中遠海運能源運輸股份有限公司

COSCO SHIPPING Energy Transportation Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

INTERIM REPORT 2017

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

CONTENT

(I) ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE SIX MONTHS ENDED 30 JUNE 2017 (THE "REPORTING PERIOD")

1. Macro Economics

Benefited from the effects of multiple factors, including rapid growth of investments in "One Belt One Road" regional infrastructure, reduced uncertainties in the policies of developed countries such as the United States of America (the "**USA**") and Europe, and the economic growth in the Middle East, Africa and Latin America supported by the rise in commodity prices, the global economy demonstrated a rapid growth in the first half of 2017, gradually stepping out of the sluggish economy during the past six consecutive years.

During the first half of 2017, the Chinese economy is reasonably steady. Due to the suppression of "Capital Flowing from Real to Virtual Economy" within the financial system, exchange rate of Renminbi ("**RMB**") has been fairly stable. Development of the Chinese economy is apparently boosted due to constant improvement of the economic structure, which in turn leads to the GDP growth ranking of the People's Republic of China (the "**PRC**") surpassing other global key economies. The Chinese economy is maintaining a stable, sound and sustainable development trend, and it is expected that the growth of the economy will continue in the future.

The effects of the PRC policies on refined structure and expanded imports are reflected in the stable growth of energy resource product imports. During the first half of the year, imported crude oil in the PRC amounted to approximately 212 million tonnes, representing a year-on-year increase of approximately 13.8%; imported finished oil reached approximately 15.03 million tonnes, representing a year-on-year decrease of approximately 2.8%; imported natural gas reached approximately 31.09 million tonnes, representing a year-on-year increase of approximately 15.9%.

2. Review on International Oil Shipping Market

In terms of oil shipping demand, the overall demand for global crude oil shipping maintains a stable uptrend during the first half of 2017. Asian Pacific countries such as China and India demonstrated a stable growth in crude oil imports. Factors such as reduced production by members of the Organization of Petroleum Exporting Countries ("**OPEC**") and increased crude oil exports in USA have both contributed to the increment in global crude oil shipping distance. During the same period, global shipping demand of finished oil also increased with sustained growth, mainly due to the strong import demand in Latin America and Asia, yet the increment is slightly slower than the corresponding period of last year.

In terms of the supply of shipping capacity, according to the latest information released by a research institute, shipping capacities of various types of tankers followed last year's trend and continued to expand during the first half of 2017, except for the Panamax, reflecting the pace of new vessels commencing operation is still ahead of vessel scrapping.

(I) ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD (Continued)

2. Review on International Oil Shipping Market (Continued)

In terms of shipping price, the fast growth of foreign oil trade shipping capacities in the first half of 2017 led to a general decrease in shipping prices of various types of vessels as compared to the corresponding period of last year. According to the market benchmark, World Scale ("**WS**") average index of very large crude carrier ("**VLCC**") for the Middle East/Japan shipping route is 63, representing a decrease of approximately 25% as compared to the corresponding period of last year (after including a basic fee discount, same for the statistics below). Shipping prices of other small to medium crude oil vessels also decreased (at different rates) as compared to the corresponding period of last year. The finished oil market also demonstrated weak performance, WS points of finished oil LR2 and LR1 vessels dropped approximately 20% as compared to the corresponding period of last year. The following table shows the figures in detail:

Main routes of 2017	2017 Basic Fee (USD/tonne)	2016 Basic Fee (USD/tonne)	Jan-Jun 2017 WS points	Jan-Jun 2016 WS points (after discount)	Compared to corresponding period of last year (%)
VLCC Middle East- Far East TD3	14.91	19.34	62.78	83.77	-25.05
VLCC Middle East- US Gulf TD1	25.30	33.59	33.82	50.80	-33.42
VLCC West Africa- China TD15	21.82	28.55	65.51	87.69	-25.29
SUEZ West Africa- Europe TD20	14.67	19.06	81.94	103.95	-21.17
Aframax Kuwait- Singapore TD8	14.67	19.06	112.54	146.73	-23.30
Clean petroleum product LR2 Middle East- Japan TC1	13.61	17.43	100.00	128.70	-22.30
Clean petroleum product LR1 Middle East- Japan TC5	10.47	13.63	115.24	141.05	-18.30

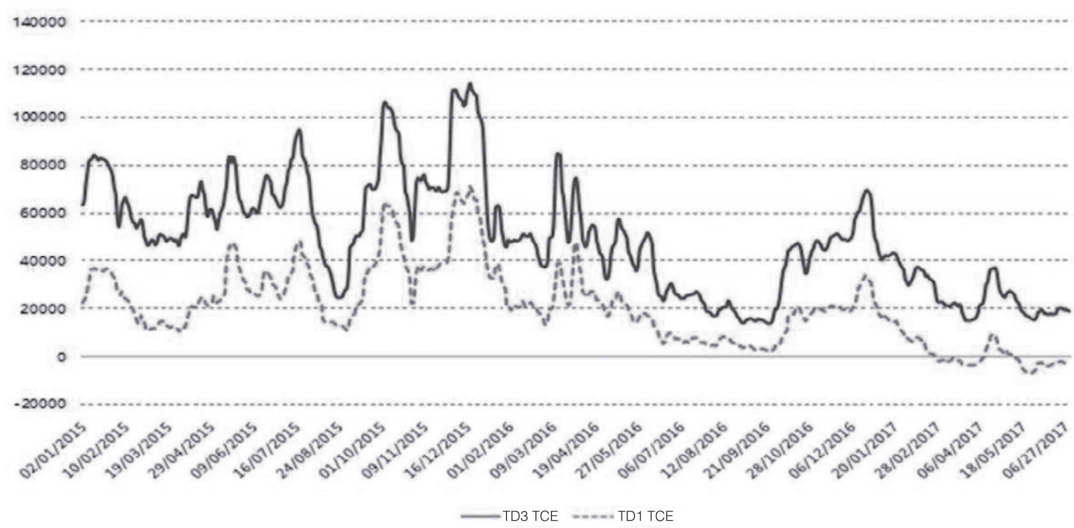
In terms of fuel price, Brent crude oil average spot price is USD52.61/barrel during the first half of 2017, representing an increase of approximately 26.74% as compared to the corresponding period of last year. The average price of Singapore fuel 380CST is USD314/barrel, representing an increase of approximately 61.03% as compared to the corresponding period of last year.

(I) ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD (Continued)

2. Review on International Oil Shipping Market (Continued)

Impacted by the drop in shipping price and the rise in fuel price, daily revenue of main foreign oil trade shipping vessels for the first half of the year decreased by approximately 45% to 60% as compared to the corresponding period of last year. The trend of major VLCC Middle East- Far East TD3 and Middle East- US Gulf TD1 is as follows:

2015 - 2017 Daily Revenue of Main Foreign Oil Route of VLCC



3. Review on Coastal Oil Shipping Markets

During the first half of 2017, overall shipping demand for coastal oil shipping markets remained stable. With the benefit of the open policies of domestic imports and crude oil rights of the PRC, demand for coastal crude oil shipping showed a steady increment in the first half of the year, amounting to a total of approximately 43.29 million tonnes, representing an increase of approximately 3.49 million tonnes as compared to the corresponding period of last year, or increased by approximately 8.8%. The total capacity of domestic crude oil shipping amounted to approximately 3.6 million deadweight tonnes, shipping supply was slightly more than shipping demand.

The domestic coastal finished oil shipping is a completely open market with lots of market players, the majority of them are private enterprises. Features of finished oil shipping include small shipping volume and large amount of shipping batches. Majority of the market demand is for small vessels not exceeding 10,000 tonnes, and market competition is fairly intense.

(I) ANALYSIS OF INTERNATIONAL AND DOMESTIC SHIPPING MARKETS DURING THE REPORTING PERIOD (Continued)

4. Review on Liquefied Natural Gas ("LNG") Shipping Market

At the end of 2016, there were a total of 478 LNG vessels in operation around the world. During the first half of 2017, the fleet size has expanded to over 500 LNG vessels, creating certain level of pressure on the balance of demand and supply.

LNG shipping market can be divided into two different market segments: project based shipping and spot goods shipping. Project based shipping refers to the signing of long-term vessel chartering contracts with the parties with demand for LNG project shipping (buyers or sellers of LNG trading) and providing services for LNG shipping vessels for such projects. Spot goods vessels refer to LNG vessels which are not linked to fixed LNG projects but seek short-term or voyage-based shipping opportunities on the spot market.

All of the LNG vessels currently invested by COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") are project-based shipping vessels with an average chartering term of around 20 years. Such investments guarantee stable rentals and investment income and would not be affected by the market price of LNG spot goods shipping.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

During the first half of 2017, the board of directors of the Company (the "**Board**") decided to continue to strengthen "big cooperation with big customers" strategy in light of the downtrend of international oil shipping market. The Group also strived to analyse the market trend, capture opportunities and ease market fluctuations, and by leveraging on the advantages of business units collaboration within the Group and flexibility of its operating strategies, the Group exerted full efforts to lower costs and boost efficiency and achieved a stable operating profitability.

