	199,845	199,845	254,900	454,745
Revaluation of assets	–	–	–	1,028,034	–	–	–	–	–	–	–	–	–	1,028,034	–	1,028,034
Capital reduction of a subsidiary	–	–	–	(1,025,485)	(1,035,462)	–	–	–	–	–	–	–	2,060,947	–	–	–
Recognition of employee benefits payable	–	–	–	–	–	–	–	–	–	–	–	–	(153,877)	(153,877)	–	(153,877)
Acquisition of additional interests in a subsidiary	–	–	–	149,971	–	–	–	–	–	–	–	–	–	149,971	(112,669)	37,302
Accrual of safety fund reserve	–	–	–	–	–	–	148,750	–	–	–	–	–	(155,990)	(7,240)	7,240	–
Utilisation of safety fund reserve	–	–	–	–	–	–	(123,829)	–	–	–	–	–	128,684	4,855	(4,855)	–
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	116,859	116,859
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,967)	(6,967)
At 31 December 2015 (restated)	4,032,033	7,749,939	273,418	76,341	6,378,153	2,877,435	91,041	93,158	(173,907)	3,874	(591,235)	–	10,896,968	31,707,218	862,874	32,570,092

	Attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available for-sale investments revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (as previously reported)	4,032,033	7,749,939	273,418	149,971	–	2,877,435	91,041	93,158	(173,907)	3,874	(642,566)	11,242,810	25,697,206	825,997	26,523,203
Business combination involving entities under common control	–	–	–	(73,630)	6,378,153	–	–	–	–	–	51,331	(345,842)	6,010,012	36,877	6,046,889
At 1 January 2016 (restated)	4,032,033	7,749,939	273,418	76,341	6,378,153	2,877,435	91,041	93,158	(173,907)	3,874	(591,235)	10,896,968	31,707,218	862,874	32,570,092
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	1,934,064	1,934,064	32,611	1,966,675
Remeasurement of defined benefit plan payable	–	–	–	–	–	–	–	–	–	–	–	(160)	(160)	–	(160)
Exchange realignment	–	–	–	–	–	–	–	–	–	–	451,543	–	451,543	(7,630)	443,913
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	–	–	(2,289)	–	–	(2,289)	(2,199)	(4,488)
Net loss on cash flow hedges	–	–	–	–	–	–	–	–	(11,045)	–	–	–	(11,045)	(19,596)	(30,641)
Release upon disposal of discontinued operation	–	–	–	–	–	–	–	–	–	–	362,032	–	362,032	–	362,032
Share of other comprehensive expense of associates	–	–	–	–	–	–	–	–	(25,197)	519	6,462	–	(18,216)	(5,374)	(23,590)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	–	–	(2,840)	73,953	–	71,113	–	71,113
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(36,242)	(4,610)	893,990	1,933,904	2,787,042	(2,188)	2,784,854
Business combination involving entities under common control	–	–	–	–	(6,629,409)	–	–	–	–	–	–	–	(6,629,409)	–	(6,629,409)
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	–	–	–	(403,203)	(403,203)	–	(403,203)
Accrual of safety fund reserve	–	–	–	–	–	–	139,397	–	–	–	–	(141,892)	(2,495)	2,495	–
Utilisation of safety fund reserve	–	–	–	–	–	–	(128,912)	–	–	–	–	130,341	1,429	(1,429)	–
Disposal of discontinued operation	–	–	–	–	–	–	(47,493)	–	–	–	–	–	(47,493)	(1,060,766)	(1,108,259)
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	220,857	220,857
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,850)	(11,850)
At 31 December 2016	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,416,118	27,413,089	9,993	27,423,082

The accompanying notes from pages 94 to 233 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 (Restated) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	43	**12,064,988**	7,600,649
INVESTING ACTIVITIES			
Interest received		**205,810**	90,430
Payments for construction in progress		**(4,228,891)**	(3,802,415)
Purchases of property, plant and equipment		**(48,788)**	(77,217)
Proceeds from disposal of property, plant and equipment		**56,133**	676,361
Loans to associates		**(18,231)**	(1,219,347)
Loans to joint ventures		**(454,600)**	(9,144)
Loans to fellow subsidiaries		**—**	(325,540)
Repayment from associates		**1,238,884**	—
Repayment from fellow subsidiaries		**10,566,129**	355,540
Dividends received from associates		**200,000**	160,000
Dividends received from joint ventures		**504,938**	670,521
Dividends received from available-for-sale investments		**9,640**	23,442
Acquisition of a subsidiary from business combination involving entities under common control	44(a)	**(6,629,409)**	—
Acquisition of a subsidiary, net of cash (paid)/acquired	44(b)	**(206,024)**	2,783
Acquisition of additional interests in a subsidiary		**—**	37,302
Net cash inflow from disposal of discontinued operation	7	**4,131,313**	—
Investments in associates		**—**	(266,411)
Investments in joint ventures		**(133,320)**	(566,357)
Decrease in pledged bank deposits		**21,597**	723,957
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**5,215,181**	(3,526,095)

	Note	2016 RMB'000	2015 (Restated) RMB'000
FINANCING ACTIVITIES			
Interest paid		**(1,131,831)**	(1,561,645)
Dividends paid		**(403,203)**	(120,961)
Dividends paid to non-controlling interests of subsidiaries		**(11,850)**	(6,967)
Cash and cash equivalents distributed on dividend in specie	42	—	(67,381)
Increase in other loans		**214,980**	291,011
Repayment of other loans		**(5,031)**	(14,726)
Increase in interest-bearing bank and other borrowings		**4,310,640**	14,723,515
Repayment of interest-bearing bank and other borrowings		**(18,807,756)**	(16,232,144)
Capital element of finance leases rental paid		**(38,330)**	(57,164)
Redemption of corporate bonds		—	(1,000,000)
Redemption of convertible bonds		—	(34,744)
Capital contribution from former shareholder		—	224,390
NET CASH USED IN FINANCING ACTIVITIES		**(15,872,381)**	(3,856,816)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,407,788**	217,738
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**4,863,247**	4,447,091
Effect of foreign exchange rate changes, net		**93,548**	198,418
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**6,364,583**	4,863,247

The accompanying notes from pages 94 to 233 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is Room A-1015, No.188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC and, effective from 29 November 2016, the principal place of business has been changed to 18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, the PRC.

Pursuant to a special resolution passed on 19 September 2016, and upon the issuance of a new business license dated 18 October 2016 by the Administration for Industry and Commerce of Shanghai in the PRC, the Company changed its Chinese name from "中海發展股份有限公司" to "中遠海運能源運輸股份有限公司" and its English name from "China Shipping Development Company Limited" to "COSCO SHIPPING Energy Transportation Co., Ltd.".

During the year ended 31 December 2016, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

(a) investment holding; and/or

(b) oil and cargo shipment along the PRC coast and international shipment; and/or

(c) vessel chartering.

As at 31 December 2015, China Shipping (Group) Company ("China Shipping"), a company established in the PRC, was regarded as the Company's ultimate holding company. On 4 May 2016, the Company received a notice from China Shipping, pursuant to which, on 4 May 2016, the State-owned Assets Supervision and Administration Commission of the State Council, the PRC (the "SASAC") gratuitously transferred its entire equity interest in China Shipping to China COSCO Shipping Corporation Limited ("COSCO Shipping"), a company established in the PRC (the "Controlling Shareholder Restructuring"). Upon the completion of the Controlling Shareholder Restructuring, China Shipping became a wholly-owned subsidiary of COSCO Shipping. As at 31 December 2016, in the opinion of the directors of the Company, China Shipping and COSCO Shipping were the Company's immediate holding company and ultimate holding company respectively.

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

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

These consolidated financial statements have been approved for issue by the board of directors of the Company (the "Board") on 28 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior periods reflected in the consolidated financial statements.

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

2.2 Basis of preparation

(a) In accordance with the asset transfer agreements entered into between the Company and China Ocean Shipping (Group) Company ("China Ocean Shipping") on 29 March 2016, the Company acquired 100% equity interest in COSCO SHIPPING Tanker (Dalian) Co., Ltd. (formerly known as Dalian Ocean Shipping Company Limited) ("Dalian Tanker") at a consideration of RMB6,629,408,800. The acquisition of Dalian Tanker was completed on 30 June 2016 and has been accounted for as combination of businesses under common control since the directors of the Company consider that the Company and Dalian Tanker are under common control of the SASAC both before and after the above mentioned acquisition.

The aforementioned acquisition of Dalian Tanker from China Ocean Shipping has been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The financial information of Dalian Tanker has been incorporated into these consolidated financial statements. As a result, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of Dalian Tanker. The consolidated statements of financial position as at 31 December 2015 and 1 January 2015 have been restated to include the assets and liabilities of Dalian Tanker. Respective notes to the consolidated financial statements have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out in note 44(a) to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation (Continued)

(b) These consolidated financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are measured at fair values, as explained in the accounting policies set out below:

– investment properties (see note 2.7);

– certain available-for-sale investments that are measured at fair value (see note 2.11); and

– derivative financial instruments (see note 2.18).

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations

(a) Business combination involving entities under common control

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

(b) Business combination not involving entities under common control

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

(b) Business combination not involving entities under common control (Continued)

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.4(b)) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity of the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from change in fair value of investment properties are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

2.8 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the periods of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the remaining terms of lease
Vessels	22-30 years (note)
Machinery and equipment	5-15 years
Motor vehicles	5-10 years
Buildings	10-50 years

Note: Used vessel acquired is depreciated over its estimated remaining useful life. There was a change in the estimated useful life of the Group's vessels during the year ended 31 December 2016 (see note 5).

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the periods of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Leasehold land and land use rights

Leasehold land and land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

2.10 Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.11 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial asset classified as fair value through profit or loss.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment, or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis, and other valuation models.

2.12 Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original transaction. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investments

If an available-for-sale investments is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through profit or loss.

2.13 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Derecognition of financial assets (Continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.14 Inventories

Inventories comprise bunker oil inventories, ship stores and spare parts, and are stated at lower of cost and net realisable value. Cost is determined on the weighted average cost method basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors or management.

2.15 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted to use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial liabilities at amortised cost

Financial liabilities, including trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, other loans, obligations under finance leases and bonds payable, are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, except when the effect of discounting would be insignificant in which case, they are carried at cost.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

2.17 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2.18 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as interest rate swap agreements to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of interest rate swap agreements is determined by reference to the present value of estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derivative financial instruments and hedging (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item of transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Convertible bonds

Convertible bonds issued by the Group contain liability, conversion option, callable option and early redemption option. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. Callable option and early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component are not separated from the liability component.

On initial recognition, the fair value of the liability component (including the callable option and early redemption option which is closely related) is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option of the holder to convert the bond into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and when the revenue and cost, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) from shipping operations, on the percentage of completion basis;

(b) rental income arising from assets leased out under operating leases are recognised on a straight-line basis over the period of each lease;

(c) from vessel management, in the period in which the vessels are managed in accordance with the respective agreement;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(e) interest income, on an accrual basis using the effective interest method;

(f) dividend income, when the shareholders' right to receive payment has been established; and

(g) other service income is recognised when the services are rendered.

2.21 Borrowing costs

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 capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements. In which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2.23 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2.25 Foreign currency translation

(a) 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"). These consolidated financial statements are presented in RMB, which is the Company's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

(c) Translation for foreign operations

For the foreign operations, the Company translated all items into reporting currency - RMB. All the assets and liabilities at the end of the reporting period are translated into RMB at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profits" are translated into RMB at the exchange rate on the date of occurrence. Income and expenses are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as a separate item behind "undistributed profits". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividends

Final dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.27 Government subsidies

Subsidies from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Subsidies relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

2.28 Contingent liabilities and contingent assets

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 notes to 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

2.30 Employee benefits

(a) 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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

(c) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Retirement benefit costs

(i) Defined contribution retirement benefit plans

For employees in the PRC, the Group contributes to a defined contribution retirement scheme managed by the local municipal government in the PRC. The local municipal government in the PRC undertakes to assume the retirement benefit obligations payable to the qualified employees in the PRC for post-retirement benefits beyond the contributions made. The Group's contributions to the retirement scheme are expensed as incurred.

For Hong Kong employees, the Group contributes to the Mandatory Provident Fund Scheme (the "MPF Scheme") in accordance with Hong Kong Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme by the Group and its employees are calculated as a percentage of employees' remuneration received. The Group's contributions to the MPF Scheme are expensed as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(ii) Defined benefit retirement benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/income on the net defined benefit liability/asset are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/income for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset. The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

(e) Enterprise annuity

The annuity scheme confirms that the employer's contributions will be 5% of the total staff costs of previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be five times more than the staff average. The Group's contributions to the enterprise annuity scheme are expensed as incurred.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; (b) when the Group recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

(g) Housing subsidies

The Group has provided one-off cash housing subsidies based on the PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred. The liabilities recognised in the consolidated statement of financial position is the present value of the obligation of the one-off housing subsidies at the end of the reporting period and the past-service costs are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.33 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

3.1 Fair value of investment properties

Messrs. China Tong Cheng Assets Appraisal Co., Ltd. ("China Tong Cheng") and 遼寧永順資產評估有限公司 ("遼寧永順"), which are independent certified public valuers in the PRC, were appointed to carry out a valuation of the Group's investment properties as at 31 December 2016 and 2015 and the date of transfer from and to property, plant and equipment. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment properties is reasonable.

As at 31 December 2016, the fair value of the Group's investment properties was RMB1,104,907,000 (2015: RMB1,097,975,000).

3.2 Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

There was a change in the estimated useful life of the Group's vessels during the year ended 31 December 2016 (see note 5).

3.3 Depreciation of vessels

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations and scrap value of vessels in future.

As at 31 December 2016, the net carrying amount of the Group's vessels was RMB32,327,154,000 (2015: RMB54,912,803,000).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.4 Impairment of vessels

The Group's major operating assets represent vessels. 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.

The recoverable amounts of vessels have been determined either based on value in use or fair value less costs of disposal method. The fair values of the assets were determined with reference to market transactions at the end of the reporting period. While the value in use calculations require the use of estimates on the projections of cash inflows from the continuous use of vessels (including the amount to be received for the disposal of vessels) and discounting rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, no impairment losses for vessels was recognised during the year ended 31 December 2016 (2015: RMBnil).

3.5 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

As at 31 December 2016, the carrying amount of goodwill was RMB58,168,000 (2015: RMBnil) and no impairment losses was recognised during the year. Details of the impairment of goodwill assessment calculation are provided in note 20 to the consolidated financial statements.

3.6 Impairment of investments in associates and joint ventures

Management performs review for impairment of the investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amounts of the investments in associates and joint ventures may not be recoverable.

The recoverable amounts of investments in associates and joint ventures have been determined either based on value in use or fair value less costs of disposal method. The fair values were determined on reference of observable market prices at the end of the reporting period. While the value in use calculations are based on discounted cash flow model and require the use of estimates on the projections of cash inflows and discounting rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, no impairment losses on investments in associates and joint ventures (2015: impairment losses of RMB193,971,000 on investments in joint ventures) was recognised during the year ended 31 December 2016.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.7 Impairment of available-for-sale investments

The Group determines whether available-for-sale investments have suffered any impairment largely dependent on management's judgements and assumptions. In making judgements and assumptions, the Group requires to assess the extent and duration when the fair value of an investment is lower than its cost, and the financial position and short-term business outlook of the investee company, including industry conditions, technology changes, credit ratings, default rates and counterparty risks.

Based on management's best estimates, no impairment losses on available-for-sale investments (2015: impairment losses of RMB37,324,000) was recognised during the year ended 31 December 2016.

3.8 Deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Recognition of deferred tax assets depends on management's expectation of future taxable profit that will be available against which the deferred tax assets can be utilised. The outcome of their actual utilisation may be different.

As at 31 December 2016, no deferred tax assets (2015: deferred tax assets of RMB432,331,000) in relation to unused tax losses has been recognised in the consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

3.9 Net realisable value of inventories

The Group makes provision for slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Provisions are applied to the inventories where events or changes in circumstances indicate that net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on carrying amount of the inventories and provisions of inventory expenses in the period in which such estimate has been changed.

As at 31 December 2016, no allowance for inventories was recognised (2015: RMBnil).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.10 Provision for impairment of trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of, trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

As at 31 December 2016, allowance for trade and other receivables amounted to RMB44,298,000 (2015: RMB466,000).

3.11 Provision for onerous contracts

Management estimates 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 vessel contracts. The expected economic benefits are estimated based on estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obliged to make under the non-cancellable chartered-in vessel contracts.

As at 31 December 2016, management conducted an assessment of the non-cancellable chartered-in vessel contracts and had made a provision of RMB495,338,000 (2015: RMB340,447,000) for onerous contracts (see note 32). Those contracts under assessment relate to leases (i) with lease term expiring within twenty-four months from the end of the reporting period; and (ii) with lease term expiring over twenty-four months from the end of the reporting period in respect of the period being covered by the chartered-out vessel contracts.

The market is currently highly volatile and freight rates longer than twenty-four months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in contracts with lease terms expiring over twenty-four months after the end of the reporting period, and with period not being covered by chartered-out vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured.

As at 31 December 2016, had the estimated freight rates for the onerous contracts, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB55,572,000 (2015: RMB54,538,000).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.12 Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remains incomplete as at the end of the reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period.

3.13 Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at the end of the reporting period, 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 reporting period.

4. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

Impact of new and revised HKFRSs

In the current year, the Group has adopted the following amendments to HKFRSs issued by the HKICPA that are first effective and relevant to the Group's financial year beginning on 1 January 2016.

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

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

Impact of new and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued and relevant to the Group but are not yet effective for the financial year beginning on 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.
5 Available for application – the mandatory effective date will be determined when the outstanding phase of amendments to HKFRS 10 and HKAS 28 are finalised.

4. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

The Group is in the process of making an assessment of what the impact of these new and revised standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains or losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

4. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9 (Continued)

(a) Classification and measurement (Continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in note 2.11 to the consolidated financial statements. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

4. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 “Revenue”, which covers revenue arising from sale of goods and rendering of services. The Group is currently assessing the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

Timing of revenue recognition

The Group’s revenue recognition policies are disclosed in note 2.20 to the consolidated financial statements. Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

(ii) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group’s contracts that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group’s contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

4. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16

As disclosed in note 2.22 to the consolidated financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 48 to the consolidated financial statements, as at 31 December 2016, the majority of Group's future minimum lease payments under non-cancellable operating leases are payable either within one year, between one and five years after the reporting date or in more than five years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

5. CHANGES IN ACCOUNTING ESTIMATES

Effective from 1 January 2016, the Group adjusted the residual value of vessels from USD420 (equivalent to RMB2,560) to USD280 (equivalent to RMB1,818) per light displacement ton. Effective from 1 October 2016, the Group adjusted the estimated useful lives of vessels from 25 years to a range of 22 to 30 years whereas used vessels acquired are depreciated over their estimated remaining useful lives. As a result of these changes in accounting estimates, the depreciation increased by approximately RMB104,016,000 for the year ended 31 December 2016, and that would have increased by approximately RMB1,652,459,000 for the future periods.

6. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment
– oil shipment
– vessel chartering

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

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

Dry bulk shipment segment was discontinued on 30 June 2016 (see note 7).