During the Reporting Period, the Group's continuing operations carried out approximately 55.968 million tonnes of cargo shipping, representing an increase of approximately 12.8% as compared to the corresponding period of last year. Shipping volume reached approximately 193.01 billion tonnes-nautical miles, representing an increase of approximately 17.5% as compared to the corresponding period of last year. The Group achieved principal operating revenue (after deducting business tax and surcharge, same for the statistics below) of approximately RMB4.906 billion from continuing operations, representing a decrease of approximately 7.7% as compared to the corresponding period of last year. Cost of principal continuing operations amounted to approximately RMB3.594 billion, representing an increase of approximately 2.95% as compared to the corresponding period of last year. The Group achieved a net profit attributable to owners of the Company of approximately RMB865 million.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations

During the Reporting Period, the general condition of the Group's continuing operations by different types of shipping and operating locations is as follows:

Sub-business or sub-product	Operating revenue (RMB'000)	Increase/ (decrease) in operating revenue as compared with the same period in 2016 (%)	Gross profit margin The first half of 2017 (%)	Gross profit margin The first half of 2016 (%)
International oil shipment	3,150,383	-20.91	20.22	32.78
Crude oil shipment	2,057,568	-14.93	15.79	36.10
Refined oil shipment	261,784	-11.64	-8.59	18.96
Charter income	831,031	-34.48	40.29	29.66
Domestic oil shipment	1,446,903	12.95	39.24	43.19
Crude oil shipment	1,306,299	12.39	41.12	46.39
Refined oil shipment	86,366	33.95	16.29	27.97
Charter income	54,238	0.02	30.43	-7.26
Sub-total of oil shipment	4,597,286	-12.67	26.21	35.31
Domestic LPG shipment	5,451	-51.39	22.27	16.90
International LPG shipment	42,342	112.71	44.86	29.57
International LNG shipment	236,541	N/A	66.53	N/A
Other cargoes shipment	24,083	24.18	-292.16	-219.28
Sub-total of non-oil shipment	308,417	510.57	34.76	-68.78
Total	4,905,703	-7.70	26.75	34.32

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(1) Shipping business — Oil shipments

In terms of international oil shipment, the Group strived to enhance its market analysis ability and operation ability and at the same time actively captured cargo sources and market opportunities. In light of the downtrend of international oil shipment price as compared to the corresponding period of last year, the Group 1) timely adjusted its time charters, the ratio of pool operation to proprietary operation and eased the impact of decreasing international oil shipment price. During the first half of 2017, income from time charters accounted for approximately 26.38% of the Group's international oil shipment income. The ratio of time charters and pool operations of international fleets of small and medium size was over 45%, creating a key defending factor against the sluggish market condition; 2) leveraged on the business structure of international and domestic trade collaboration and since revenue from domestic shipments was higher than that from international shipments during the first half of the year, a portion of the international shipping capacity was shifted to the domestic shipment sector, and resulted in an increase in the operating revenue of vessels; 3) provided customised shipping services for both domestic and international large-scale oil companies and achieved constructive cooperation results. With all the above measures combined, the Group realised international shipment revenue of approximately RMB3.150 billion for the first half of 2017, representing a decrease of approximately 20.91% as compared to the corresponding period of last year, with a gross profit margin of approximately 20.22%, representing a decrease of approximately 12.56 percentage points as compared to the corresponding period of last year.

In terms of domestic oil shipments, the Group 1) adhered to its "big customer" strategy, by entering into contract of affreightment ("**COA**") with each of the key customers and also entering into COA with two new customers. The Group continued to maintain the COA cargo source at the high ratio of above 90%; 2) successfully developed some new land refinery customers, domestic crude oil income increased by approximately 12.39% as compared to the corresponding period of last year. Development of domestic finished oil trade made a breakthrough, income increased by approximately 33.95% as compared to the corresponding period of last year; 3) improved its "fixed vessel fixed route" operating model, strived to enhance vessel turnover efficiency, shorten average operation turnover days for short routes and achieved win-win situation for both the Company and its customers; 4) continuously implemented the cooperation model of "port, vessel and cargo", concluded and reviewed the coordinating mechanism, constantly improved the efficiency of ports and vessels and shortened the waiting time of the vessels. With all of the above measures combined, the Group realised domestic shipment revenue of approximately RMB1.447 billion during the first half of 2017, representing an increase of approximately 12.95% as compared to the corresponding period of last year, with a gross profit margin of approximately 39.24%, representing a decrease of approximately 3.95 percentage points as compared to the corresponding period of last year. The main reason for such decrease is a relatively large year-on-year increment in fuel price.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(1) Shipping business — Oil shipments (Continued)

Table Showing Operating Conditions for Oil Shipment Segment in the First Half of 2017

	Transportation volume		Revenue		Gross profit margin	
	Billion tonne-nautical miles	YOY Increase/ (decrease) (%)	RMB'000	YOY Increase/ (decrease) (%)	The first half of 2017 (%)	The first half of 2016 (%)
International	182.3	16.94	3,150,383	-20.91	20.22	32.78
Crude oil shipment	172.0	16.18	2,057,568	-14.93	15.79	36.10
Refined oil shipment	10.3	31.30	261,784	-11.64	-8.59	18.96
Charter income	—	—	831,031	-34.48	40.29	29.66
Domestic	10.6	28.01	1,446,903	12.95	39.24	43.19
Crude oil shipment	9.6	19.77	1,306,299	12.39	41.12	46.39
Refined oil shipment	1.0	258.98	86,366	33.95	16.29	27.97
Charter income	—	—	54,238	0.02	30.43	-7.26
Total	192.9	17.50	4,597,286	-12.67	26.21	35.31

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

1. Analysis of Principal Operations (Continued)

(2) Progress made in LNG shipment

During the first half of 2017, the Group continued to implement LNG projects in a steady manner. Two newly added LNG vessels ensured the smooth operation of the Australia Pacific LNG ("**APLNG**") project. The Group also strengthened its business management for Mobil project and APLNG project, as well as the financing of the Yamal LNG project, resulting in a boost in economic benefits. Apart from strengthening current projects, the Group also paid visits to large-scale energy resources domestic and oversea enterprises, cooperated with banks and joint venture partners across the nation to establish wider and deeper connections, and strived to gather market information and identify new LNG shipment projects with dedicated efforts.

COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has 3 newly added LNG vessels in operation from the end of last year to the first half of this year. Revenue realised for the first half of the year amounted to approximately RMB237 million, gross profit was approximately RMB157 million, net profit was approximately RMB44.87 million, representing an increase of approximately 875% as compared to the net profit of the corresponding period of last year.

China LNG Shipping (Holdings) Limited ("**CLNG**"), a joint venture of the Group, with a current fleet of 6 LNG vessels in operation, realised revenue of approximately RMB545 million during the first half of the year, net profit was approximately RMB126 million, and its share of profit of the joint venture confirmed by the Group was approximately RMB62.98 million.

East China LNG Shipping Investment Co., Ltd. ("**ELNG**") and North China LNG Shipping Investment Co., Ltd. ("**NLNG**"), two non-wholly owned subsidiaries of the Company, confirmed that their respective attributable share of profits of associates were approximately RMB10.67 million and RMB12.14 million, respectively.

In the first half of 2017, the Group's LNG shipment segment contributed to a total profit of RMB131 million, an increase of approximately 73% as compared to the corresponding period of last year.

As at the end of the Reporting Period, the Group and its joint ventures had a total of 21 LNG vessels under construction with capacity of 3.63 million cubic metres, all of them will be delivered for operation by the end of 2020.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

2. Costs and expenses analysis

During the first half of 2017, while actively capturing cargo sources and seizing market opportunities, the Group implemented the concept of "cost is core competitiveness" actively and further emphasised the strategic positioning of "cost as the winning factor". Starting with operational management and overall budget management, the Group further strengthened cost control, and strived to reduce costs under the environment of rising prices of major cost components, the increment of costs was under control in general. During the first half of 2017, the Group incurred costs of principal continuing operations of approximately RMB3.594 billion, representing an increase of approximately 2.95% as compared to the corresponding period of last year. The cost components of the Group's principal continuing operations were as follows:

Item	In the first half of 2017 (RMB'000)	In the first half of 2016 (RMB'000)	Increase/ (decrease) (%)	Composition ratio in the first half of 2017 (%)
Fuel cost	946,373	630,864	50.01	26.34
Port cost	385,115	377,495	2.02	10.72
Sea crew cost	526,980	460,388	14.46	14.66
Lubricants expenses	93,353	72,571	28.64	2.60
Depreciation	875,343	811,137	7.92	24.36
Insurance expenses	79,724	84,070	-5.17	2.22
Repair expenses	80,073	104,937	-23.69	2.23
Charter cost	223,185	562,170	-60.30	6.20
Others	383,448	387,006	-0.92	10.67
Total	3,593,594	3,490,638	2.95	100.00

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

2. Costs and expenses analysis (Continued)

Fuel cost was the largest item in shipping cost of the Company, and was the most significant key item in cost management. By leveraging on the advantages of the shipping capacity size, structure, vessel type and shipping routes, the Group further implemented centralised management and focused on utilising the synergy of mass procurement. The Group captured market opportunities in the first half of 2017 and purchased approximately 347,800 tonnes of fuel in several batches by fixed price forward contracts. Meanwhile, by strict implementation of economic cruising speed and heating control, fuel consumption was effectively controlled and fuel consumption efficiency was improved.

During the first half of 2017, fuel cost of the Group was approximately RMB946 million, representing an increase of approximately 50.01% as compared to the corresponding period of last year, accounting for approximately 26.34% of the costs of principal operations, the increment was smaller than the increment in international fuel oil prices for the same period. By adopting measures such as economic cruising speed and various energy-saving initiatives, with an increase in turnover by approximately 17.51% as compared to the corresponding period of last year, the Group's average fuel consumption was 2.21 kg/1,000 tonne-nautical miles, representing a decrease of approximately 3.78% as compared to the corresponding period of last year.

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

During the first half of 2017, the Group continued to use the strategy of "big customers, big cooperation and big services" as the means and methods such as business discussion meetings to reinforce its connection with other shareholders of joint ventures and associates and for close exchange of management views and requirements of all parties in order to strengthen the management of shipping joint ventures and associates and to improve the operation level of joint ventures and associates.

During the first half of 2017, the Group recognised share of profits of joint ventures and associates of approximately RMB209 million. During the first half of 2017, the five major joint ventures and associates of the Group completed a total turnover volume equivalent to approximately 17.8 billion tonne-nautical miles; realised operating revenue of approximately RMB1.349 billion; and net profit of approximately RMB368 million.

(II) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD (Continued)

3. Interests in the joint ventures' and associates' results (Continued)

The operating conditions of the four joint ventures during the first half of 2017 are as follows:

Company name	Interest held by the Group	Shipping volume (billion tonne - nautical miles)	Operating revenue (RMB'000)	Net profit attributable to owners of the Company (RMB'000)
CLNG	50%	8.8	544,920	125,953
Sino-Ocean Shipping Co., Ltd.	50%	0.8	37,570	10,360
Huahai Petrol Transportation & Trading Co., Limited	50%	0.9	73,370	7,610
Offshore Oil (Yangpu) Shipping Co., Ltd.	43%	0.8	88,800	24,870

The operating conditions of the associate during the first half of 2017 are as follows:

Company name	Interest held by the Group	Shipping volume (billion tonne - nautical miles)	Operating revenue (RMB'000)	Net profit attributable to owners of the Company (RMB'000)
Shanghai Beihai Shipping Company Limited	40%	6.5	604,360	198,790

The Company's associate, China Shipping Finance Co., Limited (non-shipping enterprise, 25% equity interest was held by the Company) realised net profit of approximately RMB23.45 million during the first half of 2017.

(III) FINANCIAL ANALYSIS

1. Analysis of liquidity

The Group's principal sources of liquidity are operating cash inflows and short-term bank and other borrowings. The Group's cash is mainly used for daily operations, repayment of loans and borrowings, payment for construction and purchases of vessels and supporting daily business.

The net cash inflow generated from operating activities by the Group was approximately RMB1,918 million for the Reporting Period.

As at 30 June 2017, the Group's bank and cash balances was approximately RMB6,447 million.

2. Capital commitments

	Note	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	5,904,736	8,891,396
Project investments	(ii)	606,309	655,930
		6,511,045	9,547,326

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.

In addition to the above, the Group's share of the capital commitments of its associate which are contracted but not provided for amounted to RMB52,938,000 (31 December 2016: RMB121,969,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,798,617,000 (31 December 2016: RMB2,267,070,000).

(III) FINANCIAL ANALYSIS (Continued)

3. Capital structure

The Group's net debt-to-equity ratio as at 30 June 2017 was as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Total debts	**29,094,660**	26,540,558
Less: cash and cash equivalents	**(6,447,387)**	(6,365,791)
Net debt	**22,647,273**	20,174,767
Total equity	**27,313,262**	27,423,615
Net debt-to-equity ratio	**83%**	74%

4. Trade and bills receivables

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Within 3 months	**975,581**	909,612
4 - 6 months	**78,670**	104,940
7 - 9 months	**43,907**	102,566
10 - 12 months	**37,181**	28,127
1 - 2 years	**62,876**	60,995
Over 2 years	**6,604**	809
	1,204,819	1,207,049

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 are related to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

(III) FINANCIAL ANALYSIS (Continued)

5. Trade and bills payables

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Within 3 months	639,633	1,039,264
4 - 6 months	152,511	58,469
7 - 9 months	122,747	35,738
10 - 12 months	55,163	3,835
1 - 2 years	12,643	19,530
Over 2 years	209,176	193,509
	1,191,873	1,350,345

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

6. Provision and other liabilities

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Provision for onerous contracts	502,776	495,338
Others	15,302	15,281
	518,078	510,619
Less: current portion	(310,572)	(302,551)
Non-current portion	207,506	208,068

As at 30 June 2017, the Group had a provision of RMB502,776,000 (31 December 2016: RMB495,338,000) for onerous contracts relating to the non-cancellable chartered-in vessel contracts.

As at 30 June 2017, 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 RMB3,466,254,000 (31 December 2016: RMB3,946,995,000).

(III) FINANCIAL ANALYSIS (Continued)

7. Derivative financial instruments

Interest rate swap agreements, denominated in United States dollars ("**USD**"), have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. As at 30 June 2017, the Group had interest rate swap agreements with total notional principal amount of approximately USD554,364,000 (equivalent to approximately RMB3,755,484,000) (31 December 2016: approximately USD537,040,000 (equivalent to approximately RMB3,725,448,000)) which will be matured in 2031 and 2032 (31 December 2016: 2031 and 2032). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain bank borrowings 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 2.20% (six months ended 30 June 2016: 3-month Libor plus 0.42%, 0.65% or 2.20%).

Loss on the interest rate swaps during the Reporting Period is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total fair value loss included in the hedging reserve	**(49,939)**	(369,071)
Hedge loan interest included in finance costs	**(25,148)**	(277)
Total loss on cash flow hedges of the interest rate swap agreements	**(75,087)**	(369,348)

(III) FINANCIAL ANALYSIS (Continued)

8. Interest-bearing borrowings and corporate bonds

As at 30 June 2017, the Group had total borrowings and bonds of approximately RMB27,973 million (31 December 2016: approximately RMB25,488 million).

As at 30 June 2017, out of the total borrowings and bonds of the Group, approximately RMB6,638 million (31 December 2016: approximately RMB5,666 million) was denominated in Renminbi, while approximately RMB21,335 million (31 December 2016: approximately RMB19,822 million) was denominated in United States dollars.

As at 30 June 2017, the total bank and other borrowings of the Group with floating interest rates amounted to approximately RMB19,218 million (31 December 2016: approximately RMB19,885 million), and the total bank and other borrowings of the Group with fixed interest rates amounted to approximately RMB8,755 million (31 December 2016: approximately RMB5,603 million).

As at 30 June 2017, the maturity profile of the borrowings and bonds of the Group is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Within one year or on demand	**5,410,751**	4,624,633
In the second year	**3,621,382**	4,181,180
In the third to fifth years, inclusive	**7,577,607**	6,172,122
Over five years	**11,363,192**	10,510,552
	27,972,932	25,488,487

The repayment periods of the borrowings and bonds above are distributed between 2017 and 2033 (31 December 2016: 2017 and 2033).

(III) FINANCIAL ANALYSIS (Continued)

9. Particulars of pledge of assets

As at 30 June 2017, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 31 (31 December 2016: 24) vessels and 3 (31 December 2016: 5) vessels under construction with total net carrying amount of approximately RMB16,251 million (31 December 2016: approximately RMB11,151 million) and approximately RMB3,901 million (31 December 2016: approximately RMB6,568 million) respectively and pledged bank deposits with total net carrying amount of approximately RMB24 million (31 December 2016: approximately RMB24 million).

10. Contingent liabilities

(i) 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 construction of the LNG vessels, the four companies would, in accordance with the 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.

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, and (2) to secure 30% of such amount payable to the charterers under the lease.

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 (equivalent to approximately RMB55,550,000).

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

(III) FINANCIAL ANALYSIS (Continued)

10. Contingent liabilities (Continued)

(ii) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contracts signed by three joint ventures of the Group for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Group provided corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Group under the corporate guarantees is limited to USD490,000,000 (equivalent to approximately RMB3,319,456,000). In addition, the Group provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Group under the owner's guarantees is limited to USD6,400,000 (equivalent to approximately RMB43,356,000).

11. Risk on foreign currency

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

As at 30 June 2017, the Group's foreign exchange liabilities mainly comprised secured bank borrowings of approximately RMB13,672 million (31 December 2016: approximately RMB12,480 million), and unsecured bank borrowings of approximately RMB7,663 million (31 December 2016: approximately RMB7,342 million). In addition, the Company would pay dividend for H shares in HKD.

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

(IV) OTHERS

1. Fleet expansion

During the first half of 2017, the Group has achieved further progress in fleet development.

The net cash outflow from investing activities of the Group was approximately RMB4,231 million during the first half of 2017 which mainly include the payments of construction of vessels, purchase of a vessel, compensation to a fellow subsidiary for the decrease in equity under the transition period in respect of disposal of discontinued operation, loans to joint ventures and investment in an associate, of which capital expenditure for the progress payment for vessels construction paid by the Group was approximately RMB3,339 million.

In terms of fleet expansion, six new tankers with a total capacity of approximately 892,000 deadweight tonnes and two new LNG vessels with capacity of approximately 348,000 cubic metres have been delivered for use during the first half of 2017.

As at 30 June 2017, the composition of the Group's fleet is as follows:

	Numbers	Deadweight tonnes/Cubic metres ('000)	Average age (years)
Oil tankers	106	15,556	7.6
LPG vessels	5	15	4
LNG vessels (note)	3	522	1
Total	114	15,571/522	7.5

Note: The carrying capacity of the LNG vessels are measured in cubic metres.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2017

1. Competitive landscape and development trend in the industry

At present, a positive trend has emerged in the world economy. According to estimates of the relevant international organisations, the world economy is expected to grow by approximately 3.5% in 2017. This will be the best economic condition in recent years. Meanwhile, as the deep level problems of the world economy has not yet been resolved, it is still facing plenty of instabilities and uncertainties.

Both challenges and opportunities will exist in the international oil shipment market in future. In the short term, oversupply of shipping capacity in the international oil shipment market will continue, together with the arrival of traditional low season in the third quarter, market shipment prices will continue to be under pressure. In the medium to long term, global demand for oil tanker shipping capacity will continue to grow, particularly under the impact of significant growth in crude oil exports of the USA and strong growth of import demand from Asian countries such as China, the demand for long-haul shipments will continue to increase. Meanwhile, with increasingly strict environmental protection requirements and operating cost pressure from old vessels, many old oil tankers may be scrapped and demolished in the next few years, and the market supply and demand conditions may be changed accordingly by then.