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

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

	2016		2015	
	Turnover	**Contribution**	Turnover (Restated)	Contribution (Restated)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity:				
Continuing operations				
Oil shipment				
– Oil shipment	**7,272,450**	**2,031,913**	8,691,879	3,038,607
– Vessel chartering	**2,264,478**	**741,200**	1,920,821	292,137
	9,536,928	**2,773,113**	10,612,700	3,330,744
Others	**121,363**	**(71,483)**	96,598	(127,079)
	9,658,291	**2,701,630**	10,709,298	3,203,665
Discontinued operation				
Dry bulk shipment				
– Coal shipment	**729,618**	**(10,058)**	1,562,249	41,629
– Iron ore shipment	**1,075,647**	**234,534**	2,260,133	185,647
– Other dry bulk shipment	**390,046**	**(64,254)**	809,473	(80,639)
– Vessel chartering	**666,480**	**(73,190)**	1,502,159	34,366
	2,861,791	**87,032**	6,134,014	181,003
	12,520,082	**2,788,662**	16,843,312	3,384,668
Other income and net gains		**10,039**		1,004,508
Marketing expenses		**(14,697)**		(15,055)
Administrative expenses		**(678,259)**		(498,083)
Other expenses		**(65,838)**		(55,731)
Share of profits of associates		**268,099**		215,932
Share of profits of joint ventures		**169,458**		223,506
Finance costs		**(869,544)**		(1,056,665)
Elimination of discontinued operation		**(87,032)**		(181,003)
Profit before tax		**1,520,888**		3,022,077

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2016	2015 (Restated)
	RMB'000	RMB'000
Total segment assets		
Oil shipment	**41,871,688**	41,174,217
Dry bulk shipment (discontinued)	—	35,051,713
Others	**16,150,133**	9,353,869
	58,021,821	85,579,799
Total segment liabilities		
Oil shipment	**17,702,082**	31,076,636
Dry bulk shipment (discontinued)	—	15,928,745
Others	**12,896,657**	6,004,326
	30,598,739	53,009,707

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 to the consolidated financial statements. Segment contribution represents the gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior management), marketing expenses, other expenses, share of profits of associates, share of profits of joint ventures, other income and net gains and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

As at 31 December 2016, the net carrying amounts of the Group's oil tankers, liquefied petroleum gas ("LPG") vessels, liquefied natural gas ("LNG") vessels and dry bulk vessels were RMB30,634,523,000 (2015: RMB29,619,447,000), RMB75,724,000 (2015: RMB88,585,000), RMB1,616,907,000 (2015: RMBnil) and RMBnil (2015: RMB25,204,771,000) respectively.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	2016		2015	
	Turnover	**Contribution**	Turnover (Restated)	Contribution (Restated)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Continuing operations				
Domestic	**2,593,038**	**1,097,631**	2,464,766	1,022,342
International	**7,065,253**	**1,603,999**	8,244,532	2,181,323
	9,658,291	**2,701,630**	10,709,298	3,203,665
Discontinued operation				
Domestic	**1,248,307**	**61,954**	2,663,532	(60,411)
International	**1,613,484**	**25,078**	3,470,482	241,414
	2,861,791	**87,032**	6,134,014	181,003
	12,520,082	**2,788,662**	16,843,312	3,384,668
Other income and net gains		**10,039**		1,004,508
Marketing expenses		**(14,697)**		(15,055)
Administrative expenses		**(678,259)**		(498,083)
Other expenses		**(65,838)**		(55,731)
Share of profits of associates		**268,099**		215,932
Share of profits of joint ventures		**169,458**		223,506
Finance costs		**(869,544)**		(1,056,665)
Elimination of discontinued operation		**(87,032)**		(181,003)
Profit before tax		**1,520,888**		3,022,077
Turnover				
Total segment turnover		**12,520,082**		16,843,312
Less: inter-segment transactions		**—**		—
Total consolidated turnover		**12,520,082**		16,843,312

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	Oil shipment RMB'000	Dry bulk shipment (discontinued) RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2016				
Additions to non-current assets	**2,467,590**	**25,299**	**1,704,180**	**4,197,069**
Depreciation and amortisation	**1,636,954**	**552,828**	**29,325**	**2,219,107**
Provision for onerous contracts	**288,763**	**9,557**	**115,557**	**413,877**
Loss on disposal of property, plant and equipment, net	**(315,637)**	**(2,133)**	**(8)**	**(317,778)**
Interest income	**29,297**	**2,074**	**56,868**	**88,239**
Year ended 31 December 2015 (restated)				
Additions to non-current assets	2,600,625	222,619	2,317,569	5,140,813
Depreciation and amortisation	1,409,997	1,027,999	21,490	2,459,486
Provision for onerous contracts	101,448	45,135	79,048	225,631
(Loss)/gain on disposal of property, plant and equipment, net	(75,846)	(1,345,412)	1	(1,421,257)
Interest income	33,467	6,283	69,340	109,090

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2016 and 2015.

Major customers

During the year, management recognised the following two (2015: two) customers as the Group's major customers. Revenue arising from the provision of oil transportation services to the major customers were set out as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Customer A	**2,537,047**	2,680,397
Customer B	**1,288,920**	1,208,355

7. DISCONTINUED OPERATION

In order to build a specialised crude oil and refined oil transportation fleet and to become a global leader in the oil transportation market in terms of transportation capacities, the Group entered into an asset transfer agreement to dispose of the entire dry bulk shipment segment, which included China Shipping Bulk Carrier Co., Limited ("Bulk Carrier"), a former wholly-owned subsidiary of the Company, and its subsidiaries, an associate and joint ventures, to China COSCO Bulk Shipping (Group) Co., Ltd. ("COSCO Bulk") at a consideration of RMB4,993,243,000 which was settled on a net basis with the acquisition of Dalian Tanker during the year (see note 44(a)). The transaction became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. On 30 June 2016, the Group completed the whole transaction of disposal of dry bulk shipment segment and the acquisition of Dalian Tanker.

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

(a) Results of discontinued operation

	Note	**For the six months ended 30 June 2016 RMB'000**	For the year ended 31 December 2015 RMB'000
Turnover		**2,861,791**	6,134,014
Operating costs and other operating expenses		**(3,075,185)**	(6,588,405)
Other income and net losses		**(26,591)**	(1,199,938)
Share of (losses)/profits of associates and joint ventures		**(60,252)**	42
Results from operating activities		**(300,237)**	(1,654,287)
Income tax credit		**93,886**	127,065
Results from operating activities, net of tax		**(206,351)**	(1,527,222)
Gain on disposal of discontinued operation		**966,852**	—
Profit/(loss) for the period/year		**760,501**	(1,527,222)
Profit/(loss) for the period/year attributable to:			
Owners of the Company		**742,523**	(1,593,258)
Non-controlling interests		**17,978**	66,036
		760,501	(1,527,222)
Earnings/(loss) per share	16 (c)		
		RMB cents	RMB cents
From discontinued operation			
– Basic and diluted		**18.42**	(40.08)

7. DISCONTINUED OPERATION (Continued)

(b) Net cash generated from discontinued operation

	For the six months ended 30 June 2016 RMB'000	For the year ended 31 December 2015 RMB'000
Net cash generated from operating activities	**1,217,130**	1,952,527
Net cash used in investing activities	**(43,233)**	(121,876)
Net cash used in financing activities	**(628,678)**	(1,704,895)
Net cash inflow for the period/year	**545,219**	125,756

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

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

	30 June 2016 RMB'000
Property, plant and equipment	**24,999,770**
Investment in an associate	**315,165**
Investments in joint ventures	**3,880,361**
Available-for-sale investments	**4,300**
Deferred tax assets	**579,363**
Inventories	**298,893**
Trade and bills receivables	**1,660,360**
Prepayments, deposits and other receivables	**3,456,816**
Cash and cash equivalents	**1,201,073**
Trade and bills payables	**(590,836)**
Other payables and accruals	**(17,390,349)**
Provision and other liabilities	**(63,293)**
Interest-bearing bank and other borrowings	**(12,322,281)**
Other loans	**(875,349)**
Obligations under finance leases	**(378,610)**
Tax payable	**(2,765)**

7. DISCONTINUED OPERATION (Continued)

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

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

	30 June 2016 RMB'000
Net assets disposed of	4,772,618
Safety fund reserve	(47,493)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss upon disposal of the subsidiaries	362,032
Non-controlling interests	(1,060,766)
Gain on disposal	966,852
	4,993,243
Total consideration satisfied by:	
Consideration received in cash	5,332,386
Payable in respect of compensation to COSCO Bulk for the decrease in equity under transition period (note)	(339,143)
	4,993,243
Net cash inflow on disposal:	
Consideration received in cash	5,332,386
Cash and cash equivalents disposed of	(1,201,073)
Net cash inflow	4,131,313

Note:

The payable to COSCO Bulk was included in other payables and accruals as at 31 December 2016.

8. OTHER INCOME AND NET GAINS

	2016	2015 (Restated)
	RMB'000	RMB'000
Continuing operations		
Other income		
Government subsidies (note)	**238,753**	849,279
Interest income from loan receivables	**45,348**	62,047
Bank interest income	**40,817**	40,760
Dividends received from available-for-sale investments	**9,640**	22,688
Rental income from investment properties	**16,085**	30,387
Others	**38,804**	54,410
	389,447	1,059,571
Other gains/(losses)		
Gain on revaluation of investment properties, net	**1,212**	53,311
Exchange losses, net	**(72,261)**	(92,125)
Impairment losses on available-for-sale investments	—	(37,324)
Fair value gain on step acquisition of a subsidiary (note 44(b))	**6,603**	—
Loss on disposal of property, plant and equipment, net	**(315,645)**	(75,845)
Others	**683**	96,920
	(379,408)	(55,063)
Other income and net gains	**10,039**	1,004,508

Note:

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

9. FINANCE COSTS

	2016	2015
		(Restated)
	RMB'000	RMB'000
Continuing operations		
Total finance costs		
Interest expenses on:		
– bank loans and other borrowings	**876,531**	976,464
– corporate bonds	**207,350**	232,763
– hedge loan	**3,301**	1,807
– convertible bonds	**—**	14,677
Other finance charges	**—**	404
	1,087,182	1,226,115
Less: interest capitalised	**(217,638)**	(169,450)
Finance costs	**869,544**	1,056,665

During the year, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 2.82% to 3.18% (2015: 1.45% to 6.15%) per annum.

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2016	2015 (Restated)
	RMB'000	RMB'000
Continuing operations		
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,169,329	2,825,985
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	4,787,332	4,679,648
	6,956,661	7,505,633
Staff costs (including emoluments of directors, supervisors and senior management (note 12)):		
Wages, salaries, crew expenses and related expenses	1,515,882	1,412,433
Costs paid for defined benefit plan (note 38)	10,630	—
Pension scheme contributions	68,795	71,982
Total staff costs	1,595,307	1,484,415
Operating lease rentals: minimum lease payments		
Land and buildings	23,236	26,683
Vessels	994,533	1,390,246
Total operating lease rentals	1,017,769	1,416,929
Auditor's remuneration	11,019	5,839
Depreciation of property, plant and equipment	1,663,900	1,430,018
Amortisation of prepaid land lease payments	2,379	1,469
Dry-docking and repairs	264,025	308,387
Impairment losses on available-for-sale investments	—	37,324
Impairment losses on trade receivables	19,209	466
Impairment losses on other receivables	25,089	—
Provision for onerous contracts	404,320	180,496

11. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income

	Note	2016 RMB'000	2015 (Restated) RMB'000
Continuing operations			
Current tax			
Hong Kong Profits Tax	(i)		
– provision for the year		**744**	571
– under/(over) provision in respect of prior years		**19**	(161)
PRC Corporation Income Tax	(ii)		
– provision for the year		**271,300**	210,769
– under provision in respect of prior years		**26,038**	4
		298,101	211,183
Deferred tax			
Origination and reversal of temporary differences		**16,613**	25,939
Total income tax expense		**314,714**	237,122

Note:

(i) Hong Kong Profits Tax

The provision for Hong Kong Profits Tax was provided at 16.5% (2015: 16.5%) on the estimated assessable profits for the year ended 31 December 2016.

(ii) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the Group is 25% (2015: 25%).

11. INCOME TAX (Continued)

(b) Reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the Company, its subsidiaries, associates and joint ventures are domiciled to the tax expense at the applicable tax rate is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Continuing operations		
Profit before tax	1,520,888	3,022,077
Tax at the statutory tax rate	380,222	755,519
Tax effect of share of profits of associates	(64,355)	(53,983)
Tax effect of share of profits of joint ventures	(42,365)	(55,877)
Tax effect of expenses not deductible for tax	52,595	74,773
Tax effect of income not subject to tax	(631,725)	(38,811)
Under/(over) provision in respect of prior years, net	26,057	(157)
Tax effect of unused tax losses not recognised	697,365	268,694
Tax effect of utilisation of tax losses previously not recognised	(89,962)	(530,004)
Different tax rates of subsidiaries operating in other jurisdictions	(13,118)	(183,032)
Income tax expense	314,714	237,122

(c) Tax payable in the consolidated statement of financial position

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	134,312	5,092
Provision for the year	277,061	224,933
Arising from acquisition of a subsidiary (note 44(b))	9,146	—
Under/(over) provision in respect of prior years, net	24,857	(140)
Income tax paid	(322,484)	(95,576)
Disposal of discontinued operation (note 7)	(2,765)	—
Exchange realignment	9	3
At 31 December	120,136	134,312

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of directors, supervisors and senior management are disclosed as follows:

	2016 RMB'000	2015 RMB'000
Independent non-executive directors (note 12(a))		
– fees	**1,200**	975
Executive and non-executive directors (excluded independent non-executive directors) (note 12(b))		
– salaries, allowances and benefits in kind	**1,096**	1,260
– discretionary bonus	**873**	1,190
– pension scheme contributions	**82**	80
	2,051	2,530
Supervisors (note 12(b))		
– salaries, allowances and benefits in kind	—	945
– discretionary bonus	—	1,179
– pension scheme contributions	—	80
	—	2,204
Senior management		
– salaries, allowances and benefits in kind	**3,420**	2,359
– discretionary bonus	**2,649**	1,446
– pension scheme contributions	**289**	163
	6,358	3,968
Total	**9,609**	9,677

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(a) Details of the fees paid to each of the independent non-executive directors during the year were as follows:

	Note	**2016** **RMB'000**	2015 RMB'000
Mr. Wang Wusheng		**150**	150
Mr. Ruan Yongping		**150**	150
Mr. Ip Sing Chi		**300**	300
Mr. Rui Meng	(i)	**300**	150
Mr. Teo Siong Seng	(ii)	**300**	—
Mr. Zhang Jun	(iii)	—	75
Mr. Wang Guoliang	(iii)	—	150
		1,200	975

Note:

(i) Appointed on 18 June 2015

(ii) Appointed on 28 December 2015

(iii) Resigned on 18 June 2015

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2016 (2015: RMBnil).

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows:

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2016						
Executive directors						
Mr. Sun Jiakang	(i)	—	—	—	—	—
Mr. Liu Hanbo	(ii)	—	214	174	16	404
Mr. Lu Junshan	(ii)	—	209	174	16	399
Mr. Xu Lirong	(iii)	—	—	—	—	—
Mr. Zhang Guofa	(iv)	—	—	—	—	—
Mr. Huang Xiaowen	(v)	—	—	—	—	—
Mr. Ding Nong	(v)	—	—	—	—	—
Mr. Yu Zenggang	(v)	—	—	—	—	—
Mr. Yang Jigui	(vi)	—	—	—	—	—
Mr. Han Jun	(vi)	—	419	349	29	797
Mr. Qiu Guoxuan	(vi)	—	254	176	21	451
		—	1,096	873	82	2,051

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows: (Continued)

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2016						
Non-executive directors						
Mr. Feng Boming	(ii)	—	—	—	—	—
Mr. Zhang Wei	(ii)	—	—	—	—	—
Ms. Lin Honghua	(ii)	—	—	—	—	—
		—	—	—	—	—
Supervisors						
Mr. Chen Jihong		—	—	—	—	—
Mr. Xu Yifei	(vii)	—	—	—	—	—
Ms. An Zhijuan	(vii)	—	—	—	—	—
Mr. Weng Yi	(ii)	—	—	—	—	—
Mr. Luo Yuming	(viii)	—	—	—	—	—
Ms. Chen Xiuling	(viii)	—	—	—	—	—
Mr. Xu Wenrong	(v)	—	—	—	—	—
		—	—	—	—	—

Note:

(i) Appointed on 20 May 2016

(ii) Appointed on 19 September 2016

(iii) Resigned on 3 June 2016

(iv) Resigned on 8 March 2016

(v) Resigned on 19 September 2016

(vi) Resigned on 22 August 2016

(vii) Appointed on 20 July 2016

(viii) Resigned on 20 July 2016

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows: (Continued)

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2015						
Executive directors						
Mr. Xu Lirong		—	—	—	—	—
Mr. Zhang Guofa		—	—	—	—	—
Mr. Huang Xiaowen		—	—	—	—	—
Mr. Ding Nong		—	—	—	—	—
Mr. Yu Zenggang		—	—	—	—	—
Mr. Yang Jigui	(i)	—	—	—	—	—
Mr. Han Jun		—	628	1,120	40	1,788
Mr. Qiu Guoxuan		—	632	70	40	742
Ms. Su Min	(ii)	—	—	—	—	—
Mr. Liu Xihan	(iii)	—	—	—	—	—
		—	1,260	1,190	80	2,530
Supervisors						
Mr. Xu Wenrong		—	—	—	—	—
Mr. Chen Jihong		—	—	—	—	—
Mr. Luo Yuming		—	508	1,037	40	1,585
Ms. Chen Xiuling		—	437	142	40	619
		—	945	1,179	80	2,204

Note:

(i) Appointed on 28 December 2015

(ii) Resigned on 28 August 2015

(iii) Resigned on 18 June 2015

There was no (2015: no) arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended 31 December 2016.

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2015: one) directors and no (2015: one) supervisor, details of whose emoluments are set out in note 12 to the consolidated financial statements. Details of the emoluments of the remaining three (2015: three) highest paid non-director and non-supervisor individuals for the year were as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**1,503**	1,789
Discretionary bonus	**1,078**	1,133
Pension scheme contributions	**125**	121
	2,706	3,043

The emoluments of the three (2015: three) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals	
	2016	2015
RMBnil to RMB855,659 (2015: RMB813,400) (equivalent to HKD1,000,000)	**1**	–
RMB855,660 to RMB1,283,489 (2015: RMB813,401 to RMB1,220,100) (equivalent to HKD1,000,001 to HKD1,500,000)	**2**	3

During the year ended 31 December 2016, no remuneration were paid by the Group to any of the directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: RMBnil).

14. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income/(expense) are as follows:

	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Year ended 31 December 2016			
Remeasurement of defined benefit plan payable	**(160)**	—	**(160)**
Exchange realignment	**443,913**	—	**443,913**
Fair value loss on available-for-sale investments	**(5,984)**	**1,496**	**(4,488)**
Net loss on cash flow hedges	**(30,641)**	—	**(30,641)**
Release upon disposal of discontinued operation	**362,032**	—	**362,032**
Share of other comprehensive expense of associates	**(23,590)**	—	**(23,590)**
Share of other comprehensive income of joint ventures	**71,113**	—	**71,113**
	816,683	**1,496**	**818,179**
Year ended 31 December 2015 (restated)			
Exchange realignment	352,977	—	352,977
Net loss on cash flow hedges	(104,840)	—	(104,840)
Share of other comprehensive income of associates	3,457	—	3,457
Share of other comprehensive income of joint ventures	56,555	—	56,555
	308,149	—	308,149

15. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised and paid as distribution during the year:		
Final dividend for 2015 - RMB0.10 (2015: Final dividend for 2014 - RMB0.03) per share	**403,203**	120,961

Final dividend of RMB0.10 per share in respect of the year ended 31 December 2015 was approved by independent shareholders at the annual general meeting held on 20 May 2016 and a total amount of RMB403,203,000 was paid during the year.