For the coastal oil shipment market in future, with accelerated progress in the domestic construction of pipelines and large-scale terminals, changes have occurred in the logistics structure of oil shipments for land refineries, demand for inland water transshipment for imported crude oil may enter underground channels, however benefiting from the open policies for domestic import and crude oil rights, the original demand for waterborne shipment of crude oil will remain stable with a upward trend. Overall speaking, the future coastal oil shipment market will remain stable.

LNG as a clean energy will have broad development prospects in future. According to the 2017 LNG outlook report released by an international energy group, the global LNG trading volume in 2020 will increase by 50% as compared to 2014; while another international energy group forecast that global LNG demand in 2030 will double from 2012; a research institute forecast that global LNG production capacity will increase by 60% in five years. Hence, a large quantity of new LNG projects will be constructed and will commence operation globally in the future.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2017 (Continued)

2. Development strategies and work initiatives of the Company

Based on the macroeconomic environment, industry environment and development opportunities as mentioned above, the Group will position its operations in line with the "One Belt One Road" initiative and establish its foothold in "national oil national shipment" to further compete in the international market. In the second half of 2017 and in the near future, the Group will focus on the following aspects of work:

(1) Optimise business structure and layout, enhance operating benefits of shipping routes. Firstly, to create core shipping routes. The Group will explore deeply into the shipping demand of customers, strive to create core shipping routes with high revenue and high stability, and to secure stable and solid basic revenue.

Secondly, to strengthen important shipping routes. The Group will deepen business cooperation with large international oil companies and expand into highly profitable western regional markets; it will leverage on the linkage in domestic and international shipments of the Company to enhance the development of regional oil shipment trading routes.

Thirdly, to seize future shipping routes. The Group will fully leverage and play the key roles in "One Belt One Road" and the "Maritime Silk Road", by following the immediate business development pace of energy enterprises in the PRC, it will strengthen cooperation and realise win-win benefits to secure transportation safety of national energy resources.

(2) Increase LNG business development efforts, expand the scale of stable income business. The Group will focus on tracking the development status of domestic and international new LNG projects, and by following closely the pattern of global LNG trade of Chinese energy enterprises, it will strive to seek new investment opportunities of LNG projects. By adhering to the principle of developing project vessels, investment in LNG vessels shall be bundled with long-term projects, investment gains of vessels should be locked-in to further enhance the portion of stable income business in the Group to strengthen the corporate profitability and risk resistance ability.

(3) Develop shipping capacity by multiple strategies, enlarge the economies of scale of the fleet of the Group. At present, both the international ship purchase/building market and oil tanker company valuations are at relatively low levels. The Group will track market movements closely in order to capture appropriate low cost development and acquisition opportunities decisively for further reducing the average cost and enlarging the economies of scale of the fleet of the Group. Meanwhile, by leveraging the advantages of the long-term cooperation and win-win mechanism established with strategic customers over the years, and other means such as increasing efforts in time charter cooperation with large customers as well as building customised shipping capacity for large customers and leasing out by way of time charters, cargo sources and income of new shipping capacity will be locked-in simultaneously with the development of shipping capacity to avoid development risk.

(V) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2017 (Continued)

2. Development strategies and work initiatives of the Company (Continued)

(4) Adhere to cost-oriented strategies, improve cost control capabilities continuously. The Group will continue to implement the fuel price locking mechanism by improving the accuracy of estimating the trend of oil prices and formulating long-term, medium-term and short-term operation plans to stay in line with the market pace. Meanwhile, reasonably determine the best efficient cruising speed and comprehensively enhance lean management in all aspects of fuel consumption to control fuel oil consumption. Besides, the Group will further increase the effort of integrating internal resources, continue to strengthen communication and coordination with cargo suppliers, and strive to achieve new breakthrough in the management and control of various costs and expenses in order to create low cost competitive advantages.

(5) To accelerate the pace of overseas business expansion based on the results of global network building. The Group has formed a global layout with China as its headquarters and with overseas networks based in Singapore, London, Houston and Hong Kong. In the next phase, all overseas networks will be fully utilised to assist the business developments of Chinese energy enterprises under the "One Belt One Road" initiative, and to deepen cooperation with large international oil companies to implement the service concept of "providing full range shipping solutions for global customers" by offering all types of vessels at all times with comprehensive customised services to enhance the loyalty of customers, optimise the business structure and improve the operation efficiency.

(6) Implement safety marketing measures to ensure safe development of enterprise. Safety is the lifeline for oil shipment enterprise, and is also the core competitiveness of the Group. The Group will accelerate the construction and implementation of a unified safety management system to further promote the merging of safety culture, safety concepts, safety system and safety measures for enhancing the core competitiveness of the Group continuously.

(7) Emphasise on nurturing talents, strengthen team building. The Group will formulate team building plans for skeleton personnel according to fleet development plans and development needs of various business segments to strengthen the building of an international and composite team of skeleton personnel. Meanwhile, the Group will actively explore and establish a long-term mechanism for education and training, advocate the equity incentive plan actively, strive to build a high-quality shipping crew to secure human resources for fleet development.

(VI) OTHER MATTERS

1. Changes in directors, supervisors and senior management

At the fifth director meeting of 2017 held on 28 April 2017, the Board resolved to appoint Ms. Li Zhuoqiong as the Secretary of Board of Directors and such appointment took effect immediately thereafter until March 2019. Ms. Yao Qiaohong resigned as the Secretary of Board of Directors of the Company with effect from 28 April 2017 due to personal reasons. Ms. Yao's role as the Company Secretary of the Company will not change.

At the seventh director meeting of 2017 held on 21 August 2017, the Board resolved to appoint Mr. Xiang Yongmin as the Chief Financial Officer of the Company and such appointment took effect immediately thereafter. Mr. Wang Kangtian resigned as the Chief Financial Officer of the Company and Mr. Xiang Yongmin resigned as a deputy general manager of the Company with effect from 21 August 2017 due to changes in allocation of human resources.

At the seventh director meeting of 2017 held on 21 August 2017, the Board resolved to appoint Mr. Huang Xiaowen as an executive director of the Company, subject to approval by the shareholders at the extraordinary general meeting to be held on 10 October 2017.

(VI) OTHER MATTERS (Continued)

2. Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2017, 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(1)	Percentage of the total number shares of the relevant class(2)	Percentage of the total number of issued shares(2)
China Shipping (Group) Company (3)	A	1,536,924,595 (L)	56.17%	38.12%
GIC Private Limited (4)	H	129,082,000 (L)	9.96%	3.20%

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

Note 2: Percentage shown on that as recorded in the Section 336 SFO register kept by the Company. As at 30 June 2017, 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 30 June 2017, Mr. Sun Jiakang, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua 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 AEGON-INDUSTRIAL 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 (Group) Company and its subsidiaries held in aggregate 1,554,631,593 A Shares of the Company as at the end of the Reporting Period, representing approximately 38.56% of the total number of issued shares of the Company.

Note 4: As at 30 June 2017, 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 30 June 2017, no other 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.

(VI) OTHER MATTERS (Continued)

3. Directors' and supervisors' interests in contracts

As at 30 June 2017 or during the Reporting Period, none of the directors or supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

4. Directors' and supervisors' interests and short positions in shares and underlying shares of the Company

As at 30 June 2017, 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.

5. 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 company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or supervisors to acquire such rights in any other body corporate.

6. Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

7. Compliance with the Corporate Governance Code

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

The Company has established four professional committees under the Board, including an audit committee, a remuneration and appraisal committee, a strategy committee and a nomination committee with defined terms of reference.

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 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.

(VI) OTHER MATTERS (Continued)

7. Compliance with the Corporate Governance Code (Continued)

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and any other committees (as appropriate) to attend. However, in the annual general meeting held on 8 June 2017 ("2017 AGM"), Chairman Mr. Sun Jiakang was unable to attend the 2017 AGM as he had other business commitments. Mr. Liu Hanbo, executive Director and general manager of the Company, chaired the 2017 AGM on behalf of the chairman. Further, Mr. Lu Junshan, an executive Director, Mr. Ruan Yongping, an independent non-executive Director and chairman of the Audit Committee, and Mr. Wang Wusheng, an independent non-executive Director and chairman of the Nomination Committee were invited to attend and attended the 2017 AGM to answer questions from shareholders concerning the Company's corporate governance.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Mr. Feng Boming, a non-executive Director, Mr. Zhang Wei, a non-executive Director, Ms. Lin Honghua, a non-executive Director, Mr. Ip Sing Chi, an independent non-executive Director, Mr. Rui Meng, an independent non-executive Director, and Mr. Teo Siong Seng, an independent non-executive Director, were unable to attend the 2017 AGM 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.

8. Audit Committee

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

The interim results of the Company for the Reporting Period are unaudited, but have been reviewed by the Audit Committee.

9. Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee is headed by Mr. Ip Sing Chi, an independent non-executive director. The other four 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.

(VI) OTHER MATTERS (Continued)

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

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

Following specific enquiries made with the directors, supervisors and chief executives of the Company, each of them has confirmed to the Company that he or she has complied with the Model Code during the Reporting Period.

11. Employees

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

As at 30 June 2017, the Group had 6,073 employees (as at 30 June 2016: 8,813). During the Reporting Period, the total staff cost was approximately RMB678 million (for the same period in 2016: approximately RMB1,091 million).