At the Board meeting held on 28 March 2017, the directors of the Company proposed a final dividend of RMB766,086,000, representing RMB0.19 per share, in respect of the year ended 31 December 2016. This proposed final dividend is subject to the approval of the Company's independent shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognised as a liability at the end of the reporting period.

16. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB1,934,064,000 (2015: RMB1,180,921,000) and the weighted average number of ordinary shares of 4,032,033,000 (2015: 3,975,547,000) shares in issue during the year ended 31 December 2016.

(b) From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the earnings figures calculated as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**1,934,064**	1,180,921
Less: profit/(loss) for the period/year from discontinued operation attributable to owners of the Company	**742,523**	(1,593,258)
Profit for the year from continuing operations attributable to owners of the Company	**1,191,541**	2,774,179

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations (see note 16(a)).

(c) From discontinued operation

The calculation of basic and diluted earnings/(loss) per share from discontinued operation is based on the profit for the period from discontinued operation attributable to owners of the Company of RMB742,523,000 (2015: loss for the year of RMB1,593,258,000) and the denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations (see note 16(a)).

17. INVESTMENT PROPERTIES

	2016	2015
		(Restated)
	RMB'000	RMB'000
Completed investment properties at fair value	1,104,907	1,097,975

The movements of the investment properties during the year are set out below:

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	1,097,975	1,139,996
Transfer from property, plant and equipment	5,720	7,264
Transfer to property, plant and equipment	—	(28,246)
Dividend in specie	—	(74,476)
Revaluation of assets	—	126
Net gain on revaluation recognised in profit or loss	1,212	53,311
At 31 December	1,104,907	1,097,975

The fair value of the Group's investment properties as at 31 December 2016 and 2015 and the date of transfer from and to property, plant and equipment have been arrived at on the basis of a valuation carried out on the respective dates by China Tong Cheng and 遼寧永順. The fair value of the Group's investment properties was determined based on the market comparable approach that reflects recent of transaction prices for similar properties. In estimating the fair value of the Group's investment properties, the highest and best use of the Group's investment properties is their current use. There has been no change from the valuation technique used in prior years.

The Group's properties held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease.

As at 31 December 2016, the fair value of the Group's investment properties of RMB1,104,907,000 (2015: RMB1,097,975,000), is based on Level 2 fair value hierarchy as defined under HKFRS 13 "Fair Value Measurement" which details are set out in note 51(d) to the consolidated financial statements.

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2016							
Cost or valuation							
At 1 January 2016 (restated)	62,896	67,960,448	147,053	45,191	586,186	7,607,086	76,408,860
Additions	2,627	39,295	4,457	2,301	262	4,148,127	4,197,069
Additions upon acquisition of a subsidiary (note 44(b))	—	387,355	98	466	60,680	—	448,599
Transfer in/(out)	—	3,312,777	—	—	—	(3,312,777)	—
Transfer to investment properties	—	—	—	—	(7,374)	—	(7,374)
Disposals	(4,569)	(711,917)	(3,994)	(5,052)	—	—	(725,532)
Disposal of discontinued operation (note 7)	(45,886)	(30,002,769)	(38,199)	(12,878)	—	(60,427)	(30,160,159)
Exchange realignment	282	1,436,248	244	88	—	535,816	1,972,678
At 31 December 2016	15,350	42,421,437	109,659	30,116	639,754	8,917,825	52,134,141
Accumulated depreciation							
At 1 January 2016 (restated)	54,195	13,047,645	104,106	27,079	38,850	—	13,271,875
Charge for the year	4,440	2,163,807	20,291	4,484	23,706	—	2,216,728
Transfer to investment properties	—	—	—	—	(1,654)	—	(1,654)
Disposals	(1,608)	(342,361)	(3,365)	(4,708)	—	—	(352,042)
Disposal of discontinued operation (note 7)	(43,125)	(5,079,430)	(31,152)	(6,682)	—	—	(5,160,389)
Exchange realignment	92	304,622	122	54	—	—	304,890
At 31 December 2016	13,994	10,094,283	90,002	20,227	60,902	—	10,279,408
Net carrying amount							
At 31 December 2016	1,356	32,327,154	19,657	9,889	578,852	8,917,825	41,854,733
At 31 December 2015 (restated)	8,701	54,912,803	42,947	18,112	547,336	7,607,086	63,136,985

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015							
Cost or valuation							
At 1 January 2015 (restated)	70,011	67,000,792	133,956	50,097	2,070,163	5,996,046	75,321,065
Additions	3,577	55,170	10,624	1,673	3,900	5,065,869	5,140,813
Additions upon acquisition of a subsidiary (note 44(b))	214	—	240	4,141	—	—	4,595
Transfer from investment properties	—	—	—	—	28,246	—	28,246
Transfer in/(out)	—	3,944,875	397	—	—	(3,945,272)	—
Transfer to investment properties	—	—	—	—	(7,454)	—	(7,454)
Disposals	(12,188)	(4,995,248)	(8,363)	(6,330)	(258)	—	(5,022,387)
Dividend in specie	—	—	(10,372)	(10,480)	(1,560,551)	—	(1,581,403)
Revaluation of assets	—	231,467	20,356	6,057	52,140	159,547	469,567
Exchange realignment	1,282	1,723,392	215	33	—	330,896	2,055,818
At 31 December 2015 (restated)	62,896	67,960,448	147,053	45,191	586,186	7,607,086	76,408,860
Accumulated depreciation							
At 1 January 2015 (restated)	59,974	13,276,994	94,471	39,657	227,463	—	13,698,559
Charge for the year	5,847	2,405,877	23,621	3,501	19,171	—	2,458,017
Transfer to investment properties	—	—	—	—	(190)	—	(190)
Disposals	(12,133)	(2,929,432)	(6,022)	(5,723)	(258)	—	(2,953,568)
Dividend in specie	—	—	(8,089)	(10,381)	(207,336)	—	(225,806)
Exchange realignment	507	294,206	125	25	—	—	294,863
At 31 December 2015 (restated)	54,195	13,047,645	104,106	27,079	38,850	—	13,271,875
Accumulated impairment losses							
At 1 January 2015 (restated)	—	21,134	—	—	621,125	—	642,259
Disposal	—	(21,134)	—	—	—	—	(21,134)
Dividend in specie	—	—	—	—	(621,125)	—	(621,125)
At 31 December 2015 (restated)	—	—	—	—	—	—	—
Accumulated depreciation and impairment losses							
At 31 December 2015 (restated)	54,195	13,047,645	104,106	27,079	38,850	—	13,271,875
At 31 December 2014 (restated)	59,974	13,298,128	94,471	39,657	848,588	—	14,340,818
Net carrying amount							
At 31 December 2015 (restated)	8,701	54,912,803	42,947	18,112	547,336	7,607,086	63,136,985
At 31 December 2014 (restated)	10,037	53,702,664	39,485	10,440	1,221,575	5,996,046	60,980,247

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2016, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

	2016	2015 (Restated)
	RMB'000	RMB'000
Vessels		
Cost or valuation	**13,550,618**	5,744,565
Accumulated depreciation and impairment losses	**(2,632,386)**	(1,242,072)
Net carrying amount	**10,918,232**	4,502,493

Further details of the Group's operating lease arrangements are disclosed in note 48(a) to the consolidated financial statements.

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

As at 31 December 2016, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 34).

19. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments represented land use rights situated in the PRC under medium-term lease and the net carrying amount are analysed as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	**81,978**	86,922
Dividend in specie	—	(45,588)
Revaluation of assets	—	42,113
Amortisation charge for the year	**(2,379)**	(1,469)
At 31 December	**79,599**	81,978

20. GOODWILL

	RMB'000
Cost	
At 1 January 2016	—
Arising upon acquisition of a subsidiary (note 44(b))	**58,168**
At 31 December 2016	**58,168**
Accumulated impairment losses	
At 1 January and 31 December 2016	—
Carrying amount	
At 31 December 2016	**58,168**
At 31 December 2015	—

The carrying amount of goodwill at the end of the reporting period is attributable to the acquisition of 深圳市三鼎油運貿易有限公司 ("Shenzhen Sanding") during the year ended 31 December 2016.

Shenzhen Sanding is principally engaged in provision of oil transportation and vessel chartering services. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 10.45% (2015: nil). One major assumption is a nil growth rate for the extrapolation period. The growth rate is based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiary's past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

21. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	**1,159,797**	1,205,863
Goodwill	**835,105**	835,105
	1,994,902	2,040,968

As at 31 December 2016, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Proportion of ownership interest held by the Group		Proportion of voting power held		Principal activities
			2016	2015	**2016**	2015	
Shanghai Beihai Shipping Company Limited ("Shanghai Beihai")	The PRC Limited liability company	RMB763,750,000	**40%**	40%	**40%**	40%	Petroleum product transportation and vessel chartering
China Shipping Finance Co., Ltd. ("CS Finance") (note i)	The PRC Limited liability company	RMB600,000,000	**25%**	—	**25%**	—	Banking and related financial services
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering
China Ore Shipping Pte Ltd. ("China Ore Shipping") (note ii)	Singapore Limited liability company	USD88,930,875	**—**	49%	**—**	49%	Bulk transportation and shipping business

21. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2016, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available: (Continued)

Note:

(i) In prior years, the Group recognised CS Finance as a joint venture and accounted for using the equity method under the investments in joint ventures. In March 2016, COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development"), a fellow subsidiary of the Group, had completed the equity acquisition arrangement to further acquire 40% equity interest in CS Finance. As a result, COSCO SHIPPING Development held a total of 65% equity interest in CS Finance and became its controlling shareholder. Subsequent to the completion of the equity acquisition arrangement, the directors of the Company recognised CS Finance from a joint venture to an associate of the Group during the year ended 31 December 2016.

As both investments in associates and investments in joint ventures are accounted for using the equity method in the consolidated financial statements, there is no gain or loss on such transfer of share of net assets of CS Finance during the year ended 31 December 2016.

(ii) In May 2015, the Group entered into an agreement with COSCO Bulk to incorporate China Ore Shipping, pursuant to which the Group held 49% equity interest in China Ore Shipping.

China Ore Shipping with carrying amount of RMB315,165,000 was derecognised on 30 June 2016 resulting from the discontinued operation (see note 7).

All of the above associates are accounted for using the equity method in the consolidated financial statements.

21. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information of an associate that is material to the Group and reconciliation to the carrying amount of the Group's interest in the associate is disclosed as follows:

	Shanghai Beihai	
	2016	2015
	RMB'000	RMB'000
At 31 December		
Non-current assets	**1,809,415**	1,674,602
Current assets	**725,724**	921,040
Non-current liabilities	**(689)**	—
Current liabilities	**(196,182)**	(308,515)
Net assets	**2,338,268**	2,287,127
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**935,307**	914,851
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,770,412**	1,749,956
Cash and cash equivalents included in current assets	**430,816**	251,770
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**—**	49,286
Non-current financial liabilities (exclude trade and other payables and provisions) included in non-current liabilities	**—**	—
Year ended 31 December		
Revenue	**1,280,925**	1,336,983
Profit for the year	**545,969**	486,968
Other comprehensive income	**2,066**	—
Total comprehensive income for the year	**548,035**	486,968
Dividends received from the associate	**200,000**	160,000
Included in the above profit for the year:		
Depreciation and amortisation	**164,612**	166,497
Interest income	**2,235**	3,454
Interest expense	**—**	—
Income tax expense	**183,162**	165,289

21. INVESTMENTS IN ASSOCIATES (Continued)

The aggregate information of the Group's associates that are not individually material to the Group is disclosed as follows:

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**224,490**	291,012
Aggregate amounts of the Group's share of:		
Profit for the year	**67,401**	21,145
Other comprehensive (expense)/income	**(24,416)**	3,457
Total comprehensive income for the year	**42,985**	24,602

22. INVESTMENTS IN JOINT VENTURES

	2016 RMB'000	2015 (Restated) RMB'000
Share of net assets	**1,692,343**	5,904,160
Goodwill	**477,105**	477,105
Less: impairment losses	**—**	(193,971)
	2,169,448	6,187,294

As at 31 December 2016, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Proportion of ownership interest, voting power and profit sharing attributable to the Group				Principal activities
			Direct		Indirect		
			2016	2015	**2016**	2015	
Huahai Petrol Transportation & Trading Co., Limited	The PRC Limited liability company	RMB56,879,168	**50%**	50%	**—**	—	Petroleum product transportation and vessel chartering
CS Finance	The PRC Limited liability company	RMB600,000,000	**—**	25%#	**—**	—	Banking and related financial services
China LNG Shipping (Holdings) Limited ("CLNG") (note i)	Hong Kong Limited liability company	USD335,339,434	**—**	—	**50%**	50%	Investment holding
Sino-Ocean Shipping Co., Ltd. (note i)	The PRC Limited liability company	RMB238,772,000	**—**	—	**50%**	50%	Oil transportation and vessel chartering
Offshore Oil (Yangpu) Shipping Co., Ltd. ("Yangpu Shipping") (note i)	The PRC Limited liability company	RMB20,000,000	**—**	—	**43%##**	43%##	Oil transportation and vessel chartering
Arctic Blue LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**—**	—	**50%**	50%	Inactive
Arctic Green LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**—**	—	**50%**	50%	Inactive
Arctic Purple LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**—**	—	**50%**	50%	Inactive
Shanghai Friendship Marine Co., Limited (note ii)	The PRC Limited liability company	RMB300,000,000	**—**	—	**—**	50%	Dry bulk transportation and vessel chartering
Shanghai Times Shipping Co., Limited ("Shanghai Times") (note ii)	The PRC Limited liability company	RMB1,200,000,000	**—**	—	**—**	50%	Dry bulk transportation and vessel chartering

22. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 2016, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available: (Continued)

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Proportion of ownership interest, voting power and profit sharing attributable to the Group				Principal activities
			Direct		Indirect		
			2016	2015	**2016**	2015	
Guangzhou Development Shipping Co., Limited ("Guangzhou Shipping") (note ii)	The PRC Limited liability company	RMB626,497,080	—	—	—	50%	Dry bulk transportation and vessel chartering
Shenhua Zhonghai Marine Co., Limited ("Shenhua Zhonghai") (note ii)	The PRC Limited liability company	RMB5,180,000,000	—	—	—	49%###	Dry bulk transportation and vessel chartering

\# In prior year, the Group recognised CS Finance as a joint venture as the Group held 25% of the issued share capital of CS Finance with other three shareholders and each of them controlled 25% of vote in the general meeting of CS Finance. The Group has recognised CS Finance from a joint venture to an associate during the year ended 31 December 2016 (see note 21).

\## The Group holds 43% of the issued share capital of Yangpu Shipping and controlled 43% of vote in the general meeting of Yangpu Shipping. Since Yangpu Shipping is jointly controlled by the Group and another significant shareholder by virtue of contractual arrangements among shareholders, Yangpu Shipping is regarded as a joint venture of the Group.

\### In 2015, the Group held 49% of the issued share capital of Shenhua Zhonghai and controlled 44% of vote in the general meeting of Shenhua Zhonghai. Since Shenhua Zhonghai was jointly controlled by the Group and another significant shareholder by virtue of contractual arrangements among shareholders, Shenhua Zhonghai was regarded as a joint venture of the Group. The joint venture was derecognised on 30 June 2016 resulting from the discontinued operation.

Note:

(i) The joint ventures were acquired from business combination involving entities under common control during the year ended 31 December 2016.

(ii) The joint ventures with total carrying amount of RMB3,880,361,000 were derecognised on 30 June 2016 resulting from the discontinued operation (see note 7).

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

22. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information of a joint venture that is material to the Group and reconciliation to the carrying amount of the Group's interest in the joint venture is disclosed as follows:

	CLNG	
	2016	2015
		(Restated)
	RMB'000	RMB'000
At 31 December		
Non-current assets	**7,592,056**	6,886,231
Current assets	**913,328**	760,572
Non-current liabilities	**(4,277,389)**	(4,273,045)
Current liabilities	**(804,347)**	(477,302)
Net assets	**3,423,648**	2,896,456
Non-controlling interests	**(863,677)**	(792,508)
	2,559,971	2,103,948
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**1,279,986**	1,051,974
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint venture	**1,757,091**	1,529,079
Cash and cash equivalents included in current assets	**529,813**	149,880
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**275,019**	256,574
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**4,277,389**	4,273,045
Year ended 31 December		
Revenue	**1,040,917**	974,020
Profit for the year	**369,027**	333,754
Other comprehensive income/(expense)	**529**	(1,574)
Total comprehensive income for the year	**369,556**	332,180
Dividends received from the joint venture	**87,109**	89,352
Included in the above profit for the year:		
Depreciation and amortisation	**227,789**	216,252
Interest income	**481**	630
Interest expense	**102,910**	119,264
Income tax expense	**213**	205

22. INVESTMENTS IN JOINT VENTURES (Continued)

Shanghai Times and Shenhua Zhonghai were derecognised on 30 June 2016 resulting from the discontinued operation. Summarised financial information of these joint ventures for the six months ended 30 June 2016 that are material to the Group is disclosed as follows:

	Shanghai Times		Shenhua Zhonghai	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December				
Non-current assets	—	5,675,194	—	6,894,792
Current assets	—	890,024	—	1,435,534
Non-current liabilities	—	(1,524,837)	—	(2,039,033)
Current liabilities	—	(3,507,306)	—	(342,532)
Net assets	—	1,533,075	—	5,948,761
Proportion of the Group's ownership interest	—	50%	—	49%
Carrying amount of the Group's interest in the joint ventures	—	766,538	—	2,914,893
Cash and cash equivalents included in current assets	—	197,894	—	87,031
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	—	3,022,031	—	—
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	—	1,519,505	—	1,999,000
Six months ended 30 June 2016/ year ended 31 December 2015				
Revenue	**1,487,758**	3,071,262	**879,995**	2,002,173
(Loss)/profit and total comprehensive (expense)/income for the period/year	**(161,745)**	1,361	**18,277**	32,548
Dividends received from joint ventures	—	225,000	—	529,200
Included in the above (loss)/profit for the period/year:				
Depreciation and amortisation	**170,425**	340,630	**149,325**	292,233
Interest income	**621**	813	**384**	928
Interest expense	**90,278**	172,382	**46,370**	102,802
Income tax (credit)/expense	—	(91)	**6,092**	11,357

22. INVESTMENTS IN JOINT VENTURES (Continued)

The aggregate information of the Group's joint ventures that are not individually material to the Group is disclosed as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**412,357**	976,784
Aggregate amounts of the Group's share of:		
Profit for the year	**55,586**	110,954
Other comprehensive expense	**(2,840)**	(1,758)
Total comprehensive income for the year	**52,746**	109,196

23. LOAN RECEIVABLES

	Note	2016 RMB'000	2015 RMB'000
Loans to associates	(i)	**457,153**	1,596,752
Loans to joint ventures	(ii)	**1,015,331**	522,534
		1,472,484	2,119,286
Less: current portion		**(18,899)**	—
Non-current portion		**1,453,585**	2,119,286

Note:

(i) As at 31 December 2016, loans to associates are unsecured, interest-bearing at approximately 3.30% to 6% over 3-month London Inter-bank Offered Rate ("Libor") (2015: fixed rate of 4% and approximately 3.30% to 6.20% over 3-month Libor) per annum and repayable in 2030 and 2031 (2015: 2018, 2030 and 2031).