(VI) OTHER MATTERS (Continued)

12. Investor Relations

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

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

13. Events after the Reporting Period

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

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Sun Jiakang
Chairman

Shanghai, the PRC
29 August 2017

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

BAKER TILLY
HONG KONG | 天職香港

TO THE BOARD OF DIRECTORS OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.
(Established in the People's Republic of China as a joint stock company with limited liability)

INTRODUCTION

We have reviewed the interim financial information of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") and its subsidiaries set out on pages 31 to 78, which comprises the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 August 2017
Tong Wai Hang
Practising certificate number P06231

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited and restated) RMB'000
Continuing operations			
Turnover	3	**4,905,703**	5,314,709
Operating costs		**(3,593,594)**	(3,490,638)
Gross profit		**1,312,109**	1,824,071
Other income and net gains	4	**202,293**	105,924
Marketing expenses		**(13,874)**	(8,242)
Administrative expenses		**(218,110)**	(272,909)
Other expenses		**(26,615)**	(36,270)
Share of profits of associates		**125,775**	142,092
Share of profits of joint ventures		**83,328**	93,151
Finance costs	5	**(416,638)**	(540,589)
Profit before tax	6	**1,048,268**	1,307,228
Income tax	7	**(126,413)**	(194,395)
Profit for the period from continuing operations		**921,855**	1,112,833
Discontinued operation			
Profit for the period from discontinued operation, net of tax		**—**	760,501
Profit for the period		**921,855**	1,873,334
Other comprehensive (expense)/income	8		
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Remeasurement of defined benefit plan payable		**—**	530
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange realignment		**(194,046)**	148,383
Fair value gain on available-for-sale investments		**48,286**	—
Net loss on cash flow hedges		**(49,939)**	(369,071)
Release upon disposal of discontinued operation		**—**	362,032
Share of other comprehensive expense of associates		**(11,563)**	(10,703)
Share of other comprehensive (expense)/income of joint ventures		**(40,649)**	14,440
Other comprehensive (expense)/income for the period		**(247,911)**	145,611
Total comprehensive income for the period		**673,944**	2,018,945

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

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited and restated) RMB'000
Profit for the period attributable to owners of the Company:			
– Continuing operations		865,410	1,108,141
– Discontinued operation		—	742,523
		865,410	1,850,664
Profit for the period attributable to non-controlling interests:			
– Continuing operations		56,445	4,692
– Discontinued operation		—	17,978
		56,445	22,670
Profit for the period		921,855	1,873,334
Total comprehensive income for the period attributable to:			
Owners of the Company		621,305	2,218,468
Non-controlling interests		52,639	(199,523)
		673,944	2,018,945
Earnings per share	9		
		(Unaudited) RMB cents	(Unaudited and restated) RMB cents
From continuing and discontinued operations			
– Basic and diluted		21.46	45.90
From continuing operations			
– Basic and diluted		21.46	27.48

The accompanying notes from pages 39 to 78 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
NON-CURRENT ASSETS			
Investment properties	11	**1,104,907**	1,104,907
Property, plant and equipment	11	**43,352,631**	41,854,872
Prepaid land lease payments		**78,410**	79,599
Goodwill		**58,168**	58,168
Investments in associates		**2,080,907**	1,994,902
Investments in joint ventures		**2,073,881**	2,169,448
Loan receivables		**1,866,313**	1,453,585
Available-for-sale investments		**344,091**	279,761
Deferred tax assets		**51,092**	52,258
		51,010,400	49,047,500
CURRENT ASSETS			
Current portion of loan receivables		**11,385**	18,899
Inventories		**540,638**	451,402
Trade and bills receivables	12	**1,204,819**	1,207,049
Prepayments, deposits and other receivables		**1,212,561**	908,132
Pledged bank deposits		**24,136**	24,134
Cash and cash equivalents		**6,447,387**	6,365,791
		9,440,926	8,975,407
CURRENT LIABILITIES			
Trade and bills payables	13	**1,191,873**	1,350,345
Other payables and accruals		**775,658**	1,153,143
Dividends payable	10	**535,572**	—
Current portion of provision and other liabilities	14	**310,572**	302,551
Current portion of interest-bearing bank and other borrowings	16	**5,410,751**	4,624,633
Current portion of other loans		**1,557**	2,251
Current portion of employee benefits payable		**12,620**	12,620
Tax payable		**29,162**	120,164
		8,267,765	7,565,707
NET CURRENT ASSETS		**1,173,161**	1,409,700
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,183,561**	50,457,200

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2017

	Note	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	4,032,033	4,032,033
Reserves		23,235,869	23,381,473
		27,267,902	27,413,506
Non-controlling interests		45,360	10,109
TOTAL EQUITY		27,313,262	27,423,615
NON-CURRENT LIABILITIES			
Provision and other liabilities	14	207,506	208,068
Derivative financial instruments	15	521,563	474,988
Interest-bearing bank and other borrowings	16	18,578,289	16,881,809
Other loans		1,120,171	1,049,820
Bonds payable	17	3,983,892	3,982,045
Employee benefits payable		136,630	140,890
Deferred tax liabilities		322,248	295,965
		24,870,299	23,033,585
TOTAL EQUITY AND NON-CURRENT LIABILITIES		52,183,561	50,457,200

Sun Jiakang
Director

Liu Hanbo
Director

The accompanying notes from pages 39 to 78 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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	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
Business combination involving entities under common control	–	–	–	–	332	–	–	–	–	–	(89)	120	363	101	464
At 1 January 2016 (unaudited and restated)	4,032,033	7,749,939	273,418	76,341	6,378,485	2,877,435	91,041	93,158	(173,907)	3,874	(591,324)	10,897,088	31,707,581	862,975	32,570,556
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	1,850,664	1,850,664	22,670	1,873,334
Remeasurement of defined benefit plan payable	–	–	–	–	–	–	–	–	–	–	–	530	530	–	530
Exchange realignment	–	–	–	–	–	–	–	–	–	–	147,487	–	147,487	896	148,383
Net loss on cash flow hedges	–	–	–	–	–	–	–	–	(149,125)	–	–	–	(149,125)	(219,946)	(369,071)
Release upon disposal of discontinued operation	–	–	–	–	–	–	–	–	–	–	362,032	–	362,032	–	362,032
Share of other comprehensive expense of associates	–	–	–	–	–	–	–	–	(13,678)	(344)	6,462	–	(7,560)	(3,143)	(10,703)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	–	–	(2,840)	17,280	–	14,440	–	14,440
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(162,803)	(3,184)	533,261	1,851,194	2,218,468	(199,523)	2,018,945
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	–	–	–	–	–	–	70,145	–	–	–	–	(72,276)	(2,131)	2,131	–
Utilisation of safety fund reserve	–	–	–	–	–	–	(41,335)	–	–	–	–	41,987	652	(652)	–
Disposal of discontinued operation	–	–	–	–	–	–	(47,493)	–	–	–	–	–	(47,493)	(1,060,766)	(1,108,259)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,850)	(11,850)
At 30 June 2016 (unaudited and restated)	4,032,033	7,749,939	273,418	76,341	(250,924)	2,877,435	72,358	93,158	(336,710)	690	(58,063)	12,314,790	26,844,465	(407,685)	26,436,780

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

	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 2017 (as previously reported)	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
Business combination involving entities under common control	–	–	–	–	332	–	–	–	–	–	(60)	145	417	116	533
At 1 January 2017 (unaudited and restated)	4,032,033	7,749,939	273,418	76,341	(250,924)	2,877,435	54,033	93,158	(210,149)	(736)	302,695	12,416,263	27,413,506	10,109	27,423,615
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	865,410	865,410	56,445	921,855
Exchange realignment	–	–	–	–	–	–	–	–	–	–	(199,739)	–	(199,739)	5,693	(194,046)
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	–	–	24,626	–	–	24,626	23,660	48,286
Net loss on cash flow hedges	–	–	–	–	–	–	–	–	(20,375)	–	–	–	(20,375)	(29,564)	(49,939)
Share of other comprehensive expense of associates	–	–	–	–	–	–	–	–	(11,011)	3,043	–	–	(7,968)	(3,595)	(11,563)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	–	–	–	–	(40,649)	–	(40,649)	–	(40,649)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(31,386)	27,669	(240,388)	865,410	621,305	52,639	673,944
Business combination involving entities under common control	–	–	–	–	(332)	–	–	–	–	–	–	–	(332)	332	–
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	–	–	–	(766,086)	(766,086)	–	(766,086)
Accrual of safety fund reserve	–	–	–	–	–	–	50,121	–	–	–	–	(50,835)	(714)	714	–
Utilisation of safety fund reserve	–	–	–	–	–	–	(36,807)	–	–	–	–	37,030	223	(223)	–
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	1,425	1,425
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(19,636)	(19,636)
At 30 June 2017 (unaudited)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	67,347	93,158	(241,535)	26,933	62,307	12,501,782	27,267,902	45,360	27,313,262

The accompanying notes from pages 39 to 78 form part of the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
		(Unaudited
	(Unaudited)	and restated)
	RMB'000	RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,918,070**	2,606,030
INVESTING ACTIVITIES		
Interest received	**57,608**	28,575
Payments for construction in progress	**(3,339,483)**	(1,160,453)
Purchases of property, plant and equipment	**(55,177)**	(7,376)
Proceeds from disposal of property, plant and equipment	**—**	24
Disposal of discontinued operation, net of cash disposed of	**—**	(1,201,073)
Compensation to a fellow subsidiary for the decrease in equity under the transition period in respect of disposal of discontinued operation	**(339,143)**	—
Loans to associates	**—**	(22,049)
Loans to joint ventures	**(465,561)**	(223,930)
Repayment from associates	**31,289**	1,208,748
Dividends received from associates	**—**	100,000
Dividends received from joint ventures	**29,240**	483,438
Investment in an associate	**(150,000)**	—
Investment in a joint venture	**—**	(98,938)
Increase in pledged bank deposits	**(2)**	(2)
NET CASH USED IN INVESTING ACTIVITIES	**(4,231,229)**	(893,036)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
		(Unaudited
	(Unaudited)	and restated)
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Interest paid	(362,108)	(473,623)
Dividends paid	(230,514)	(120,144)
Dividends paid to non-controlling interests of subsidiaries	(19,636)	(11,850)
Increase in other loans	86,368	76,002
Repayment of other loans	(3,904)	—
Increase in interest-bearing bank and other borrowings	6,143,445	2,552,331
Repayment of interest-bearing bank and other borrowings	(3,170,448)	(4,258,598)
Contribution from non-controlling interests of a subsidiary	1,425	—
Capital element of finance leases rental paid	—	(38,330)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	2,444,628	(2,274,212)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	131,469	(561,218)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	6,365,791	4,866,247
Effect of foreign exchange rate changes, net	(49,873)	55,986
CASH AND CASH EQUIVALENTS AT 30 JUNE	6,447,387	4,361,015

The accompanying notes from pages 39 to 78 form part of the interim financial information.

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 the principal place of business is located at 18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, the PRC.

During the period, the Company and its subsidiaries (together the "**Group**") were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering.

As at 30 June 2017, in the opinion of the directors of the Company (the "**Directors**"), China Shipping (Group) Company ("**China Shipping**") and China COSCO Shipping Corporation Limited ("**COSCO Shipping**"), both established in the PRC, 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.

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

The interim financial information was approved for issue by the board of Directors (the "**Board**") on 29 August 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim financial information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016 disclosed in the Company's 2016 annual report.

(b) In accordance with the asset transfer agreement entered into between the Company and COSCO SHIPPING (North America) Inc. ("**CSNAI**") on 15 December 2016, the Company acquired 80% equity interest in COSCO SHIPPING Tanker (USA) Inc. ("**USA Tanker**") by capital contribution of USD320,000 (equivalent to approximately RMB2,195,000). The acquisition of USA Tanker was completed on 22 February 2017 and has been accounted for as combination of businesses under common control since the Directors consider that the Company and USA Tanker are under common control of the State-owned Assets Supervision and Administration Commission of the State Council, the PRC both before and after the above mentioned acquisition.

The aforementioned acquisition of USA Tanker from CSNAI has been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The unaudited financial information of USA Tanker has been incorporated into this interim financial information. As a result, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of USA Tanker. The condensed consolidated statement of financial position as at 31 December 2016 has been restated to include the assets and liabilities of USA Tanker. Respective notes to the interim financial information have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out below in note 19 to the interim financial information.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Significant accounting policies

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

A number of revised Hong Kong Financial Reporting Standards ("**HKFRSs**") are effective for the financial year beginning on 1 January 2017. Except as described below (see note 2.3), the same accounting policies, presentation and methods of computation have been followed in this interim financial information as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

2.3 Adoption of new and revised HKFRSs and changes in accounting policies

Impact of revised HKFRSs

In the current period, 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 2017:

Amendments to HKFRSs Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12 "Disclosure of Interests in Other Entities"
Amendments to HKAS 7	Statement of Cash Flows "Disclosure Initiative"
Amendments to HKAS 12	Income Taxes "Recognition of Deferred Tax Assets for Unrealised Losses"

The adoption of the amendments to HKFRSs in the current period has had no material impact on the interim financial information for the current and prior accounting periods and/or on the disclosures set out in the interim financial information.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 Adoption of new and revised HKFRSs and changes in accounting policies (Continued)

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 are relevant to the Group but are not yet effective for the financial year beginning on 1 January 2017:

		Effective for annual periods beginning on or after
Amendments to HKFRSs Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 "Investments in Associates and Joint Ventures"	January 2018
Amendments to HKAS 40	Investment Property "Transfers of Investment Property"	January 2018
HKFRS 9	Financial Instruments	January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

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 interim financial information. 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 Adoption of new and revised HKFRSs and changes in accounting policies (Continued)

Impact of new and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16

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 21 to the interim financial information, as at 30 June 2017, 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.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment
- oil shipment
- vessel chartering

(ii) others

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

The operations of the dry bulk shipment segment was discontinued on 30 June 2016.

3. 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 period is set out as follows:

	Six months ended 30 June			
	2017		2016	
	Turnover	Contribution	Turnover	Contribution
			(Unaudited	(Unaudited
	(Unaudited)	(Unaudited)	and restated)	and restated)
	RMB'000	RMB'000	RMB'000	RMB'000
By principal activity:				
Continuing operations				
Oil shipment				
– Oil shipment	3,712,017	853,609	3,941,569	1,486,532
– Vessel chartering	885,269	351,287	1,322,627	372,282
	4,597,286	1,204,896	5,264,196	1,858,814
Others	308,417	107,213	50,513	(34,743)
	4,905,703	1,312,109	5,314,709	1,824,071
Discontinued operation				
Dry bulk shipment				
– Coal shipment	—	—	729,618	(10,058)
– Iron ore shipment	—	—	1,075,647	234,534
– Other dry bulk shipment	—	—	390,046	(64,254)
– Vessel chartering	—	—	666,480	(73,190)
	—	—	2,861,791	87,032
	4,905,703	1,312,109	8,176,500	1,911,103
Other income and net gains		202,293		105,924
Marketing expenses		(13,874)		(8,242)
Administrative expenses		(218,110)		(272,909)
Other expenses		(26,615)		(36,270)
Share of profits of associates		125,775		142,092
Share of profits of joint ventures		83,328		93,151
Finance costs		(416,638)		(540,589)
Elimination of discontinued operation		—		(87,032)
Profit before tax		1,048,268		1,307,228

3. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Total segment assets		
Oil shipment	**42,469,021**	41,871,688
Others	**17,982,305**	16,151,219
	60,451,326	58,022,907
Total segment liabilities		
Oil shipment	**18,421,494**	17,702,082
Others	**14,716,570**	12,897,210
	33,138,064	30,599,292

Segment contribution represents gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior managements), 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 resources allocation and performance assessment.

As at 30 June 2017, the net carrying amounts of the Group's oil tankers, liquefied petroleum gas ("**LPG**") vessels and liquefied natural gas ("**LNG**") vessels were RMB31,857,632,000 (31 December 2016: RMB30,634,523,000), RMB122,512,000 (31 December 2016: RMB75,724,000) and RMB4,740,826,000 (31 December 2016: RMB1,616,907,000) respectively.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	Six months ended 30 June			
	2017		2016	
	Turnover	Contribution	Turnover	Contribution
			(Unaudited	(Unaudited
	(Unaudited)	(Unaudited)	and restated)	and restated)
	RMB'000	RMB'000	RMB'000	RMB'000
By geographical area:				
Continuing operations				
Domestic	1,452,354	568,984	1,292,188	555,166
International	3,453,349	743,125	4,022,521	1,268,905
	4,905,703	1,312,109	5,314,709	1,824,071
Discontinued operation				
Domestic	—	—	1,248,307	61,954
International	—	—	1,613,484	25,078
	—	—	2,861,791	87,032
	4,905,703	1,312,109	8,176,500	1,911,103
Other income and net gains		202,293		105,924
Marketing expenses		(13,874)		(8,242)
Administrative expenses		(218,110)		(272,909)
Other expenses		(26,615)		(36,270)
Share of profits of associates		125,775		142,092
Share of profits of joint ventures		83,328		93,151
Finance costs		(416,638)		(540,589)
Elimination of discontinued operation		—		(87,032)
Profit before tax		1,048,268		1,307,228
Turnover				
Total segment turnover		4,905,703		8,176,500
Less: inter-segment transactions		—		—
Total consolidated turnover		4,905,703		8,176,500

3. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	Oil shipment RMB'000	Dry bulk shipment (discontinued) RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2017 (unaudited)				
Additions to non-current assets	2,245,167	—	755,156	3,000,323
Depreciation and amortisation	837,732	—	54,587	892,319
Provision for onerous contracts	104,430	—	80,281	184,711
Loss on disposal of property, plant and equipment, net	(24)	—	—	(24)
Interest income	18,525	—	64,580	83,105
Six months ended 30 June 2016 (unaudited and restated)				
Additions to non-current assets	537,935	25,299	704,120	1,267,354
Depreciation and amortisation	828,176	552,828	12,269	1,393,273
Provision for onerous contracts	227,028	9,557	—	236,585
Loss on disposal of property, plant and equipment, net	(265)	(2,133)	(3)	(2,401)
Interest income	14,494	2,074	23,470	40,038

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditure has been prepared for the six months ended 30 June 2017 and 2016.

4. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Continuing operations		
Other income		
Interest income from loan receivables	**30,679**	20,297
Bank interest income	**52,426**	17,667
Rental income from investment properties	**12,128**	12,095
Government subsidies (note)	**39,349**	8,855
Others	**52,588**	61,417
	187,170	120,331
Other gains/(losses)		
Exchange gains/(losses), net	**15,147**	(11,819)
Loss on disposal of property, plant and equipment, net	**(24)**	(268)
Loss on revaluation of investment properties, net	**—**	(2,941)
Others	**—**	621
	15,123	(14,407)
	202,293	105,924

Note:

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

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Continuing operations		
Total finance costs		
Interest expenses on:		
– bank loans and other borrowings	**378,213**	542,811
– corporate bonds	**102,289**	102,744
– hedge loan	**25,148**	277
	505,650	645,832
Less: interest capitalised	**(89,012)**	(105,243)
	416,638	540,589

During the period, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 2% to 3.46% (six months ended 30 June 2016: 2.82% to 2.85%) per annum.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Continuing operations		
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,331,488	1,008,359
Others (including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	2,262,106	2,482,279
	3,593,594	3,490,638
Operating lease rentals: minimum lease payments		
Land and buildings	14,482	10,635
Vessels	223,185	562,170
Total operating lease rentals	237,667	572,805
Staff costs (including emoluments of directors, supervisors and senior management, wages, salaries, crew expenses and related expenses, cost paid for defined benefit plan and pension scheme contributions)	678,207	657,508
Depreciation of property, plant and equipment	891,130	840,445
Amortisation of prepaid land lease payments	1,189	—
Dry-docking and repairs	80,073	104,937
Impairment losses on trade receivables	3,307	60
Impairment losses on other receivables	2,114	—
Provision for onerous contracts	184,711	227,028

7. INCOME TAX

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited and restated) RMB'000
Continuing operations			
Current income tax			
– PRC	(i)	**115,045**	190,578
– Hong Kong	(ii)	**—**	—
– Other districts	(iii)	**14**	34
		115,059	190,612
Deferred tax		**11,354**	3,783
Total income tax expense		**126,413**	194,395

Note:

(i) 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% (six months ended 30 June 2016: 25%).