(ii) As at 31 December 2016, loans to joint ventures are unsecured, interest-bearing at 3-month Libor plus 0.80% (2015: 3-month Libor plus 0.80%) per annum prior to delivery of vessels and at 3-month Libor plus 1.30% (2015: 3-month Libor plus 1.30%) per annum after delivery of vessels and repayable within twenty years after the vessels construction projects are completed.

As at 31 December 2016 and 2015, all loan receivables are denominated in USD.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015 (Restated)
	RMB'000	RMB'000
Listed equity investments in the PRC, at fair value	187,542	—
Unlisted equity investments, at cost	129,543	163,187
Less: impairment losses	(37,324)	(37,324)
	92,219	125,863
	279,761	125,863

The fair values of the listed equity investments are based on current bid prices. All the unlisted equity investments are stated at cost as the directors of the Company are of the opinion that the unlisted equity investments do not have a quoted market price in an active market and their fair values cannot be measured reliably.

In prior years, the Group held 8% equity interest in Shenzhen Sanding and the investment was recognised as available-for-sale investments. During the year ended 31 December 2016, the Group acquired additional 43% equity interest in Shenzhen Sanding and upon the completion of the acquisition, the Group held a total of 51% equity interest in Shenzhen Sanding and regarded it as a non-wholly-owned subsidiary of the Company (see note 44(b)).

As at 31 December 2016, available-for-sale investments of RMB1,734,000 (2015: RMB1,624,000) are denominated in USD.

25. DEFERRED TAXATION

(a) Components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'000	Provision for assets impairment RMB'000	Depreciation RMB'000	Revaluation of assets arising from business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015 (restated)	408,052	7,813	35,428	—	10,815	462,108
Arising from acquisition of a subsidiary (note 44(b))	—	—	—	850	—	850
Dividend in specie	—	—	(35,341)	—	—	(35,341)
Recognition of defined benefit plan payable arising from capital restructuring of Dalian Tanker	—	—	—	—	(1,542)	(1,542)
Credit/(charge) to profit or loss	24,279	41,058	(80)	(15)	(4,324)	60,918
At 31 December 2015 and 1 January 2016 (restated)	**432,331**	**48,871**	**7**	**835**	**4,949**	**486,993**
Arising from acquisition of a subsidiary (note 44(b))	—	—	—	**52,571**	—	**52,571**
Disposal of discontinued operation (note 7)	**(530,034)**	**(48,494)**	—	**(835)**	—	**(579,363)**
Credit/(charge) to profit or loss	**97,703**	**(377)**	**(7)**	**(313)**	**(4,949)**	**92,057**
At 31 December 2016	—	—	—	**52,258**	—	**52,258**

25. DEFERRED TAXATION (Continued)

(b) Components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000	Fair value change on available-for-sale investments RMB'000	Depreciation RMB'000	Unremitted earnings RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015 (restated)	150,155	—	80,342	68,707	—	299,204
Charge/(credit) to profit or loss	16,247	—	(5,771)	(64,294)	—	(53,818)
At 31 December 2015 and 1 January 2016 (restated)	**166,402**	—	**74,571**	**4,413**	—	**245,386**
Arising from acquisition of a subsidiary (note 44(b))	—	**41,060**	—	—	—	**41,060**
Charge/(credit) to profit or loss	**4,167**	—	**(5,327)**	**7,243**	**4,884**	**10,967**
Credit to other comprehensive income	—	**(1,496)**	—	—	—	**(1,496)**
At 31 December 2016	**170,569**	**39,564**	**69,244**	**11,656**	**4,884**	**295,917**

(c) An analysis of the deferred tax balances for the consolidated statement of financial position are disclosed as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Deferred tax assets	**52,258**	486,993
Deferred tax liabilities	**(295,917)**	(245,386)
	(243,659)	241,607

As at 31 December 2016, a deferred tax asset in respect of tax losses of RMB4,346,838,000 (2015: RMB5,485,035,000) has not been recognised in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB4,308,391,000 (2015: RMB5,118,129,000) that will expire within five years. Other losses may be carried forward indefinitely. Other temporary differences are not material.

26. INVENTORIES

	2016	2015 (Restated)
	RMB'000	RMB'000
Bunker oil inventories	262,372	480,746
Ship stores and spare parts	189,030	234,340
	451,402	715,086

27. TRADE AND BILLS RECEIVABLES

	2016	2015 (Restated)
	RMB'000	RMB'000
Trade and bills receivables from third parties	1,223,309	2,741,667
Trade receivables from joint ventures	122	40,200
Trade receivables from fellow subsidiaries	5,526	12,525
	1,228,957	2,794,392
Less: allowance for doubtful debts (note 27(b))	(22,499)	(3,094)
	1,206,458	2,791,298

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

As at 31 December 2016, trade and bills receivables of RMB608,241,000 (2015: RMB1,355,404,000) are denominated in USD.

27. TRADE AND BILLS RECEIVABLES (Continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Within 3 months	909,021	2,060,861
4 - 6 months	104,940	621,775
7 - 9 months	102,566	63,549
10 - 12 months	28,127	40,055
1 - 2 years	60,995	4,983
Over 2 years	809	75
	1,206,458	2,791,298

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

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment losses is written off against trade and bills receivables directly.

The movement of the allowance for doubtful debts during the year is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	3,094	2,661
Impairment losses recognised	19,209	466
Uncollectible amounts written off	—	(33)
Exchange realignment	196	—
At 31 December	22,499	3,094

As at 31 December 2016, trade receivables of RMB22,499,000 (2015: RMB3,094,000) were determined to be impaired. The impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowance for doubtful debts of RMB22,499,000 (2015: RMB3,094,000) were recognised.

27. TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

In determining the recoverability of a trade and bills receivable, the Group considers any change in credit quality of the trade and bills receivable from the date credit was initially granted up to the end of the reporting period. In view of the good settlement history of those receivables of the Group which are past due but not impaired for the year ended 31 December 2016, the directors of the Company consider that no allowance is required.

Included in trade and bills receivables are debtors with total carrying amount of approximately RMB256,225,000 (2015: RMB411,685,000) which are past due as at the end of the reporting period for which the Group had not provided for impairment losses (2015: RMBnil) as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

Ageing of trade and bills receivables which are past due but not impaired, is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Within 6 months	**166,294**	352,807
7 - 12 months	**28,127**	53,820
Over 1 year	**61,804**	5,058
	256,225	411,685

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
		(Restated)
	RMB'000	RMB'000
Prepayments	303,549	286,523
Deposits and other receivables	336,381	1,025,295
Due from fellow subsidiaries	130,837	213,771
Due from joint ventures	163,887	344,566
Due from related companies		
– joint ventures of immediate holding company	—	16,971
– a joint venture of a fellow subsidiary	—	26
	934,654	1,887,152
Less: impairment of other receivables (note 28(a))	(25,670)	(57)
	908,984	1,887,095

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

As at 31 December 2016, prepayments, deposits and other receivables of RMB452,686,000 (2015: RMB462,546,000) are denominated in USD.

(a) Impairment of other receivables

As at 31 December 2016, the Group's net other receivables of RMB290,487,000 (2015: RMB1,005,941,000) were considered fully collectible by the directors of the Company. As at 31 December 2016, the Group's other receivables of RMB25,670,000 (2015: RMB57,000) were impaired and full provision was made by the directors of the Company.

The movement of the impairment of other receivables during the year is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	57	58,649
Impairment losses recognised	25,089	—
Uncollectible amounts written off	—	(30,690)
Dividend in specie	—	(27,902)
Exchange realignment	524	—
At 31 December	25,670	57

29. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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

As at 31 December 2016, included in cash and cash equivalents is an amount of RMB3,726,654,000 (2015: RMB794,370,000) of bank balance deposited with CS Finance.

As at 31 December 2016, included in cash and cash equivalents is an amount of RMB1,035,964,000 (2015: RMB1,969,505,000) of bank balance deposited with COSCO Finance Co., Ltd. ("COSCO Finance"), a fellow subsidiary of the Company.

As at 31 December 2016, bank deposits of RMB24,134,000 (2015: RMB45,731,000) were pledged to secure general banking facilities granted to the Group (see note 34).

As at 31 December 2016, cash and cash equivalents of RMB2,373,934,000 (2015: RMB2,343,072,000) are denominated in USD.

30. TRADE AND BILLS PAYABLES

	2016	2015 (Restated)
	RMB'000	RMB'000
Trade and bills payables to third parties	752,489	932,282
Trade payables to immediate holding company	1,374	729
Trade payables to fellow subsidiaries	596,121	497,475
Trade payables to joint ventures	—	3,260
Trade payables to related companies		
– joint ventures of immediate holding company	—	12,844
– joint ventures of fellow subsidiaries	—	31,382
	1,349,984	1,477,972

Trade payables due to immediate holding company, fellow subsidiaries, joint ventures and related companies are unsecured, non-interest-bearing and under normal credit period as other trade payables.

As at 31 December 2016, trade and bills payables of RMB811,170,000 (2015: RMB788,935,000) are denominated in USD.

(a) Ageing analysis

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

	2016	2015 (Restated)
	RMB'000	RMB'000
Within 3 months	1,038,903	974,630
4 - 6 months	58,469	121,471
7 - 9 months	35,738	52,316
10 - 12 months	3,835	80,573
1 - 2 years	19,530	39,559
Over 2 years	193,509	209,423
	1,349,984	1,477,972

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

31. OTHER PAYABLES AND ACCRUALS

	2016	2015
		(Restated)
	RMB'000	RMB'000
Other payables	618,310	966,846
Accruals	165,775	102,942
Due to immediate holding company	—	80,816
Due to fellow subsidiaries	366,815	14,280
Due to an associate	4	—
Due to joint ventures	2,123	423
Due to related companies		
– joint ventures of fellow subsidiaries	—	185
	1,153,027	1,165,492

The amounts due to immediate holding company, fellow subsidiaries, an associate, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

Other payables and accruals are non-interest-bearing and are normally settled in one to three months.

As at 31 December 2016, other payables and accruals of RMB367,498,000 (2015: RMB393,682,000) are denominated in USD.

32. PROVISION AND OTHER LIABILITIES

	2016	2015
		(Restated)
	RMB'000	RMB'000
Provision for onerous contracts	495,338	340,447
Others	15,281	15,414
	510,619	355,861
Less: current portion	(302,551)	(181,308)
Non-current portion	208,068	174,553

Note:

Details of provision for onerous contracts are as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
At 1 January	340,447	328,789
Provision for the year	413,877	225,631
Utilised during the year	(208,988)	(215,109)
Disposal of discontinued operation (note 7)	(63,293)	—
Exchange realignment	13,295	1,136
At 31 December	495,338	340,447
Less: current portion	(302,551)	(181,308)
Non-current portion	192,787	159,139

As at 31 December 2016, the Group had a provision of RMB495,338,000 (2015: RMB340,447,000) for onerous contracts relating to the non-cancellable chartered-in vessel contracts.

As at 31 December 2016, the committed charterhire expenses of non-cancellable chartered-in vessel contracts with lease term expiring over twenty-four months from the end of the reporting period and with period not being covered by chartered-out vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB3,946,995,000 (2015: RMB4,509,494,000).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
		(Restated)
	RMB'000	RMB'000
Liabilities		
Current portion	—	4,258
Non-current portion	474,988	411,385
	474,988	415,643

As at 31 December 2016, the Group held thirty (2015: thirty-two) interest rate swap agreements and the total notional principal amount of the outstanding interest rate swap agreements was approximately USD537,040,000 (equivalent to approximately RMB3,725,448,000) (2015: approximately USD709,800,000 (equivalent to approximately RMB4,609,159,000)). The interest rate swap agreements, with maturity in 2031 and 2032 (2015: 2016, 2031 and 2032), are designated as cash flow hedges in respect of certain bank borrowings of the Group with floating interest rates.

During the year ended 31 December 2016, the floating interest rates of the bank borrowings were 3-month Libor plus 0.42%, 0.65% or 2.20% (2015: 3-month Libor plus 0.42%, 0.65% or 2.20%).

Loss on the interest rate swaps during the year is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Total fair value loss included in the hedging reserve	30,641	104,840
Hedge loan interest included in finance costs	3,301	1,807
Total loss on cash flow hedges of the interest rate swap agreements	33,942	106,647

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

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

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

		Annual effective interest rate (%)	Maturity	2016 RMB'000	2015 (Restated) RMB'000
Current liabilities					
(i)	**Bank borrowings**				
	Secured	5% discount to the People's Bank of China ("PBC") Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3-month Libor + 0.42% to 2.20%, 6-month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2017	**1,119,250**	1,891,949
	Unsecured	10% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.40% to 3%, 3-month Libor + 0.65% to 2.80%, 6-month Libor + 0.70%, fixed rate of 1.70% to 4.80%	2017	**3,475,198**	6,583,848
				4,594,448	8,475,797
(ii)	**Other borrowings**				
	Secured	5% discount to the PBC Benchmark interest rate	Nil	**—**	8,670
	Unsecured	10% discount to the PBC Benchmark interest rate, 6-month Libor + 2.10%, fixed rate of 3.05% to 5.62%	2017	**30,185**	2,579,360
				30,185	2,588,030
Interest-bearing bank and other borrowings – current portion				**4,624,633**	11,063,827

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

	Annual effective interest rate (%)	Maturity	2016 RMB'000	2015 (Restated) RMB'000
Non-current liabilities				
(i) Bank borrowings				
Secured	5% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3-month Libor + 0.42% to 2.20%, 6-month Libor + 0.40% to 1.70%, fixed rate of 4.27% to 4.80%	2018 to 2033	**11,460,562**	16,672,834
Unsecured	10% to 20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 1.70%, 3-month Libor + 0.65% to 2.80%, 6-month Libor + 0.70%	2018 to 2026	**5,149,582**	10,339,898
			16,610,144	27,012,732
(ii) Other borrowings				
Secured	5% discount to the PBC Benchmark interest rate	Nil	**—**	100,470
Unsecured	10% discount to the PBC Benchmark interest rate, 6-month Libor + 2% to 2.50%, fixed rate of 3.60% to 6.15%	2025	**271,665**	5,298,721
			271,665	5,399,191
Interest-bearing bank and other borrowings – non-current portion			**16,881,809**	32,411,923

As at 31 December 2016, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 24 (2015: 67) vessels and 5 (2015: 6) vessels under construction with total net carrying amount of RMB11,150,917,000 (2015: RMB25,186,540,000) and RMB6,568,108,000 (2015: RMB6,004,226,000) respectively and pledged bank deposits (see note 29).

As at 31 December 2016, secured bank borrowings of RMB12,479,811,000 (2015: RMB17,101,903,000), unsecured bank borrowings of RMB7,342,329,000 (2015: RMB11,607,123,000) and unsecured other borrowings of RMBnil (2015: RMB1,948,080,000) are denominated in USD.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) As at 31 December 2016, the Group's interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 31 December 2016			
Current portion			
Within one year or on demand	**4,594,448**	**30,185**	**4,624,633**
Non-current portion			
In the second year	**4,140,120**	**41,060**	**4,181,180**
In the third to fifth years, inclusive	**4,554,026**	**123,180**	**4,677,206**
Over five years	**7,915,998**	**107,425**	**8,023,423**
	16,610,144	**271,665**	**16,881,809**
	21,204,592	**301,850**	**21,506,442**
At 31 December 2015 (restated)			
Current portion			
Within one year or on demand	8,475,797	2,588,030	11,063,827
Non-current portion			
In the second year	6,113,755	1,658,540	7,772,295
In the third to fifth years, inclusive	11,052,349	3,680,215	14,732,564
Over five years	9,846,628	60,436	9,907,064
	27,012,732	5,399,191	32,411,923
	35,488,529	7,987,221	43,475,750

As at 31 December 2016, no other borrowings were made from CS Finance (2015: RMB292,800,000), COSCO Finance (2015: RMB400,000,000) and China Shipping (2015: RMB7,148,080,000).

35. OTHER LOANS

	Note	2016 RMB'000	2015 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	**701,194**	519,946
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	**330,764**	241,856
Petrochina International Co., Limited ("Petrochina International")	(iii)	**20,113**	17,721
Baosteel Resources International Company Limited ("Baosteel Resources International")	(iv)	**—**	420,016
		1,052,071	1,199,539
Less: current portion		**(2,251)**	—
Non-current portion		**1,049,820**	1,199,539

Note:

(i) As at 31 December 2016, other loans amounted to RMB52,896,000 (2015: RMB45,909,000) was borrowed by East China LNG Shipping Investment Co., Limited ("ELNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the associates held by ELNG. The loan is unsecured, interest-bearing at approximately 3.30% to 6% over 3-month Libor (2015: approximately 3.30% to 6.20% over 3-month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

As at 31 December 2016, other loans amounted to RMB648,298,000 (2015: RMB474,037,000) was borrowed by China Energy Shipping Investment Co., Limited ("China Energy"), an indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loan is unsecured, interest-bearing at 3-month Libor plus 2.20% (2015: 3-month Libor plus 2.20%) per annum and repayable within twenty years after the vessels construction projects are completed.

(ii) As at 31 December 2016, other loans amounted to RMB330,764,000 (2015: RMB241,856,000) was borrowed by China Energy from the non-controlling shareholder of its subsidiaries, MOL, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. The loans are unsecured, interest-bearing at 3-month Libor plus 2.20% (2015: 3-month Libor plus 2.20%) per annum and repayable within fifteen years after the vessels construction projects are completed.

(iii) As at 31 December 2016, other loans amounted to RMB20,113,000 (2015: RMB17,721,000) was borrowed by North China LNG Shipping Investment Co., Limited ("NLNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Petrochina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. The loan is unsecured, interest-bearing at approximately 5.10% to 5.50% over 3-month Libor (2015: approximately 4.90% to 5.50% over 3-month Libor) per annum and repayable within twenty years after the vessels construction projects are completed.

35. OTHER LOANS (Continued)

Note: (Continued)

(iv) As at 31 December 2015, other loans amounted to RMB420,016,000 was borrowed by Hong Kong Hai Bao Shipping Co., Limited ("Hai Bao"), a former indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Baosteel Resources International, to finance the construction of vessels and daily operations of Hai Bao. The loan was unsecured, interest-bearing at fixed rate of 3% per annum and originally repayable in 2018.

The loan with carrying amount of RMB428,921,000 was derecognised on 30 June 2016 resulting from the discontinued operation.

As at 31 December 2016 and 2015, all other loans are denominated in USD.

36. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
– Within one year	—	65,389	—	48,751
– In the second year	—	65,358	—	50,917
– In the third to fifth years, inclusive	—	196,073	—	167,253
– Over five years	—	142,988	—	135,833
	—	469,808	—	402,754
Less: future finance charges	—	(67,054)		
Present value of lease obligations	—	402,754		
Less: amount due within one year shown under current liabilities			—	(48,751)
Amount due after one year			—	354,003

As at 31 December 2015, the Group's obligations under finance leases were secured by charges over the leased assets. Interest rates underlying all under finance leases were at 10% discount to the PBC Benchmark interest rate per annum.

The obligations under finance leases with carrying amount of RMB378,610,000 were derecognised on 30 June 2016 resulting from the discontinued operation (see note 7).

37. BONDS PAYABLE

(a) Corporate bonds

The movement of the corporate bonds during the year is set out below:

	2016	2015
	RMB'000	RMB'000
At 1 January	**3,978,488**	4,973,360
Interest charge	**3,557**	5,128
Redemption	**—**	(1,000,000)
At 31 December	**3,982,045**	3,978,488
Less: current portion	**—**	—
Non-current portion	**3,982,045**	3,978,488

As at 31 December 2016, the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value	Book value of bond at initial recognition	At 31 December 2015	Interest charge	**At 31 December 2016**
		RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,490,804	1,214	**1,492,018**
29 October 2012	7 years	1,500,000	1,488,600	1,493,277	1,639	**1,494,916**
29 October 2012	10 years	1,000,000	992,400	994,407	704	**995,111**
		4,000,000	3,968,100	3,978,488	3,557	**3,982,045**

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015. The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued further two batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually. The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

37. BONDS PAYABLE (Continued)

(b) Convertible bonds

On 13 February 2015, the Company completed its redemption of all outstanding convertible bonds. The convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

No interest expense was recognised in profit or loss in respect of the convertible bonds for the year ended 31 December 2016 (2015: RMB14,677,000).

38. EMPLOYEE BENEFITS PAYABLE

	2016	2015
		(Restated)
	RMB'000	RMB'000
Defined benefit plan payable	**150,630**	153,400
Termination benefit payable	**2,880**	5,110
	153,510	158,510
Less: current portion	**(12,620)**	(13,130)
Non-current portion	**140,890**	145,380

(a) Details of defined benefit plan payable are as follows:

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees. During the capital restructuring of Dalian Tanker in 2015, it is required to estimate the post-employment benefit plan payable which would be recognised upon completion of the capital restructuring by using actuarial valuation method. Before the capital restructuring, Dalian Tanker was not allowed to adopt actuarial valuation method to estimate the defined benefit plan payable. Independent actuarial valuation has been carried by Willis Towers Watson, an independent firm with chartered actuarial certification.

38. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Present value of unfunded obligations	**150,630**	153,400
Less: current portion	**(11,500)**	(10,950)
Non-current portion	**139,130**	142,450

Current portion of defined benefit plan payable represents the amount expected to be paid by the Group in the next twelve months. Such expected future payments will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Movements in the present value of the defined benefit plan payable are as follows:

	2016 RMB'000	2015 (Restated) RMB'000
At 1 January	**153,400**	—
Transfer from other payables	—	1,065
Recognition of defined benefit plan payable arising from capital restructuring of Dalian Tanker	—	152,335
Remeasurement for the year	**160**	—
Benefits paid by the Group	**(13,560)**	—
Past service cost	**6,250**	—
Interest cost	**4,380**	—
At 31 December	**150,630**	153,400

The weighted average duration of the defined benefit plan is 10.2 (2015: 10.5) years.

38. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows: (Continued)

(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Past service cost	6,250	—
Net interest on net defined benefit liability	4,380	—
Total amounts recognised in profit or loss	10,630	—
Actuarial loss recognised in other comprehensive income	160	—
Total defined benefit costs	10,790	—

The past service cost and the net interest on net defined benefit liability totalling RMB10,630,000 (2015: RMBnil) were recognised in the administrative expenses for the year ended 31 December 2016.

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2016	2015 (Restated)
Discount rate	3.25%	3%
Average annual increase rate of supplemental medical benefits	5%	5%

Mortality rate adopted for the defined benefit plan payable as at 31 December 2016 and 2015 was based on the China Life Insurance Mortality Table 2000-2003 issued by the China Life Insurance Regulatory Commission of the PRC.

38. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows: (Continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (Continued)

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

	Effect of payable	
	2016	2015 (Restated)
	RMB'000	RMB'000
Increase in 0.5%	**(7,330)**	(7,690)
Decrease in 0.5%	**8,000**	8,420

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Details of termination benefit payable are as follows:

	2016	2015 (Restated)
	RMB'000	RMB'000
Termination benefit payable	**2,880**	5,110
Less: current portion	**(1,120)**	(2,180)
Non-current portion	**1,760**	2,930

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retired Employees").

The Group recognises a liability for the present value of the obligations relating to the termination benefit payable to these Early Retired Employees. The liability related to the termination benefit payable for the Early Retired Employees existing as at 31 December 2016 and 2015 are calculated by management using future cash flow discounting method.

During the year ended 31 December 2016, related costs paid by the Group for the termination benefit payable was RMB2,390,000 (2015: RMBnil).

39. ISSUED CAPITAL

	2016		2015	
	Number of shares	RMB'000	Number of shares	RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1 each				
At 1 January and 31 December	**1,296,000,000**	**1,296,000**	1,296,000,000	1,296,000
Listed A-Shares of RMB1 each				
At 1 January	**2,736,032,861**	**2,736,033**	2,185,405,286	2,185,405
Conversion of convertible bonds	—	—	550,627,575	550,628
At 31 December	**2,736,032,861**	**2,736,033**	2,736,032,861	2,736,033
Total capital	**4,032,032,861**	**4,032,033**	4,032,032,861	4,032,033

Convertible bonds converted during the year ended 31 December 2016 resulted in nil (2015: 550,627,575) shares being issued. The related conversion price was RMBnil (2015: RMB6.24) per share for the year as all the convertible bonds were delisted from the Shanghai Stock Exchange on 13 February 2015.

40. RESERVES

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out as follows:

	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund surplus reserve RMB'000	General surplus reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	4,414,124	270,254	(1,796)	2,877,435	1,176	93,158	1,019	766,025	9,262,927	17,684,322
Profit for the year	—	—	—	—	—	—	—	—	2,025,885	2,025,885
Conversion of convertible bonds	3,336,091	—	—	—	—	—	—	(766,025)	—	2,570,066
Dividends approved in respect of previous year	—	—	—	—	—	—	—	—	(120,961)	(120,961)
Utilisation of safety fund reserve	—	—	—	—	(1,176)	—	—	—	1,176	—
At 31 December 2015 and 1 January 2016	7,750,215	270,254	(1,796)	2,877,435	—	93,158	1,019	—	11,169,027	22,159,312
Loss for the year	—	—	—	—	—	—	—	—	(2,392,608)	(2,392,608)
Dividends approved in respect of previous year	—	—	—	—	—	—	—	—	(403,203)	(403,203)
At 31 December 2016	7,750,215	270,254	(1,796)	2,877,435	—	93,158	1,019	—	8,373,216	19,363,501

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2016, before the proposed final dividend, the Company had reserve of RMB8,373,216,000 (2015: RMB11,169,027,000).

40. RESERVES (Continued)

(b) The Company (Continued)

In addition, in accordance with the Company Law of the PRC, an amount of approximately RMB7,750,215,000 (2015: RMB7,750,215,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

(c) Nature and purposes of reserves

(i) Share premium

Share premium arised from the issuance of shares at prices in excess of their par value.

(ii) Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

(iii) Capital reserve

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

(iv) Merger reserve

The reserve arised from business combination involving entities under common control in June 2016.

(v) Statutory surplus reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

(vi) Safety fund reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

40. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(vii) General surplus reserve

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

(viii) Hedging reserve

Changes in the fair values of derivative financial instruments and hedged items are to be charged directly and transferred to hedging reserve.

(ix) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period.

(x) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(xi) Convertible bonds equity reserve

The convertible bonds equity reserve represents the equity component (conversion right) of the convertible bonds convertible in 2015.

(xii) Other reserve

The reserve arised from the acquisition of subsidiary under common control in April 2009.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Investment properties	**1,227,749**	1,226,464
Property, plant and equipment	**66,285**	70,532
Investments in subsidiaries	**16,123,374**	16,569,619
Investment in an associate	**150,000**	—
Investments in joint ventures	**229,198**	379,198
Loan receivables	**7,000,000**	10,000,000
Available-for-sale investments	—	29,455
	24,796,606	28,275,268
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,724,351**	10,469,015
Current portion of loan receivables	—	64,936
Cash and cash equivalents	**2,648,016**	375,221
	5,372,367	10,909,172
CURRENT LIABILITIES		
Other payables and accruals	**2,617,918**	2,220,676
Current portion of interest-bearing bank and other borrowings	—	824,680
	2,617,918	3,045,356
NET CURRENT ASSETS	**2,754,449**	7,863,816
TOTAL ASSETS LESS CURRENT LIABILITIES	**27,551,055**	36,139,084
EQUITY		
Issued capital	**4,032,033**	4,032,033
Reserves	**19,363,501**	22,159,312
TOTAL EQUITY	**23,395,534**	26,191,345
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	—	5,800,000
Bonds payable	**3,982,045**	3,978,488
Deferred tax liabilities	**173,476**	169,251
	4,155,521	9,947,739
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**27,551,055**	36,139,084

42. DIVIDEND IN SPECIE

In prior years, Dalian Tanker held 70% equity interest in each of Dalian Ocean Tower Hotel Co., Ltd. ("Tower Hotel") and Dalian Fengyuan Real Estate Development Co., Ltd. ("Fengyuan") and regarded them as non-wholly-owned subsidiaries. In 2015, there was a capital restructuring of Dalian Tanker and its subsidiaries (together "Dalian Tanker Group"). On 1 January 2015, Dalian Tanker distributed all equity interest held in Tower Hotel and Fengyuan and certain property, plant and equipment and other receivables (the "Other Assets") of Tower Hotel to a fellow subsidiary of Dalian Tanker. Upon the completion of the distribution in specie in 2015, total equity of the Group increased by RMB454,745,000.

The carrying amounts of the identified assets and liabilities of Tower Hotel and Fengyuan and the Other Assets at the date of distribution are as follows:

	Tower Hotel and Fengyuan RMB'000	Other Assets RMB'000	Total RMB'000
At 1 January 2015			
Non-current assets			
Investment properties	74,476	—	74,476
Property, plant and equipment	733,367	1,105	734,472
Prepaid land lease payments	45,588	—	45,588
Deferred tax assets	35,341	—	35,341
	888,772	1,105	889,877
Current assets			
Trade and other receivables	5,726	499,838	505,564
Other current assets	7,377	—	7,377
Cash and cash equivalents	67,381	—	67,381
	80,484	499,838	580,322
Current liabilities			
Other current liabilities	1,044,944	—	1,044,944
Non-current liabilities			
Other non-current liabilities	880,000	—	880,000
Net (liabilities)/assets	(955,688)	500,943	(454,745)
Non-controlling interests	254,900	—	254,900
Net (liabilities)/assets distributed on dividend in specie	(700,788)	500,943	(199,845)
Net cash outflow on dividend in specie:			
Cash and cash equivalents distributed	(67,381)	—	(67,381)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation from profit before tax to net cash generated from operating activities is as follows:

	2016	2015 (Restated)
	RMB'000	RMB'000
Profit before tax		
– from continuing operations	**1,520,888**	3,022,077
– from discontinued operation	**666,615**	(1,654,287)
Adjustments for:		
Finance costs	**1,023,506**	1,411,790
Interest income	**(88,239)**	(109,090)
Gain on revaluation of investment properties, net	**(1,212)**	(53,311)
Loss on disposal of property, plant and equipment, net	**317,778**	1,421,257
Gain on disposal of discontinued operation	**(966,852)**	—
Dividends received from available-for-sale investments	**(9,640)**	(23,442)
Gain on early redemption of convertible bonds	—	(4,386)
Gain on bargain purchase	—	(1,947)
Impairment losses on investments in joint ventures	—	193,971
Impairment losses on available-for-sale investments	—	37,324
Impairment losses on trade receivables	**19,209**	466
Impairment losses on other receivables	**25,089**	—
Depreciation of property, plant and equipment	**2,216,728**	2,458,017
Amortisation of prepaid land lease payments	**2,379**	1,469
Provision for onerous contracts	**413,877**	225,631
Share of profits of associates	**(285,789)**	(215,932)
Share of profits of joint ventures	**(91,516)**	(223,548)
Fair value gain on step acquisition of a subsidiary	**(6,603)**	—

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Reconciliation from profit before tax to net cash generated from operating activities is as follows: (Continued)

	2016	2015 (Restated)
	RMB'000	RMB'000
Operating profit before working capital changes	**4,756,218**	6,486,059
(Increase)/decrease in inventories	**(32,450)**	329,359
Increase in trade and bills receivables	**(81,675)**	(1,011,244)
Increase in prepayments	**(17,026)**	(39,356)
Increase in deposits and other receivables	**(9,985,095)**	(580,225)
Decrease in amounts due from associates	—	3,450
Increase in amounts due from joint ventures	**(96,445)**	(25,140)
Decrease/(increase) in amounts due from fellow subsidiaries	**82,934**	(2,168)
Decrease in amounts due from related companies	**16,997**	77,866
Increase in trade and bills payables	**360,334**	446,260
Increase in other payables	**17,261,890**	2,418,401
Increase in accruals	**62,833**	61,036
(Decrease)/increase in amount due to immediate holding company	**(80,816)**	63,169
Increase in amount due to an associate	**4**	—
Increase/(decrease) in amounts due to joint ventures	**1,700**	(4,539)
Increase/(decrease) in amounts due to fellow subsidiaries	**352,535**	(312,991)
Decrease in amounts due to related companies	**(185)**	(899)
Decrease in provision and other liabilities	**(209,121)**	(218,988)
(Decrease)/increase in employee benefits payable	**(5,160)**	6,175
Cash generated from operations	**12,387,472**	7,696,225
Income tax paid	**(322,484)**	(95,576)
Net cash generated from operating activities	**12,064,988**	7,600,649

44. BUSINESS COMBINATIONS

(a) Business combination involving entities under common control

On 29 March 2016, the Company acquired 100% equity interest in Dalian Tanker from China Ocean Shipping at a consideration of RMB6,629,408,800 which was settled on a net basis with the disposal of discontinued operation during the year (see note 7). The principal activities of Dalian Tanker were oil and LPG shipment along the PRC coast and international shipment. The financial statements of Dalian Tanker are consolidated by the Group as the Group has control over operating and financial policies of this entity.

As mentioned in note 2.2(a) to the consolidated financial statements, the Group has applied merger accounting as prescribed in Accounting Guideline 5 to account for the business combination involving entities under common control. Accordingly, Dalian Tanker has been combined since 1 January 2015, the earliest financial period presented, as if the acquisition had occurred at that time.

44. BUSINESS COMBINATIONS (Continued)

(a) Business combination involving entities under common control (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2016 and 2015 and 1 January 2015 are as follows:

	The Group excluding Dalian Tanker RMB'000	Dalian Tanker RMB'000	Adjustment RMB'000	Consolidated RMB'000
At 31 December 2016				
Non-current assets				
Investment in a subsidiary	6,629,409	—	(6,629,409)	—
Other non-current assets	34,232,653	14,814,708	—	49,047,361
	40,862,062	14,814,708	(6,629,409)	49,047,361
Current assets				
Other current assets	2,530,375	1,245,224	(1,165,722)	2,609,877
Cash and cash equivalents	4,868,030	1,496,553	—	6,364,583
	7,398,405	2,741,777	(1,165,722)	8,974,460
Current liabilities				
Other current liabilities	4,416,411	4,314,513	(1,165,722)	7,565,202
Net current assets/ (liabilities)	2,981,994	(1,572,736)	—	1,409,258
Total assets less current liabilities	43,844,056	13,241,972	(6,629,409)	50,456,619
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	6,378,153	(6,378,153)	4,032,033
Reserves	23,106,183	526,129	(251,256)	23,381,056
	27,138,216	6,904,282	(6,629,409)	27,413,089
Non-controlling interests	(25,132)	35,125	—	9,993
Total equity	27,113,084	6,939,407	(6,629,409)	27,423,082
Non-current liabilities				
Other non-current liabilities	16,730,972	6,302,565	—	23,033,537
Total equity and non-current liabilities	43,844,056	13,241,972	(6,629,409)	50,456,619

44. BUSINESS COMBINATIONS (Continued)

(a) Business combination involving entities under common control (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2016 and 2015 and 1 January 2015 are as follows: (Continued)

	The Group excluding Dalian Tanker	Dalian Tanker	Adjustment	Consolidated (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015				
Non-current assets				
Other non-current assets	61,912,752	13,362,106	2,484	75,277,342
Current assets				
Other current assets	4,380,012	1,062,048	(2,850)	5,439,210
Cash and cash equivalents	2,085,889	2,777,358	—	4,863,247
	6,465,901	3,839,406	(2,850)	10,302,457
Current liabilities				
Other current liabilities	10,129,192	3,961,540	(1,682)	14,089,050
Net current liabilities	(3,663,291)	(122,134)	(1,168)	(3,786,593)
Total assets less current liabilities	58,249,461	13,239,972	1,316	71,490,749
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	6,378,153	(6,378,153)	4,032,033
Reserves	21,665,173	(368,944)	6,378,956	27,675,185
	25,697,206	6,009,209	803	31,707,218
Non-controlling interests	825,997	36,877	—	862,874
Total equity	26,523,203	6,046,086	803	32,570,092
Non-current liabilities				
Other non-current liabilities	31,726,258	7,193,886	513	38,920,657
Total equity and non-current liabilities	58,249,461	13,239,972	1,316	71,490,749

44. BUSINESS COMBINATIONS (Continued)

(a) Business combination involving entities under common control (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2016 and 2015 and 1 January 2015 are as follows: (Continued)

	The Group excluding Dalian Tanker	Dalian Tanker	Adjustment	Consolidated (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015				
Non-current assets				
Other non-current assets	59,295,029	11,950,362	3,975	71,249,366
Current assets				
Other current assets	4,006,134	1,243,853	690	5,250,677
Cash and cash equivalents	2,449,240	1,997,851	—	4,447,091
	6,455,374	3,241,704	690	9,697,768
Current liabilities				
Other current liabilities	13,717,842	2,909,167	—	16,627,009
Net current (liabilities)/assets	(7,262,468)	332,537	690	(6,929,241)
Total assets less current liabilities	52,032,561	12,282,899	4,665	64,320,125
Equity				
Equity attributable to owners of the Company				
Issued capital	3,481,405	7,189,225	(7,189,225)	3,481,405
Reserves	18,347,595	(3,314,530)	7,192,864	22,225,929
	21,829,000	3,874,695	3,639	25,707,334
Non-controlling interests	818,729	(222,072)	—	596,657
Total equity	22,647,729	3,652,623	3,639	26,303,991
Non-current liabilities				
Other non-current liabilities	29,384,832	8,630,276	1,026	38,016,134
Total equity and non-current liabilities	52,032,561	12,282,899	4,665	64,320,125

44. BUSINESS COMBINATIONS (Continued)

(a) Business combination involving entities under common control (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2016 and 2015 and 1 January 2015 are as follows: (Continued)

The above adjustments represent adjustments to eliminate the paid-up capital of Dalian Tanker against the Group's investment cost in Dalian Tanker and current accounts between the Group and Dalian Tanker as at 31 December 2016 and 2015 and 1 January 2015 respectively and adjustments to achieve consistency of accounting policies.