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax was not provided for in the interim financial information as the Group did not have any assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016.

(iii) Taxes or profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the entities within the Group operate.

8. OTHER COMPREHENSIVE (EXPENSE)/INCOME

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

	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Six months ended 30 June 2017 (unaudited)			
Exchange realignment	(194,046)	—	(194,046)
Fair value gain on available-for-sale investments	64,381	(16,095)	48,286
Net loss on cash flow hedges	(49,939)	—	(49,939)
Share of other comprehensive expense of associates	(11,563)	—	(11,563)
Share of other comprehensive expense of joint ventures	(40,649)	—	(40,649)
	(231,816)	(16,095)	(247,911)
Six months ended 30 June 2016 (unaudited and restated)			
Remeasurement of defined benefit plan payable	530	—	530
Exchange realignment	148,383	—	148,383
Net loss on cash flow hedges	(369,071)	—	(369,071)
Release upon disposal of discontinued operation	362,032	—	362,032
Share of other comprehensive expense of associates	(10,703)	—	(10,703)
Share of other comprehensive income of joint ventures	14,440	—	14,440
	145,611	—	145,611

9. 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 period attributable to owners of the Company of RMB865,410,000 (six months ended 30 June 2016: RMB1,850,664,000) and the weighted average number of ordinary shares of 4,032,033,000 (six months ended 30 June 2016: 4,032,033,000) shares in issue during the period.

9. EARNINGS PER SHARE (Continued)

(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:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	**865,410**	1,850,664
Less: profit for the period from discontinued operation attributable to owners of the Company	**—**	742,523
Profit for the period from continuing operations attributable to owners of the Company	**865,410**	1,108,141

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations (see note 9(a)).

10. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
Final dividend for 2016 – RMB0.19 (six months ended 30 June 2016: Final dividend for 2015 – RMB0.10) per share	**766,086**	403,203

Final dividend of RMB0.19 per share in respect of the year ended 31 December 2016 was approved by shareholders on 8 June 2017 and a total amount of RMB230,514,000 was paid during the period.

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2016: RMBnil).

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2017, the Group's investment properties with fair value of RMB1,104,907,000 (31 December 2016: RMB1,104,907,000) were leased out. There was no significant change in the fair value of investment properties during the period. The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease.

As at 30 June 2017, the fair value of the Group's investment properties is based on Level 2 fair value hierarchy as defined under HKFRS 13 "Fair Value Measurement" which details are set out in the consolidated financial statements disclosed in the Company's 2016 annual report. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the current and prior periods.

During the period, additions to construction in progress amounted to RMB2,945,146,000 (six months ended 30 June 2016: RMB1,260,842,000).

During the period, 8 vessels (six months ended 30 June 2016: no construction of vessels) at a cost of RMB5,656,959,000 (six months ended 30 June 2016: RMBnil) were completed and were transferred from construction in progress to vessels.

12. TRADE AND BILLS RECEIVABLES

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Within 3 months	**975,581**	909,612
4 - 6 months	**78,670**	104,940
7 - 9 months	**43,907**	102,566
10 - 12 months	**37,181**	28,127
1 - 2 years	**62,876**	60,995
Over 2 years	**6,604**	809
	1,204,819	1,207,049

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 are related to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

13. TRADE AND BILLS PAYABLES

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Within 3 months	639,633	1,039,264
4 - 6 months	152,511	58,469
7 - 9 months	122,747	35,738
10 - 12 months	55,163	3,835
1 - 2 years	12,643	19,530
Over 2 years	209,176	193,509
	1,191,873	1,350,345

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

14. PROVISION AND OTHER LIABILITIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Provision for onerous contracts	502,776	495,338
Others	15,302	15,281
	518,078	510,619
Less: current portion	(310,572)	(302,551)
Non-current portion	207,506	208,068

14. PROVISION AND OTHER LIABILITIES (Continued)

Details of provision for onerous contracts are as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
At beginning of the period/year	495,338	340,447
Provision during the period/year	184,711	413,877
Utilised during the period/year	(165,469)	(208,988)
Disposal of discontinued operation	—	(63,293)
Exchange realignment	(11,804)	13,295
At end of the period/year	502,776	495,338
Less: current portion	(310,572)	(302,551)
Non-current portion	192,204	192,787

As at 30 June 2017, the Group had a provision of RMB502,776,000 (31 December 2016: RMB495,338,000) for onerous contracts relating to the non-cancellable chartered-in vessel contracts.

As at 30 June 2017, 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 RMB3,466,254,000 (31 December 2016: RMB3,946,995,000).

15. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements, denominated in United States dollars ("**USD**"), have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. As at 30 June 2017, the Group had interest rate swap agreements with total notional principal amount of approximately USD554,364,000 (equivalent to approximately RMB3,755,484,000) (31 December 2016: approximately USD537,040,000 (equivalent to approximately RMB3,725,448,000)) which will be matured in 2031 and 2032 (31 December 2016: 2031 and 2032). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain bank borrowings with floating interest rates.

During the period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate ("**Libor**") plus 2.20% (six months ended 30 June 2016: 3-month Libor plus 0.42%, 0.65% or 2.20%).

Loss on the interest rate swaps during the period is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total fair value loss included in the hedging reserve	**(49,939)**	(369,071)
Hedge loan interest included in finance costs	**(25,148)**	(277)
Total loss on cash flow hedges of the interest rate swap agreements	**(75,087)**	(369,348)

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) As at 30 June 2017, details of the interest-bearing bank and other borrowings are as follows:

		Annual effective interest rate (%)	Maturity	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Current liabilities					
(i) Bank borrowings					
	Secured	20% discount to the People's Bank of China ("**PBC**") Benchmark interest rate, Libor + 0.38%, 3-month Libor + 1.15% to 2.20%, 6-month Libor + 0.42% to 1.40%, fixed rate of 4.27% to 4.80%	2017 to 2018	1,037,253	1,119,250
	Unsecured	PBC Benchmark interest rate, Libor + 0.70% to 1.40%, 3-month Libor + 0.70% to 2.10%, 6-month Libor + 0.70%	2017 to 2018	3,343,313	3,475,198
				4,380,566	4,594,448
(ii) Other borrowings					
	Unsecured	10% discount to the PBC Benchmark interest rate, fixed rate of 3.60%	2017 to 2018	1,030,185	30,185
Interest-bearing bank and other borrowings – current portion				5,410,751	4,624,633

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) As at 30 June 2017, details of the interest-bearing bank and other borrowings are as follows: (Continued)

		Annual effective interest rate (%)	Maturity	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Non-current liabilities					
(i)	Bank borrowings				
	Secured	20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3-month Libor + 1.15% to 2.20%, 6-month Libor + 0.42% to 1.40%, fixed rate of 4.27% to 4.80%	2018 to 2033	**12,805,682**	11,460,562
	Unsecured	PBC Benchmark interest rate, Libor + 1.70%, 3-month Libor + 0.80% to 1.75%, 6-month Libor + 0.70%	2018 to 2026	**5,530,942**	5,149,582
				18,336,624	16,610,144
(ii)	Other borrowings				
	Unsecured	10% discount to the PBC benchmark interest rate	2025	**241,665**	271,665
Interest-bearing bank and other borrowings – non-current portion				**18,578,289**	16,881,809

As at 30 June 2017, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 31 (31 December 2016: 24) vessels and 3 (31 December 2016: 5) vessels under construction with total net carrying amount of RMB16,250,877,000 (31 December 2016: RMB11,150,917,000) and RMB3,900,848,000 (31 December 2016: RMB6,568,108,000) respectively and pledged bank deposits.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) As at 30 June 2017, the interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 30 June 2017 (unaudited)			
Current portion			
Within one year or on demand	4,380,566	1,030,185	5,410,751
Non-current portion			
In the second year	3,580,322	41,060	3,621,382
In the third to fifth years, inclusive	5,958,657	123,180	6,081,837
Over five years	8,797,645	77,425	8,875,070
	18,336,624	241,665	18,578,289
	22,717,190	1,271,850	23,989,040
As at 31 December 2016 (unaudited)			
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

17. BONDS PAYABLE

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

	RMB'000
At 31 December 2016 (unaudited)	**3,982,045**
Interest charge	**1,847**
At 30 June 2017 (unaudited)	**3,983,892**

Details of 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 2016 (Unaudited)	Interest charge	**At 30 June 2017 (Unaudited)**
		RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,492,018	625	**1,492,643**
29 October 2012	7 years	1,500,000	1,488,600	1,494,916	854	**1,495,770**
29 October 2012	10 years	1,000,000	992,400	995,111	368	**995,479**
		4,000,000	3,968,100	3,982,045	1,847	**3,983,892**

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.

18. ISSUED CAPITAL

	30 June 2017		31 December 2016	
		(Unaudited)		(Unaudited)
	Number of shares	RMB'000	Number of shares	RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1 each				
At beginning and end of the period/year	1,296,000,000	1,296,000	1,296,000,000	1,296,000
Listed A-Shares of RMB1 each				
At beginning and end of the period/year	2,736,032,861	2,736,033	2,736,032,861	2,736,033
Total	4,032,032,861	4,032,033	4,032,032,861	4,032,033

19. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

On 22 February 2017, the Company acquired 80% equity interest in USA Tanker from CSNAI by capital contribution of approximately RMB2,195,000. The principal activity of USA Tanker is provision of agency services. The financial statements of USA Tanker are consolidated by the Group as the Group has control over operating and financial policies of this entity.