(ii) The effect of the business combination involving entities under common control, described above, on the Group's basic and diluted earnings per share for the year ended 31 December 2015 is as follows:

	Impact on basic and diluted earnings per share RMB cents
As previously reported	10.49
Restatement arising from business combination involving entities under common control	19.21
Restated	29.70

(iii) The effect of business combination involving entities under common control, described above, on the Group's profit for the year for the year ended 31 December 2015 is as follows:

	RMB'000
As previously reported	489,755
Restatement arising from business combination involving entities under common control	767,978
Restated	1,257,733

44. BUSINESS COMBINATIONS (Continued)

(b) Business combination not involving entities under common control

(1) Step acquisition of a subsidiary in 2016

In prior years, the Group held 8% equity interest in Shenzhen Sanding and the investment was recognised as available-for-sale investments in the consolidated financial statements. On 22 August 2016, the Group entered into a sale and purchase agreement with another shareholder, 廣州振華船務有限公司 ("Guangzhou Zhenhua"), and pursuant to the sale and purchase agreement, the Group agreed to acquire the 43% equity interest held by Guangzhou Zhenhua in Shenzhen Sanding at a consideration of RMB251,981,000 (the "Step Acquisition").

Shenzhen Sanding is principally engaged in provision of oil transportation and vessel chartering services. The Group considers that the Step Acquisition provides a good opportunity to enlarge the Group's business scope.

As at 12 November 2016 (the "Acquisition Date"), the fair value of the Group's 8% equity interest in Shenzhen Sanding was RMB36,058,000. Compared with its carrying amount before valuation of RMB29,455,000, a fair value gain of RMB6,603,000 was recognised in other income and net gains during the year ended 31 December 2016.

Upon the completion of the Step Acquisition, the Company holds a total of 51% equity interest in Shenzhen Sanding which is regarded as a non-wholly-owned subsidiary of the Company and was consolidated into the Group during the year ended 31 December 2016.

44. BUSINESS COMBINATIONS (Continued)

(b) Business combination not involving entities under common control (Continued)

(1) Step acquisition of a subsidiary in 2016 (Continued)

(i) Fair value of identifiable assets and liabilities of Shenzhen Sanding as at the Acquisition Date were as follows:

	12 November 2016 RMB'000
Non-current assets	
Property, plant and equipment	448,599
Available-for-sale investments	193,526
Deferred tax assets	52,571
	694,696
Current assets	
Inventories	2,759
Trade and bills receivables	13,054
Prepayments, deposits and other receivables	80,161
Cash and cash equivalents	43,553
	139,527
Current liabilities	
Trade and bills payables	6,932
Other payables and accruals	4,507
Dividends payable	20,000
Current portion of interest-bearing bank and other borrowings	30,185
Tax payable	9,146
	70,770
Non-current liabilities	
Interest-bearing bank and other borrowings	271,665
Deferred tax liabilities	41,060
	312,725
Fair value of identifiable net assets acquired	450,728
Non-controlling interests	(220,857)
Fair value of identifiable net assets attributable to the equity interest acquired by the Group	229,871

44. BUSINESS COMBINATIONS (Continued)

(b) Business combination not involving entities under common control (Continued)

(1) Step acquisition of a subsidiary in 2016 (Continued)

(ii) Goodwill arising from the Step Acquisition

	RMB'000
Consideration satisfied by:	
Fair value of the Group's 8% equity interest in Shenzhen Sanding	**36,058**
Cash paid	**249,577**
Payable to Guangzhou Zhenhua	**2,404**
Total consideration	**288,039**
Less: fair value of identifiable net assets attributable to the equity interest acquired by the Group	**(229,871)**
Goodwill	**58,168**

No acquisition-related costs arising from the Step Acquisition have been incurred.

Goodwill arose from these acquisitions because the cost of the economy of scale could be achieved upon completion of the acquisition. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the above companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of goodwill arising from the Step Acquisition is expected to be deductible for tax purposes.

(iii) Net cash outflow on the Step Acquisition

	RMB'000
Consideration paid by cash	**249,577**
Cash and cash equivalents of the subsidiary acquired	**(43,553)**
Net cash outflow on the Step Acquisition	**206,024**

44. BUSINESS COMBINATIONS (Continued)

(b) Business combination not involving entities under common control (Continued)

(1) Step acquisition of a subsidiary in 2016 (Continued)

(iv) Impact of the Step Acquisition on the results of the Group

Shenzhen Sanding contributed RMB24,418,000 to turnover and profit of RMB5,557,000 to the Group's results for the year ended 31 December 2016.

Had the Step Acquisition been effected on 1 January 2016, Shenzhen Sanding would have contributed RMB194,066,000 to turnover and profit of RMB92,986,000 to the Group's results for the year ended 31 December 2016. This pro-forma information is for illustration purposes and should not be viewed as an indication of the result of operations that would have occurred if the Step Acquisition had been completed on 1 January 2016.

(2) Acquisition of a subsidiary in 2015

On 1 July 2015, the Group acquired 100% equity interest in Shanghai Huitong Shipping Services Co., Limited ("Shanghai Huitong") through Bulk Carrier at a consideration of RMB96,200. Shanghai Huitong is principally engaged in provision of vessels repair services.

(i) Fair value of identifiable assets and liabilities of Shanghai Huitong as at the date of acquisition were as follows:

	1 July 2015 RMB'000
Non-current assets	
Property, plant and equipment	4,595
Deferred tax assets	850
	5,445
Current assets	
Inventories	1,439
Trade and other receivables	14,429
Cash and cash equivalents	2,879
	18,747
Current liabilities	
Trade and other payables	22,149
Fair value of identifiable net assets acquired	2,043

44. BUSINESS COMBINATIONS (Continued)

(b) Business combination not involving entities under common control (Continued)

(2) Acquisition of a subsidiary in 2015 (Continued)

(ii) Gain on bargain purchase arising from acquisition

	RMB'000
Consideration satisfied by:	
Cash paid	96
Less: fair value of identifiable net assets attributable to the equity interest acquired by the Group	(2,043)
Gain on bargain purchase	(1,947)

No acquisition-related costs arising from acquisition have been incurred.

Gain on bargain purchase of RMB1,947,000 was recognised upon the completion of the acquisition of Shanghai Huitong. All the gain on bargain purchase was recognised in the other income and net losses of the discontinued operation for the year ended 31 December 2015.

(iii) Net cash inflow on acquisition of a subsidiary

	RMB'000
Consideration paid by cash	96
Cash and cash equivalents of the subsidiary acquired	(2,879)
Cash inflow on acquisition	(2,783)

Shanghai Huitong was no longer a subsidiary of the Group as at 30 June 2016 arising from the discontinued operation.

45. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY WITHOUT CHANGE OF CONTROL

Pursuant to equity transfer agreement which was effective on 6 November 2015, the Group acquired additional 49% equity interest in CS Puyuan Marine Co., Limited ("CS Puyuan"), through China Shipping Development (Hong Kong) Marine Co., Limited ("CSDHK"), a wholly-owned subsidiary of the Company. Upon the completion of the transaction in 2015, CS Puyuan became an indirect wholly-owned subsidiary of the Company.

The details of the changes in the equity interest in the subsidiary in 2015 are summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	(4,190)
Waive of loan from non-controlling interests	116,859
Consideration received from non-controlling interests	37,302
Excess of consideration received over carrying amount	149,971

The excess of consideration received from non-controlling interests over the carrying amount of non-controlling interests acquired of RMB149,971,000 had been credited to equity attributable to owners of the Company for the year ended 31 December 2015.

CS Puyuan was no longer a subsidiary of the Group as at 30 June 2016 arising from the discontinued operation.

46. PENSION AND ENTERPRISE ANNUITY SCHEMES

(a) The PRC (other than Hong Kong)

(i) Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 19% to 20% (2015: 18% to 22%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the year ended 31 December 2016 amounted to RMB77,277,000 (2015: RMB88,482,000).

(ii) Enterprise annuity scheme

In 2008, the representatives of the Group's Labour Union and the Board resolved to approve and adopt an enterprise annuity scheme. Pursuant to the annuity scheme the employer's contributions will be 5% of the total staff costs of the previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2008. Under the scheme, actual amount incurred as labour costs for the year ended 31 December 2016 amounted to RMB15,452,000 (2015: RMB7,505,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(b) Hong Kong

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% (2015: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year ended 31 December 2016 amounted to RMB594,000 (2015: RMB1,015,000).

47. CONTINGENT LIABILITIES

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

Since Dalian Tanker had been insured, all compensations will be borne by the insurance companies, according to the membership certificate underwriting agreement. On 10 November 2016, one of the insurance companies paid Dirham24 million (approximately RMB16 million) to the dock authority for settlement. The case was resolved after the Group settled such amount.

(ii) In August 2011, one of the Group's cargo vessels "Bihuashan" collided with "Li Peng 1", which caused "Li Peng 1" to sink afterwards. The Group has set up a Limitation of Liability for Maritime Claims Fund amounting to RMB22,250,000. Since the Group had been insured, all compensation will be borne by the insurance company. As at 31 December 2016, such contingent liability has been removed as a result of the operation discontinued on 30 June 2016.

(iii) In January 2012, fuel leakage occurred in one of the Group's tanker "Daiqing 75" during its voyage in Bohai Sea of the PRC. As at 30 June 2015, claims on damage caused by the fuel leakage amounted to an aggregate of RMB19,370,000 plus court costs. Of which, RMB11,250,000 had been fully settled by insurance companies. Since the Company had been insured with PICC Property and Casualty Company Limited and West of England Insurance Services (Luxembourg) S.A., all compensation will be borne by the insurance companies. On 24 July 2015, the court announced the final claims on damage to be RMB4,000,000 and the Group agreed to settle the issues concerned with the amount. The fuel leakage incident in relation to the "Daiqing 75" tanker was resolved after the Group settled such amount.

(iv) ELNG holds 30% equity interest in each of Aquarius LNG and Gemini LNG, and NLNG holds 30% equity interest in each of Capricorn LNG and Aries LNG. Each of these four companies above entered into ship building contracts for the construction of one LNG vessel. After the completion of the LNG vessels, the four companies would, in accordance with time charters agreements to be signed, lease the LNG vessels to the following charterers:

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

47. CONTINGENT LIABILITIES (Continued)

(iv) (Continued)

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8,200,000 (approximately RMB56,883,000).

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

(v) On 9 March 2013, one of the Group's cargo vessels "CSB Talent" had a broken bollard caused by strong wind at the dock and collided with several parked vessels nearby, which resulted in damage of the floating dock and other facilities. In March 2014, claims on damage caused by the collision amounted to an aggregate of RMB173,865,000. Since the Company had been insured with PICC Property and Casualty Company Limited (Guangzhou Branch) and The London Steam Ship Owners Mutual Insurance Association Limited, all compensation will be borne by the insurance companies. As at 31 December 2016, such contingent liability has been removed as a result of the operation discontinued on 30 June 2016.

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

(vii) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Company for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (approximately RMB3,399,130,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Company under the owner's guarantees is limited to USD6,400,000 (approximately RMB44,397,000).

47. CONTINGENT LIABILITIES (Continued)

(viii) At the 2015 sixth Board meeting on 28 April 2015, the Company approved Bulk Carrier to guarantee not more than 50% of the total debt of Guangzhou Shipping, including loan and accrued interest limited to approximately RMB26,250,000, where the guarantee was unconditional and non-cancellable. The guarantee was derecognised on 30 June 2016 resulting from the discontinued operation.

48. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial period of one to twenty (2015: one to three) years.

As at 31 December 2016, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Within one year	1,433,392	719,521
In the second to fifth years, inclusive	1,018,668	318,640
Over five years	3,322,649	—
	5,774,709	1,038,161

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels and buildings. The leases are negotiated for an initial period of one to fifteen (2015: one to fifteen) years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 (Restated) RMB'000
Within one year	771,689	1,309,829
In the second to fifth years, inclusive	2,185,076	2,780,765
Over five years	2,402,422	3,125,267
	5,359,187	7,215,861

49. CAPITAL COMMITMENTS

	Note	2016 RMB'000	2015 (Restated) RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**8,891,396**	12,148,434
Project investments	(ii)	**655,930**	696,341
Equity investments	(iii)	—	777,517
		9,547,326	13,622,292

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2017 to 2018.

(ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects held by CLNG.

(iii) Included in capital commitments in respect of equity investments are commitments to invest in China Ore Shipping and Shenhua Zhonghai. The capital commitments were derecognised on 30 June 2016 resulting from the discontinued operation.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB121,969,000 (2015: RMB121,975,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,267,070,000 (2015: RMB2,929,925,000).

50. RELATED PARTY TRANSACTIONS

Transactions entered into the ordinary course of business between the Group and China Shipping and its subsidiaries other than the Group (together "China Shipping Group"), fellow subsidiaries other than subsidiaries of China Shipping, associates and joint ventures of the Group as well as other related parties for the year ended 31 December 2016, which are also considered by the directors of the Company as related party transactions, are as follows:

(1) In October 2012, the Company entered into a services agreement with China Shipping which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 18 December 2012. Pursuant to the services agreement, China Shipping Group and its joint ventures agreed to provide necessary supporting shipping materials and services for the ongoing operations of the oil transportation business and dry bulk cargo transportation business including dry-docking and repair services, supply of lubricating oil, fresh water, raw materials, bunker oil as well as other services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The services agreement will be effective for a term of three years commencing from 1 January 2013 to 31 December 2015. The fees for the supporting shipping materials and services payable by the Group to China Shipping Group and its joint ventures will be determined by reference to, depending on applicability and availability, the state-fixed price, market price or cost.

In September 2015, the Company entered into a new services agreement with China Shipping which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 28 December 2015. Pursuant to the new services agreement, China Shipping Group and its joint ventures will continue to provide the Group with similar materials and services provided for in the services agreement entered into in October 2012 for a further three years commencing from 1 January 2016 to 31 December 2018.

In addition, included in the new services agreement the management services of sea crew provided by China Shipping Group and its joint ventures has covered two services agreements entered between Bulk Carrier and COSCO SHIPPING Tanker (Shanghai) Co., Ltd. (formerly known as China Shipping Tanker Co., Limited) ("Shanghai Tanker"), a wholly-owned subsidiary of the Company, and China Shipping International Ship Management Co., Ltd. ("CSISM"), a wholly-owned subsidiary of China Shipping, in April 2014 (details are outlined in note 50(2) below).

Except for the management services of sea crew included in the new services agreement, there is no significant changes in the major terms compared to the services agreement entered into in October 2012.

50. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

Further details of the principal amounts paid by the Group to China Shipping Group and its joint ventures in respect of the services agreement for the year are set out below:

	Pricing basis	2016 Total value RMB'000	2015 Total value RMB'000
Supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats	Market prices	**1,115,222**	2,342,506
Oil removal treatment, maintenance, telecommunication and navigational services	State-fixed prices	**92,259**	63,776
Dry-docking, repairs, special coating and technical improvements of vessels	State-fixed prices or market prices	**32,789**	79,926
Management services of sea crew	Market prices	**902,638**	—
Accommodation, lodging, medical services and transportation for employees	State-fixed prices or market prices	**—**	—
Agency commissions	Market prices	**60,201**	74,522
Services fees on sale and purchase of vessels, accessories and other equipment	Market prices	**—**	4,811
Miscellaneous management services	Market prices	**12,140**	27,923

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to it fellow subsidiaries and joint ventures of China Shipping from time to time.

50. RELATED PARTY TRANSACTIONS (Continued)

(2) In April 2014, CSISM entered into two services agreements with Bulk Carrier and Shanghai Tanker respectively which both services agreements became effective subsequent to the approval by independent shareholders at the annual general meeting held on 6 June 2014. Pursuant to the services agreements, CSISM agreed to provide to the Group the sea crew management services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The fees for the sea crew management services payable by the Group to CSISM will be determined by reference to market price.

The new services agreement outlined in note 50(1) above entered between the Company and China Shipping Group and its joint ventures has covered the above mentioned sea crew management services of which the new services agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018.

During the year ended 31 December 2016, no crew management fee was paid to CSISM under these two services agreements (2015: RMB1,245,832,000).

(3) On 28 April 2016, Dalian Tanker entered into a materials and services framework agreement with COSCO Shipping which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the materials and services framework agreement, COSCO Shipping and its subsidiaries other than the Group (together "COSCO Shipping Group") agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services I") to Dalian Tanker Group and also Dalian Tanker Group agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services II") to COSCO Shipping Group. The materials and services framework agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. The prices for both the Agreed Supplies and Services I provided by COSCO Shipping Group to Dalian Tanker Group and the Agreed Supplies and Services II provided by Dalian Tanker Group to COSCO Shipping Group will be determined by reference to the prevailing market price and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in the PRC or overseas (as the case may be) and the price charged to independent third parties by COSCO Shipping Group or Dalian Tanker Group (as the case may be) in the most recent transaction of a similar nature.

50. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Further details of the principal amounts paid by Dalian Tanker Group to COSCO Shipping Group in respect of the Agreed Supplies and Services I for the year are set out below:

	Pricing basis	2016 Total value RMB'000	2015 Total value (Restated) RMB'000
Supply of materials and fuels, mainly including fresh water, bunker oil and spare parts	Market prices	**727,048**	913,460
Telecommunication and navigational services	Market prices	**19**	—
Dry docking, repairs, special coating, technical improvements of vessels	Market prices	**9,518**	15,122
Vessels and shipping agency	Market prices	**28,130**	17,785
Service on sale and purchase of vessels, accessories and other equipment	Market prices	—	—
Other miscellaneous management services	Market prices	**3,782**	5,217

Further details of the principal amounts received by Dalian Tanker Group from COSCO Shipping Group in respect of the Agreed Supplies and Services II for the year are set out below:

	Pricing basis	2016 Total value RMB'000	2015 Total value (Restated) RMB'000
Supply of shipping materials	Market prices	**9,089**	—
Telecommunication and navigational services	Market prices	**343**	467
Management services of sea crew	Market prices	—	—
Accommodation, lodging, medical services and transportation for employees	Market prices	—	—

50. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

There are certain overlapping supplies and services between the Agreed Supplies and Services I and the Agreed Supplies and Services II (mainly including the supply of shipping materials and provision of telecommunication and navigational services). It is mainly because when the vessel from one group is at a place where it is not able or not economical to receive such supplies or services from its own group due to geographic limitation, it may purchase such supplies or services from another group according to actual circumstances. Such arrangement can benefit both groups to reduce their operational costs and achieving synergy.

(4) In addition to the related party transactions outlined in notes 50(1) to 50(3) above, details of the Group's related party transactions with China Shipping Group, COSCO Shipping Group, associates and joint ventures of the Group and other related companies for the year are as follows:

	Note	**2016** **RMB'000**	2015 (Restated) RMB'000
Shipment income		**34,070**	114,633
Vessel chartering income		**157,297**	246,913
Vessel chartering charges	(i)	**144,941**	202,947
Sale of vessels		—	195,113
Construction of vessels	(ii)	**603,066**	806,216
Vessel management income		**2,083**	6,341
Vessel management expenses		**35,504**	18,167
Technical services income		**1,430**	5,232
Sale of materials		—	56,509
Rental income, including business tax and surcharge	(iii)	**23,888**	27,675
Rental expenses	(iii)	**11,561**	14,078
Interest income from associates		**28,095**	46,665
Interest income from joint ventures		**8,229**	5,382
Interest income from fellow subsidiaries		**9,539**	—
Loan interest payment	(iv)	**175,722**	338,697

50. RELATED PARTY TRANSACTIONS (Continued)

(4) (Continued)

Note:

The Group has entered into the following agreements:

(i) On 21 November 2013, Bulk Carrier entered into two bareboat charters agreements with Dalian Shipping Group Co., Limited ("Dalian Shipping"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease two dry bulk vessels, namely "Qing Feng Ling" and "Shi Long Ling", from Dalian Shipping for a term of three years commencing from 1 December 2013 to 30 November 2016. The annual aggregate charter payment for each of the bareboat charters agreement is RMB12,154,500. The agreements were ended on 30 June 2016 resulting from the discontinued operation.

On 15 April 2014, China Shipping Bulk Carrier (Hong Kong) Co., Limited ("CS Bulk Carrier (HK)"), a former indirect and wholly-owned subsidiary of the Company, entered into four bareboat charters agreements with Dong Fang International Asset Management Limited ("Dong Fang"), an indirect wholly-owned subsidiary of China Shipping, whereby CS Bulk Carrier (HK) will lease four dry bulk vessels from Dong Fang for a term of ten years commencing from the date of delivery of the respective dry bulk vessels to CS Bulk Carrier (HK). The annual charter payment for each bareboat charters agreement is USD2,499,780. Two dry bulk vessels under two separate bareboat charters agreements were delivered to CS Bulk Carrier (HK) in October 2015 and February 2016 respectively. The agreements were ended on 30 June 2016 resulting from the discontinued operation.

On 29 April 2015, Bulk Carrier entered into a framework agreement with China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. ("CS Haisheng"), a non-wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease six dry bulk vessels from CS Haisheng for a term of eight months commencing from 1 May 2015 to 31 December 2015. The aggregate charter payment under the framework agreement for the eight months shall be no more than RMB70,000,000.

On 29 April 2015, Bulk Carrier entered into three bareboat charters agreements with China Shipping Industry Co., Ltd. ("CS Industry"), a wholly-owned subsidiary of China Shipping, whereby Bulk Carrier will lease three dry bulk vessels from CS Industry for a term of eight months commencing from 1 May 2015 to 31 December 2015. The aggregate charter payment under the three bareboat charters agreements for the eight months shall be no more than RMB15,000,000.

Other remaining vessel chartering charges represented number of transactions during the year ended 31 December 2016.

(ii) On 28 September 2010, the Company entered into twelve agreements with CS Industry and China Shipping Industry (Jiangsu) Co., Ltd. ("CS Industry (Jiangsu)"), two wholly-owned subsidiaries of China Shipping, for the construction of twelve dry bulk vessels. The total consideration for the construction of the dry bulk vessels is RMB2,553,600,000. The construction of six dry bulk vessels was completed in prior years and the construction of remaining six dry bulk vessels was completed in 2015.

On 23 December 2014, Bulk Carrier entered into an assignment agreement with CS Industry, CS Industry (Jiangsu) and 廣州振興船務有限公司 ("廣州振興"), of which 廣州振興 is a wholly-owned subsidiary of China Shipping, pursuant to which 廣州振興 conditionally agreed to assign and Bulk Carrier conditionally agreed to accept the assignment of all of the 廣州振興's rights and obligations under a construction agreement dated 28 September 2010 to engage CS Industry and CS Industry (Jiangsu) for the construction of a dry bulk vessel. The total consideration for the construction of the dry bulk vessel is RMB158,000,000. The construction of the dry bulk vessel was completed in 2015.

Other remaining amounts represented number of transactions during the year ended 31 December 2016.

50. RELATED PARTY TRANSACTIONS (Continued)

(4) (Continued)

Note: (Continued)

The Group has entered into the following agreements: (Continued)

(iii) On 29 March 2016, the Company entered into a property lease framework agreement with China Shipping, whereby the Group will continue to provide China Shipping Group and its associates (which associates has the meaning as defined thereto under the Listing Rules and thus including China Ocean Shipping and its subsidiaries) with property and land use right leasing services as well as receive such services from China Shipping Group and its associates. The property lease framework agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. Both parties may renew the property lease framework agreement on terms and conditions agreed upon by both parties within three months before the expiration of the property lease framework agreement. The rental income received from and rental expenses paid to China Shipping Group and its associates were determined with reference to the prevailing market price.

Other remaining rental income and expenses represented number of transactions during the year ended 31 December 2016.

(iv) On 30 March 2010, the Company entered into a loan agreement with CS Finance whereby CS Finance provided a loan in the amount up to RMB1,500,000,000 to the Company for the construction of twenty-two dry bulk vessels. The loan has a term of five years commencing from 1 April 2010 to 1 April 2015. The annual interest rate of the loan is 10% discount to the 5-year term PBC Benchmark interest rate on the drawdown date, and the interest rate will be adjusted annually. Two loan assignment agreements were entered by the Company with Bulk Carrier and China Shipping Bulk Carrier (Shanghai) Co., Limited ("Bulk Carrier Shanghai"), two former wholly-owned subsidiaries of the Company, on 31 May 2012. Pursuant to the loan assignment agreements, the Company has assigned the outstanding loan balances on that date under the loan agreement dated 30 March 2010 of RMB436,560,000 and RMB109,140,000 (totalling RMB545,700,000) to Bulk Carrier and Bulk Carrier Shanghai respectively. The loan assigned to Bulk Carrier was early repaid in 2013 and the loan assigned to Bulk Carrier Shanghai was fully repaid on 1 April 2015.

On 8 August 2011, the Company entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB3,000,000,000 to the Company. The entrusted loan has a term of seven years commencing from 9 August 2011 to 8 August 2018. The interest rate of the entrusted loan is at fixed rate of 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum. A supplementary agreement was signed on 20 March 2015 and pursuant to the supplementary agreement, the interest rate of the entrusted loan was revised from fixed rate of 6.51% to 6.15% per annum. The loan was early repaid during the year ended 31 December 2016.

On 25 June 2012, Shanghai Jiahe Shipping Co., Limited ("Shanghai Jiahe"), a former indirect and non-wholly-owned subsidiary of the Company, entered into a loan agreement with CS Finance whereby CS Finance provided a loan in the amount of RMB53,600,000 with a term of ten years to Shanghai Jiahe. The loan is used to finance the construction of two dry bulk vessels. The interest rate of the loan is at 5% discount to the PBC Benchmark interest rate per annum. In March 2013, a further drawdown of RMB4,000,000 was made by Shanghai Jiahe from CS Finance. RMB8,500,000 was repaid during the year ended 31 December 2016. The loan was derecognised on 30 June 2016 resulting from the discontinued operation.

On 30 June 2014, CSDHK entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of USD100,000,000 to CSDHK. The entrusted loan has a term of three years and the interest rate of the entrusted loan is at 6-month Libor plus 2.50% per annum. The loan was early repaid during the year ended 31 December 2016.

Other remaining interest expenses represented number of transactions during the year ended 31 December 2016 and were recognised in profit or loss as finance costs.

50. RELATED PARTY TRANSACTIONS (Continued)

(5) In October 2012, the Company entered into a financial services framework agreement with CS Finance which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 18 December 2012. Pursuant to the financial services framework agreement, China Shipping may procure CS Finance to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission. The financial services framework agreement will be effective for a term of three years commencing from 1 January 2013 to 31 December 2015 and will be automatically renewed for another three years commencing from 1 January 2016 to 31 December 2018 unless either party chooses not to renew the financial services framework agreement.

In September 2015, the Company entered into a new financial services framework agreement with CS Finance which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting on held on 28 December 2015. Pursuant to the new financial services framework agreement, CS Finance will continue to provide the Group with similar services provided for in the financial services framework agreement entered into in October 2012 for a further three years commencing from 1 January 2016 to 31 December 2018. The new financial services framework agreement will be automatically renewed for another three years commencing from 1 January 2019 to 31 December 2021 unless either party chooses not to renew the new financial services framework agreement.

(6) On 28 April 2016, Dalian Tanker entered into a financial services framework agreement with COSCO Finance, which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the financial services framework agreement, COSCO Finance will provide Dalian Tanker Group with a range of financial services including (i) deposit services; (ii) loan and financing lease services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission. The financial services framework agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018.

(7) Outstanding balances with related parties

Details of the Group's current account and loan balances with its related parties as at the end of the reporting period are disclosed in notes 23, 27, 28, 29, 30, 31 and 34 to the consolidated financial statements.

(8) Details of the emoluments of key management personnel, including directors, supervisors and senior management, are included in note 12 to the consolidated financial statements.

The related party transactions as disclosed in paragraphs (1) to (6), also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Main Board Listing Rules.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, derivative financial instruments and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2016, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB8,957,000 lower/higher (2015: RMB12,951,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the directors of the Company are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2016 and 2015.

The Group's exposures to interest rate risk also arises from its borrowings. Loan receivables and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the capital market conditions and certain interest rate swap agreements with banks have been used to achieve optimum ratio between fixed and floating rates borrowings.

As at 31 December 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB150,432,000 (2015: RMB267,561,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

(iii) Price risk

As at 31 December 2016, the Group's certain available-for-sale investments amounted to RMB187,542,000 (2015: RMBnil) as disclosed in note 24 to the consolidated financial statements are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. Since the amounts of such investments are insignificant to the Group, the directors of the Company are of opinion that the Group is not exposed to any significant equity security price risk as at 31 December 2016 and 2015. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stakeholding decisions.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and impairment of other receivables as set out in notes 27 and 28 to the consolidated financial statements.

As at 31 December 2016, trade and bills receivables due from the top five debtors amounted to RMB401,980,000 (2015: RMB507,494,000), representing 33% (2015: 18%) of the total trade and bills receivables.

As at 31 December 2016 and 2015, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the directors of the Company are of the opinion that there is no significant credit risk on such assets being exposed.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities.

The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

		Contractual undiscounted cash flows			
	Carrying amount RMB'000	Total RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000
At 31 December 2016					
Trade and bills payables	**1,349,984**	**1,349,984**	**1,349,984**	—	—
Other payables and accruals (excluding interest payable)	**1,051,245**	**1,051,245**	**1,051,245**	—	—
Interest payable in relation to borrowings and bonds	**101,782**	**101,782**	**101,782**	—	—
Derivative financial instruments	**474,988**	**474,988**	—	—	**474,988**
Interest-bearing bank and other borrowings	**21,506,442**	**24,051,314**	**5,270,698**	**4,712,257**	**14,068,359**
Other loans	**1,052,071**	**1,448,767**	**6,616**	**286,853**	**1,155,298**
Bonds payable	**3,982,045**	**4,988,050**	**202,550**	**202,550**	**4,582,950**
	29,518,557	**33,466,130**	**7,982,875**	**5,201,660**	**20,281,595**
At 31 December 2015 (restated)					
Trade and bills payables	1,477,972	1,477,972	1,477,972	—	—
Other payables and accruals (excluding interest payable)	896,395	896,395	896,395	—	—
Interest payable in relation to borrowings and bonds	269,097	269,097	269,097	—	—
Derivative financial instruments	415,643	415,643	4,258	—	411,385
Interest-bearing bank and other borrowings	43,475,750	46,923,046	12,389,053	8,796,159	25,737,834
Other loans	1,199,539	1,354,083	12,600	578,530	762,953
Obligations under finance leases	402,754	469,808	65,389	65,358	339,061
Bonds payable	3,978,488	5,190,600	202,550	202,550	4,785,500
	52,115,638	56,996,644	15,317,314	9,642,597	32,036,733

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	**187,542**	—	—	**187,542**
Financial liabilities:				
Derivative financial instruments	—	**474,988**	—	**474,988**
At 31 December 2015 (restated)				
Financial liabilities:				
Derivative financial instruments	—	415,643	—	415,643

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the listed equity investments are based on the current bid price.

The fair value of interest rate swap agreements as derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

52. CAPITAL 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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans, obligations under finance leases and bonds payable less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2016 is as follows:

	2016	2015
		(Restated)
	RMB'000	RMB'000
Total debts	**26,540,558**	49,056,531
Less: cash and cash equivalents	**(6,364,583)**	(4,863,247)
Net debt	**20,175,975**	44,193,284
Total equity	**27,423,082**	32,570,092
Net debt-to-equity ratio	**74%**	136%

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2016, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Class of shares in issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
Shanghai Tanker	The PRC Limited liability company	RMB1,666,666,600	Ordinary	**100%**	100%	–	–	Oil transportation and vessel chartering
Dalian Tanker (note i)	The PRC Limited liability company	RMB6,378,152,557	Ordinary	**100%**	100%	–	–	Oil transportation and vessel chartering
Shenzhen Sanding (note ii)	The PRC Limited liability company	RMB299,020,000	Ordinary	**51%**	8%	–	–	Oil transportation and vessel chartering
COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. (formerly known as China Shipping LNG Investment Co., Ltd.)	The PRC Limited liability company	RMB100,000,000	Ordinary	**100%**	100%	–	–	Investment holding
CSDHK	Hong Kong Limited liability company	USD100,000,000	Ordinary	**100%**	100%	–	–	Investment holding
ELNG	Hong Kong Limited liability company	USD5,000,000	Ordinary	**70%**	70%	–	–	Investment holding
NLNG	Hong Kong Limited liability company	USD5,000,000	Ordinary	**90%**	90%	–	–	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd. (formerly known as China Shipping Development (S) Marine Pte. Ltd.)	Singapore Limited liability company	USD2,000,000	Ordinary	**100%**	100%	–	–	Oil transportation and vessel chartering
China Energy	Hong Kong Limited liability company	USD5,000,000	Ordinary	–	–	**51%**	51%	Investment holding
Bulk Carrier (note vi)	The PRC Limited liability company	RMB4,300,000,000	Ordinary	–	100%	–	–	Dry bulk transportation and vessel chartering
Bulk Carrier Shanghai (note vi)	The PRC Limited liability company	RMB1,000,000,000	Ordinary	–	–	–	100%	Dry bulk transportation and vessel chartering
China Shipping Bulk Carrier (Wuhan) Co., Ltd. (note vi)	The PRC Limited liability company	RMB100,000,000	Ordinary	–	–	–	100%	Dry bulk transportation and vessel chartering
Guangzhou Jinghai Shipping Co., Limited (note vi)	The PRC Limited liability company	RMB130,000,000	Ordinary	–	–	–	51%	Dry bulk transportation and vessel chartering
Shanghai Jiahe (note vi)	The PRC Limited liability company	RMB240,000,000	Ordinary	–	–	–	51%	Dry bulk transportation and vessel chartering

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2016, particulars of the Group's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and operations/ legal status	Issued/ registered capital	Class of shares in issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2016	2015	2016	2015	
Shanghai Huitong (note iii and vi)	The PRC Limited liability company	RMB200,000	Ordinary	–	–	–	100%	Vessel repair services
Shanghai Yinhua Shipping Co., Limited (note vi)	The PRC Limited liability company	RMB200,000,000	Ordinary	–	–	–	51%	Dry bulk transportation and vessel chartering
Tianjin Zhonghai Huarun Marine Co., Limited (note vi)	The PRC Limited liability company	RMB768,000,000	Ordinary	–	–	–	51%	Dry bulk transportation and vessel chartering
Hai Bao (note v and vi)	Hong Kong Limited liability company	USD8,000,000	Ordinary	–	–	–	51%	Investment holding
CS Puyuan (note iv and vi)	Hong Kong Limited liability company	USD19,000,000	Ordinary	–	–	–	100%	Investment holding
China Shipping Bulk Carrier (Hong Kong) Wylex Co., Limited (note vi)	Hong Kong Limited liability company	HKD100,000	Ordinary	–	–	–	100%	Dry bulk transportation and vessel chartering
CS Bulk Carrier (HK) (note vi)	Hong Kong Limited liability company	HKD100,000 and USD3,000,000	Ordinary	–	–	–	100%	Dry bulk transportation and vessel chartering

Note:

(i) The subsidiary was acquired from business combination involving entities under common control during the year ended 31 December 2016 (see note 44(a)).

(ii) On 12 November 2016, the Group acquired additional 43% equity interest in Shenzhen Sanding (see note 44(b)).

(iii) On 1 July 2015, the Group acquired 100% equity interest in Shanghai Huitong through Bulk Carrier (see note 44(b)).

(iv) On 6 November 2015, the Group acquired additional 49% equity interest in CS Puyuan through CSDHK (see note 45).

(v) On 31 December 2015, the Company had disposed of its 51% equity interest in Hai Bao to Bulk Carrier.

(vi) These companies were no longer subsidiaries of the Group as at 30 June 2016 arising from the discontinued operation.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The directors of the Company considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

54. EVENTS AFTER THE REPORTING PERIOD

On 20 January 2017, the Board announced that the Company entered into an capital contribution agreement with China Shipping and COSCO SHIPPING Development, pursuant to which all three parties agreed to have capital contributions by way of cash in proportion to their existing shareholdings in CS Finance. As a result, the Company will contribute RMB150 million to CS Finance as capital injection. Upon the completion of the capital contribution, the registered capital of CS Finance will be increased to RMB1,200 million while the equity interest holds by the Company in CS Finance remains at 25%. The Board considered that making a further capital contribution to CS Finance will bring considerable economic benefits to the Company.

55. COMPARATIVE FIGURES

Certain comparative figures have been re-presented as a result of the application of merger accounting due to the business combination involving entities under common control and the operation discontinued on 30 June 2016.

CORPORATE INFORMATION

Legal name:	中遠海運能源運輸股份有限公司
English name:	COSCO SHIPPING Energy Transportation Co., Ltd.*
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, The People's Republic of China
Postal Code:	200120
Tel:	(8621) 65967678
Fax:	(8621) 65966160
Place of business in Hong Kong:	20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Sun Jiakang
Company secretary:	Ms. Yao Qiaohong
Unified Social Credit Code:	91310000132212734C
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	Baker Tilly Hong Kong Limited 2th Floor, 625 King's Road North Point, Hong Kong
PRC auditor:	Baker Tilly China Certified Public Accountants LLP No. 19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, the PRC

* For identification purpose only

Legal advisors:	Grandall Law Firm (Shanghai Office) 23-25th floor, Garden Square 968 West Beijing Road, Shanghai, The People's Republic of China
	Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138
	A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Office of the Board of Directors COSCO SHIPPING Energy Transportation Co., Ltd. 18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, The People's Republic of China
Company's website:	www.coscoshippingenergy.com

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sun Jiakang

Mr. Sun Jiakang, born in March 1960 and aged 57. He is currently an executive director and the chairman of the Company and the Strategy Committee of the Board, and the Vice President and Deputy Secretary of Party Committee of China COSCO Shipping Corporation Limited. Mr. Sun is currently also the chairman of COSCO SHIPPING Specialized Carriers Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code 600428)). Mr. Sun was an executive director and the chairman of COSCO International Holdings Limited (where its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 0517)) from September 2013 to March 2016. He was formerly the vice Deputy Head of Shipping Division of COSCO Tianjin, the Deputy Manager (and later the Manager) of Container Transport Division III, Manager of Container Transport Division II of COSCO Container Lines Headquarters, General Manager of Transportation Division of COSCO Group, Assistant to the President of COSCO Group, Spokesperson of COSCO Group, Executive Vice President of COSCO Hong Kong (Group) Ltd., Vice-Chairman and President of COSCO Pacific Co., Ltd, Executive Vice President and Deputy Secretary of The CPC Committee of China COSCO Holdings Company Limited, President of COSCO Container Lines Co., Ltd., Deputy Secretary of the CPC Committee of COSCO Container Lines Ltd. He also worked as the Executive Vice President, Member of Party Committee, and Secretary of the Board of Directors of the COSCO Group. He has been working in shipping industry for over 30 years, and has abundant expertise in container shipping, terminal operation, vessel chartering, and logistics, as well as abundant experience in corporation management, capital operation, and listed company management. Mr. Sun Jiakang is a senior engineer, and holds the Master's Degree of Dalian Maritime University. He studied transportation planning and management. Mr. Sun joined the Company as an executive director in May 2016.

Mr. Liu Hanbo

Mr. Liu Hanbo, born in November 1959 and aged 57, holds a master's degree in engineering and is a senior economist. He is currently the executive director, a member of the Company's Strategy Committee and the general manager of the Company. Mr. Liu has served as the deputy general manager of COSCO Dalian Industries Company, the deputy director of the Development Department and the head of Operation and Management Department of Dalian Ocean Shipping Company, the general manager of COSCO Dalian Industries Development Company, the deputy general manager of the Development Department, the general manager and director of Assets Operation Center of China Ocean Shipping (Group) Company, the vice president of COSCO (Hong Kong) Group Limited, the general manager of COSCO (H.K.) Industries and Trade Holdings Ltd., the general manager of COSCO International Holdings Ltd., the deputy general manager of Dalian Ocean Shipping Company, the president of China Ocean Shipping Company Americas, Inc., the general manager of China COSCO Bulk Shipping (Group) Co., Ltd., and the general manager of COSCO SHIPPING Bulk Co., Ltd. Mr. Liu joined the Company in August 2016.

Mr. Lu Junshan

Mr. Lu Junshan, born in January 1959 and aged 58, has a graduate education background and holds a Master's Degree in Laws. He is also a senior administration engineer. He is currently the executive director, a member of the Company's Strategy Committee and a deputy general manager of the Company. Mr. Lu was formerly the ship's second engineer, and the deputy manager of President's Office of Shanghai Ocean Shipping Co., Ltd., the director of President's Office, the director of Party branch office and the member of Party Committee of Shanghai Shipping Exchange. He was appointed as the vice-Minister of Publicity Department, the Minister of Publicity Department, the chairman of the union, the general manager of Enterprise Culture Department and Spiritual Civilization Construction Office of COSCO Container Lines Co., Ltd. ("COCSO Container"). He was also the Minister of Publicity Department, the vice-Minister of Party Work Department of China Ocean Shipping (Group) Company ("China Ocean Shipping"), the Party secretary, the vice president of Hainan COSCO Boao Company Limited and the Party secretary, the vice president of Dalian Ocean Shipping Company Limited. Mr. Lu joined the Company in June 2016.

Mr. Feng Boming

Mr. Feng Boming, born in October 1969 and aged 47, holds a master's degree in business administration and is an economist. He is currently a non-executive director of the company, a member of the Company's Strategy Committee and general manager of the strategic and corporate management division of China COSCO Shipping Corporation Limited. Mr. Feng is currently also a non-executive director of COSCO SHIPPING Holdings Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code 601919) and its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 1919)), a non-executive director of COSCO SHIPPING Development Co., Ltd. (where its A shares are listed on the Shanghai: Stock Exchange (stock code 601866) and its H shares are listed on the main board of Hong Kong Stock Exchange (stock code 2866)) and a non-executive director of COSCO SHIPPING Ports Limited (listed in Hong Kong, stock code 01199). Mr. Feng served as deputy manager and manager of the commercial section of the liner division, and deputy manager and manager of the trade protection division of COSCO Container, general manager of COSCO Container Hong Kong Mercury Co., Ltd. of COSCO Container, general manager of the management and administration department of COSCO Holdings Co., Ltd. (Hong Kong) (中遠控股 (香港) 有限公司) and general manager of the administration department of COSCO Container Lines (Hong Kong) Co., Limited, general manager of the Wuhan branch of COSCO Container China branch, and director of the strategic management implementation office of China Ocean Shipping (Group) Company. Mr. Feng joined the Company in September 2016.

Mr. Zhang Wei

Mr. Zhang Wei, born in April 1966 and aged 51, is an engineer. He is currently a non-executive director of the company, a member of the Company's Strategy Committee and deputy general manager of the operating management division of China COSCO Shipping Corporation Limited. Mr. Zhang is currently also a non-executive director of COSCO SHIPPING Holdings Co., Ltd. (where its A shares are listed on the Shanghai Stock Exchange (stock code 601919)and its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code 1919)), a non-executive director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed on Shanghai,stock code 600428) and a non-executive director of COSCO SHIPPING Ports Limited (listed on Hong Kong, stock code 01199). Mr. Zhang served as a crew member in Guangzhou Ocean Shipping Company, deputy manager of the container transportation department, deputy director of the marketing department and deputy general manager for the Asia-Pacific trade zone of COSCO Container, deputy general manager of the business advisory development department of COSCO Container, deputy general manager of Florens Container Services Company Limited and executive vice president of Piraeus Container Terminal S.A.. Mr. Zhang joined the company in September 2016.

Ms. Lin Honghua

Ms. Lin Honghua, born in June 1964 and aged 52, is an assistant accountant. She is currently a non-executive director of the company, a member of the Company's Strategy Committee, chief auditor of the finance and accounting division of China COSCO Shipping Corporation Limited and a director of LanHai Medical Investment Co., Ltd. (listed on Shanghai,stock code 600896). Ms. Lin served as deputy section chief, deputy director and director of the planning and finance department of COSCO Group, director of the finance department of COSCO Group, financial controller of COSCO Oceania Pty Ltd., chief auditor of the finance department of China Ocean Shipping (Group) Company and a director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed on Shanghai, stock code 600428) from May 2013 to August 2016. Ms. Lin joined the company in September 2016.

Mr. Wang Wusheng

Mr. Wang Wusheng, born in March 1951 and aged 66, is currently an independent non-executive director of the Company, the chairman of the Company's Nomination Committee, a member of each of the Remuneration and Appraisal Committee and Audit Committee. He is also a lawyer and a senior partner of Jin Mao P.R.C. Lawyers. Mr. Wang had been a law consultant of Legal Affairs Center of Transportation of the Ministry of Transport of the PRC. Mr. Wang joined the Company as an independent non-executive director in January 2012.

Mr. Ruan Yongping

Mr. Ruan Yongping, born in September 1973 and aged 43, is a Doctor of Accountancy, a professor of accounting and a doctoral tutor. He is currently an independent non-executive director of the Company, the chairman of the Company's Audit Committee, a member of each of the Nomination Committee and Remuneration and Appraisal Committee, the head of the Faculty of Accounting at East China University of Science and Technology, a member of The Chinese Institute of Certified Public Accountants, and a director of the Chinese Institute of Finance and Cost Research. From 1995 to 1998, Mr. Ruan studied in Jinan University, majoring in finance, and obtained a master degree in economics. Mr. Ruan worked in the securities headquarters of Guangdong Overseas Chinese Trust and Investment Company from 1998 to 2001 as a member of its management in the securities issue, research and development and sales departments, and was also the responsible person of its branch. Mr. Ruan studied in the School of Management, Shanghai Jiao Tong University from 2001 to 2005 majoring in corporate management (specialized in corporate finance), and graduated with the doctorate degree in management. Since 2005 up to the present, Mr. Ruan has been engaged in teaching and scientific research in the Faculty of Accounting of Business School at East China University of Science and Technology, and worked as the head of the Faculty of Accounting, a professor and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of each of Shanghai CIMIC Holdings Co., Ltd., Guangzhou Zhiguang Electric Co., Ltd. and Shanghai Yaoji Playing Card Co., Ltd. (all being companies listed on the Shenzhen Stock Exchange with stock codes 002162, 002169 and 002605 respectively) and was a independent director of and C&S Paper Co., Ltd. (being a company listed on the Shenzhen Stock Exchange with stock code 002511) from December 2008 to January 2015. Mr. Ruan joined the Company as an independent non-executive director in March 2014.

Mr. Ip Sing Chi

Mr. Ip Sing Chi, born in August 1953, aged 63, is currently an independent non-executive director of the Company, the chairman of the Company's Remuneration and Appraisal Committee, a member of the Company's Strategy Committee, the Group Managing Director of Hutchison Port Holdings Limited and the chairman of Yantian International Container Terminals Co., Ltd.. He is also an executive director of Hutchison Port Holdings Management Pte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore, stock code NS8U), an outside director of Hyundai Merchant Marine Co., Ltd. (listed in Korea, stock code 11200), and a non-independent non-executive director of Westports Holdings Berhad (listed in Malaysia, stock code 5246). Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. Mr. Ip was a non-executive director of Tradelink Electronic Commerce Limited (listed in Hong Kong, stock code 536) and an independent non-executive director of COSCO SHIPPING Port Limited (listed on HongKong, stock code 01199). Mr. Ip has over 30 years of experience in the maritime industry, and holds a Bachelor of Arts degree. Mr. Ip joined the Company as an independent non-executive director in June 2014.

Mr. Rui Meng

Mr. Rui Meng, born in November 1967 and aged 49, is a Ph.D. of Finance, an independent non-executive director of the Company, a member of each of the Strategy Committee, Remuneration and Appraisal Committee, Audit Committee and Nomination Committee of the Company, a Professor of Finance and Accounting in China Europe International Business School ("CEIBS") and a independent non-executive director of Midea Group Co.,Ltd. (being a company listed on the Shenzhen Stock Exchange with stock code 000333). Dr. Rui obtained his Bachelor's Degree in International Economics from University of International Relations in Beijing in 1990, obtained his Master's Degree in Economics from Oklahoma State University in U.S.A. in 1993 and obtained his Master's Degree in Business Administration and his Ph.D's Degree in Finance from University of Houston in 1995 and 1997 respectively. Dr. Rui is now a Professor of Finance and Accounting in CEIBS and his teaching and research areas are mainly concentrated in terms of finance. Dr. Rui has published more than 60 articles in the international famous journals and is a member of think-tankers for many prominent media. Dr. Rui Meng is a Chartered Financial Analyst (CFA) and a Financial Risk Manager (FRM). Before joining CEIBS, Dr Rui Meng worked in finance and accounting departments at the Chinese University of Hong Kong and the Hong Kong Polytechnic University and was a tenured professor of the Chinese University of Hong Kong. He served as the deputy director of the China Accounting and Finance Center of the Hong Kong Polytechnic University, a senior researcher of Economic and Financial Research Center of the Chinese University of Hong Kong, the deputy director of Corporate Governance Research Center of the Chinese University of Hong Kong, director of the master of accounting (MACC) program at the Chinese University of Hong Kong and director of the program of Executive Master of Accounting (EMPACC). Dr. Rui Meng has won many prizes in teaching and research areas, such as won outstanding teaching award of the Chinese University of Hong Kong from 2004 to 2009 for six consecutive years and won outstanding research award of CEBIS in 2013. Dr. Rui Meng was a member of examination committee of The Stock Exchange of Hong Kong Limited. He is a member of American Finance Association, International Financial Management Association, the American Accounting Association, and The Hong Kong Securities and Investment Institute. He is also a member of Advisory Committee of the Association of Hong Kong Business Valuation, a senior financial expert of the Shanghai Stock Exchange, a visiting scholar of Hong Kong Financial Research Centre and the Asian Development Bank, and the deputy chairman of the Hong Kong Association of Financial Engineers. Mr. Rui joined the Company as an independent non-executive director in June 2015.

Mr. Teo Siong Seng

Mr. Teo Siong Seng, was born in Singapore in December 1954, aged 62, is an independent non-executive director of the Company, a member of each of the Strategy Committee and Remuneration and Appraisal Committee of the Company. Mr. Teo graduated from Glasgow University in the United Kingdom in 1979 with a First Class Honours Degree in Naval Architecture & Ocean Engineering. He is the managing director of Pacific International Lines (Pte) Ltd., the chairman and chief executive officer of Singamas Container Holdings Limited, a company listed on the main board of the Stock Exchange (stock code 00716). He is the former president of the Singapore Chinese Chamber of Commerce & Industry and a nominated member of parliament of the Singapore Government. He was the founding chairman of Singapore Maritime Foundation and president of Singapore Shipping Association. He was an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. from June 2008 to May 2014 and an independent non-executive director of COSCO SHIPPING Development Co., Ltd. from June 2013 to May 2015. He is currently the chairman of the Singapore Business Federation, honorary consul of the United Republic of Tanzania in Singapore, the chairman of The Singapore Maritime Institute Board of Directors and Chairman of the Governing Council, the director of Business China (Singapore), and chairman of the Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd. Mr. Teo joined the Company as an independent non-executive director in December 2015.

SUPERVISORS

Mr. Weng Yi

Mr. Weng Yi, born in July 1967 and aged 49, holds a master's degree in management, and is a senior captain and senior engineer. He is currently a supervisor and the chariman of the Supervisors' Committee of the company, safety director and general manager of the safety management department of China COSCO Shipping Corporation Limited. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., deputy chief of the sailing department and deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., deputy director of the shipping department of China Shipping (Group) Company, general manager of Zhuhai New Century Shipping Company Limited, deputy general manager of China Shipping Development Co., Ltd. Tramp Co., general manager of the shipping department and general manager of the operation department China Shipping (Group) Company and chief captain of China Shipping (Group) Company. Mr. Weng was appointed as a Supervisor of the company in September 2016.

Mr. Chen Jihong

Mr. Chen Jihong, born in May 1957 and aged 59, has a university education background and has a mBA degree. He is currently a Supervisor of the Company, the general manager of the COSCO SHIPPING (Shanghai) Company. Mr. Chen began his career in March 1975. He was formerly the Secretary of the Communist Party of China and Secretary of the Discipline Inspection Commission of Shanghai Ocean Ship Repair Factory, the vice director and director of Department of Organization of China Shipping (Group) Company (the controlling shareholder of the Company), the vice Mayor of Fang Cheng Gang City of Guangxi Autonomous Region (temporary post). From January 2006 to February 2013, he was the Party Secretary and vice general manager of Tanker Branch of the Company. Mr. Chen was appointed as a Supervisor of the Company in May 2013.

Mr. Xu Yifei

Mr. Xu Yifei, born in November 1965 and aged 51, is a marine captain, a senior engineer and has a bachelor degree in engineering. He is currently the chairman of the labor union of the Company and a Supervisor of the Company as a representative of employees. Mr. Xu Yifei has been served as a ship's chief officer of Shanghai Hai Xing Shipping Company Limited, a ship's marine captain of China Shipping International Ship Management Co., Ltd., the deputy chief of the maritime management department, the section chief and deputy general manager of vessel administration department, the department head of human resources department and the chairman of labor union of China Shipping Tanker Company Limited. He serves as the chairman of labor union of the Company since June 2016 and is a Supervisor of the Company since July 2016.

Ms. An Zhijuan

Ms. An Zhijuan, born in April 1978 and aged 39, a political engineer, has a postgraduate degree and a master degree in law. She is currently the department head of monitor and audit department of the Company and a Supervisor of the Company as a representative of employees. Ms. An graduated from Dalian Maritime University in April 2003 majoring in international law. She has been served as the deputy chief of the supervision and audit department of China Shipping Air Cargo Co., Ltd., the vice section chief of the supervision and audit department of China Shipping (Group) Company. Ms. An serves as the department head of the supervision and audit department since she joined the Company in September 2015, she serves as the department head of the supervision and audit department of the Company since June 2016 and is a Supervisor of the Company since July 2016.

SENIOR MANAGEMENT

Mr. Wang Kangtian

Mr. Wang Kangtian, born in March 1966 and age 51, has a master's degree in economics. He is the Chief Financial Officer of the Company. Mr. Wang joined Guangzhou BOMTA in 1988, and was formerly a section chief, then assistant head of the financial and accounting department in Guangzhou Maritime Transport Group. Mr. Wang joined China Shipping (Group) Company in 1997, and joined the Company in 1999. Mr. Wang graduated from the Finance Department in Anhui Institute of Finance and Trade in 1988 and obtained a master's degree in economics in 2005 from Renmin University of China.

Mr. Qin Jiong

Mr. Qin Jiong, born in September 1968 and aged 48, has a college degree and is a sea captain. He is now a deputy general manager of the Company. Mr. Qin was formerly a sea captain of Shanghai Maritime Bureau, deputy general manager of Container Transport Division I and director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., and the general manager of the Operation Management Department of China Shipping (Group) Company Limited. Mr. Qin joined the Company as a deputy general manager in March 2016.

Mr. Xiang Yongmin

Mr. Xiang Yongmin, born in July 1962 and aged 54, has a junior college education background and holds a Master's Degree in Engineering and is also an accountant. He is now a deputy general manager of the Company. Mr. Xiang was formerly the manager of China and Tanzania Ocean Shipping Company, the deputy manager, the director, the general manager of Finance Department, and the Chief Financial Officer of Dalian Ocean Shipping Company. He was also the member of the Party Committee of Dalian Ocean Shipping Company. Mr. Xiang joined the Company as a deputy general manager in June 2016.

Mr. Luo Yuming

Mr. Luo Yuming, born in December 1967 and aged 49, is a senior engineer. He is currently a deputy general manager of the company. Mr. Luo graduated from the Dalian Maritime University majoring in vessel driving. He joined the Company in August 1989 and was captain of oil tankers, head of maritime section, assistant to general manager and deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch). He was appointed the director of the vessel administration department of China Shipping Development Co., Ltd. Tanker Company in September 2005 and the general manager of the shipping department in January 2007. He was also the vice president of China Shipping Tanker Company Limited. in May 2012. Mr. Luo was appointed the deputy general manager of the company in June 2016.

Ms. Sun Xiaoyan

Ms. Sun Xiaoyan, born in July 1968 and aged 48, has a graduate education background and holds a Master's Degree in Management and is also an economic engineer. She is now a deputy general manager of the Company. Ms. Sun joined the Company in September 2005, and was formerly the director of Ocean Business Division I, the deputy general manager of Shipping Department, the deputy general manager and the general manager of Marketing Department, the general manager assistant of China Shipping Tanker Company Limited. She was appointed the vice president of China Shipping Tanker Company Limited in July 2014. Ms. Sun was appointed the deputy general manager of the Company in June 2016.

Mr. Zhao Jinwen

Mr. Zhao Jinwen, born in May 1962 and aged 54, has a graduate education background and holds a Master's Degree in Engineering and is also an senior chief engineer. He is now a deputy general manager of the Company. Mr. Zhao was formerly ship's chief engineer, the manager of Security Technology Department, the manager of Ship Technology Department, the deputy general manager and the general manager of Security Technology Department. He was also formerly the general manager assistant, the vice president and the member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. zhao joined the Company as a deputy general manager in June 2016.

Ms. Yao Qiaohong

Ms. Yao Qiaohong, born in September 1969 and age 47, is an economic engineer. She is the Company Secretary of the Company and an Affiliated Person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao joined Shanghai Hai Xing Shipping Company Limited in 1997. Ms. Yao joined the Company in 2002 and has been the Securities Affairs Representative of the Company, Vice Manager and Manager of the secretary office of the Board of the Company. Ms. Yao graduated from Shanghai Maritime University in 1997 with a master degree in literature.

中遠海運能源運輸股份有限公司
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