As mentioned in note 2.1(b) to the interim financial information, the Group has applied merger accounting as prescribed in Accounting Guideline 5 to account for the business combination involving entities under common control. Accordingly, USA Tanker has been combined since 1 January 2016, the earliest financial period presented, as if the acquisition had occurred at that time.

19. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(a) The reconciliation of the effect arising from the business combination involving entities under common control on the condensed consolidated statements of financial position as at 30 June 2017 and 31 December 2016 is as follow:

	The Group excluding USA Tanker (Unaudited) RMB'000	USA Tanker (Unaudited) RMB'000	Adjustment (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
At 30 June 2017				
Non-current assets				
Investment in a subsidiary	2,195	—	(2,195)	—
Other non-current assets	51,010,278	122	—	51,010,400
	51,012,473	122	(2,195)	51,010,400
Current assets				
Other current assets	2,994,377	288	(1,126)	2,993,539
Cash and cash equivalents	6,444,002	3,385	—	6,447,387
	9,438,379	3,673	(1,126)	9,440,926
Current liabilities				
Other current liabilities	8,267,829	1,062	(1,126)	8,267,765
Net current assets	1,170,550	2,611	—	1,173,161
Total assets less current liabilities	52,183,023	2,733	(2,195)	52,183,561
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	2,815	(2,815)	4,032,033
Reserves	23,235,795	(82)	156	23,235,869
	27,267,828	2,733	(2,659)	27,267,902
Non-controlling interests	44,949	—	411	45,360
Total equity	27,312,777	2,733	(2,248)	27,313,262
Non-current liabilities				
Other non-current liabilities	24,870,246	—	53	24,870,299
Total equity and non-current liabilities	52,183,023	2,733	(2,195)	52,183,561

19. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(a) The reconciliation of the effect arising from the business combination involving entities under common control on the condensed consolidated statements of financial position as at 30 June 2017 and 31 December 2016 is as follow: (Continued)

	The Group excluding USA Tanker	USA Tanker	Adjustment	Consolidated
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016				
Non-current assets				
Other non-current assets	49,047,361	139	—	49,047,500
Current assets				
Other current assets	2,609,877	596	(857)	2,609,616
Cash and cash equivalents	6,364,583	1,208	—	6,365,791
	8,974,460	1,804	(857)	8,975,407
Current liabilities				
Other current liabilities	7,565,202	1,362	(857)	7,565,707
Net current assets	1,409,258	442	—	1,409,700
Total assets less current liabilities	50,456,619	581	—	50,457,200
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	415	(415)	4,032,033
Reserves	23,381,056	166	251	23,381,473
	27,413,089	581	(164)	27,413,506
Non-controlling interests	9,993	—	116	10,109
Total equity	27,423,082	581	(48)	27,423,615
Non-current liabilities				
Other non-current liabilities	23,033,537	—	48	23,033,585
Total equity and non-current liabilities	50,456,619	581	—	50,457,200

The above adjustments represent adjustments to eliminate the paid-up capital of USA Tanker against the Group's investment cost in USA Tanker and non-controlling interests arising from the acquisition of USA Tanker, current accounts between the Group and USA Tanker as at 30 June 2017 and 31 December 2016 respectively and adjustments to achieve consistency of accounting policies.

19. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(b) The effect of the business combination involving entities under common control, as described above, on the Group's basic and diluted earnings per share for the six months ended 30 June 2016 is as follows:

	Impact on basic and diluted earnings per share RMB cents
As previously reported	45.90
Restatement arising from business combination involving entities under common control	—
Restated	45.90

(c) The effect of business combination involving entities under common control, as described above, on the Group's profit for the period for the six months ended 30 June 2016 is as follows:

	RMB'000
As previously reported	1,873,301
Restatement arising from business combination involving entities under common control	33
Restated	1,873,334

20. CONTINGENT LIABILITIES

(i) On 20 February 2011, an oil tanker of COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("**Dalian Tanker**"), a wholly-owned subsidiary of the Company, "Yang Mei Hu", during the time of berthing in Mohammedia port, clashed with 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 (equivalent to approximately RMB37 million) for security, "Yang Mei Hu" left the port. In April 2014, the dock authority commenced legal proceedings 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 (equivalent to approximately RMB16 million) to the dock authority for settlement. The case was resolved after the Group settled such amount.

(ii) East China LNG Shipping Investment Co., Limited, a non-wholly-owned subsidiary of the Company, holds 30% equity interest in each of Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and North China LNG Shipping Investment Co., Limited, a non-wholly-owned subsidiary of the Company, 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 construction of the LNG vessels, the four companies would, in accordance with the 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.

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, and (2) to secure 30% of such amount payable to the charterers under the lease.

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 (equivalent to approximately RMB55,550,000).

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

20. CONTINGENT LIABILITIES (Continued)

(iii) At the 2014 seventh Board meeting held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contracts signed by three joint ventures of the Group for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Group provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Group under the corporate guarantees is limited to USD490,000,000 (equivalent to approximately RMB3,319,456,000). In addition, the Group provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Group under the owner's guarantees is limited to USD6,400,000 (equivalent to approximately RMB43,356,000).

21. 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 (31 December 2016: one to twenty) years.

As at 30 June 2017, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Within one year	**1,185,413**	1,433,392
In the second to fifth years, inclusive	**2,678,259**	1,018,668
Over five years	**9,657,426**	3,322,649
	13,521,098	5,774,709

21. OPERATING LEASE ARRANGEMENTS (Continued)

(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 (31 December 2016: one to fifteen) years.

As at 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited and restated) RMB'000
Within one year	**711,498**	771,940
In the second to fifth years, inclusive	**2,015,738**	2,186,410
Over five years	**1,967,052**	2,402,489
	4,694,288	5,360,839

22. CAPITAL COMMITMENTS

	Note	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**5,904,736**	8,891,396
Project investments	(ii)	**606,309**	655,930
		6,511,045	9,547,326

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 China LNG Shipping (Holdings) Limited, a joint venture of the Group.

In addition to the above, the Group's share of the capital commitments of its associate which are contracted but not provided for amounted to RMB52,938,000 (31 December 2016: RMB121,969,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,798,617,000 (31 December 2016: RMB2,267,070,000).

23. 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 period, which are also considered by the Directors as related party transactions, are as follows:

(1) 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 (which related to provide necessary supporting shipping materials and services for the ongoing operations of the 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) for a further three years commencing from 1 January 2016 to 31 December 2018.

The fees for the agreed supplies and services will be determined by reference to the prevailing market price of the agreed supplies and services 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 shipping 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 China Shipping in the most recent transaction of a similar nature.

23. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

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 period are set out below:

	Six months ended 30 June	
	2017	2016
	Total value	Total value
	(Unaudited)	(Unaudited)
	RMB'000	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	**665,055**	833,234
Oil removal treatment, maintenance, telecommunication and navigational services	**9,265**	26,351
Dry-docking, repairs, special coating and technical improvements of vessels	**11,093**	32,175
Management services of sea crew	**296,640**	589,153
Accommodation, lodging, medical services and transportation for employees	**—**	—
Agency commissions	**16,631**	44,264
Services fees on sale and purchase of vessels, accessories and other equipment	**—**	—
Miscellaneous management services	**775**	10,258

In connection with the above transactions and for other operating purposes, the Group made prepayments or advances to its fellow subsidiaries and joint ventures of China Shipping from time to time.

23. RELATED PARTY TRANSACTIONS (Continued)

(2) 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 the Dalian Tanker and its subsidiaries (together "**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 the COSCO Shipping Group or Dalian Tanker Group (as the case may be) in the most recent transaction of a similar nature.

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 period are set out below:

	Six months ended 30 June	
	2017	2016
	Total value	Total value
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Supply of materials and fuels, mainly including fresh water, bunker oil and spare parts	**259,210**	212,164
Telecommunication and navigational services	**1,285**	—
Dry docking, repairs, special coating, technical improvements of vessels	**36**	3,259
Vessels and shipping agency	**2,267**	10,693
Service on sale and purchase of vessels, accessories and other equipment	**—**	—
Other miscellaneous management services	**171**	—

23. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

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 period are set out below:

	Six months ended 30 June	
	2017	2016
	Total value	Total value
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Supply of shipping materials	**8,702**	—
Telecommunication and navigational services	**—**	343
Management services of sea crew	**—**	—
Accommodation, lodging, medical services and transportation for employees	**—**	—

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.

23. RELATED PARTY TRANSACTIONS (Continued)

(3) In addition to the related party transactions outlined in notes 23(1) to 23(2) 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 period are as follows:

		Six months ended 30 June	
	Note	2017 (Unaudited) RMB'000	2016 (Unaudited and restated) RMB'000
Shipment income		7,444	38,185
Vessel chartering income		54,408	105,155
Vessel chartering charges		—	144,941
Construction of vessels		59,834	—
Purchase of materials		939	—
Vessel management income		8,460	9,549
Vessel management expenses		22,122	16,001
Technical services income		—	1,430
Technical services expenses		1,822	—
Rental income, including business tax and surcharge	(i)	14,036	11,858
Rental expenses	(i)	7,095	7,039
Agency commission expenses		3,640	—
Miscellaneous management services expenses		19	498
Interest income from associates		16,315	16,225
Interest income from joint ventures		14,364	4,074
Loan interest payment	(ii)	1,700	162,052

23. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note:

The Group has entered into the following agreements:

(i) 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 period.

(ii) On 8 August 2011, the Company entered into an entrusted loan agreement with China Shipping and China Shipping Finance Co., Ltd. ("**CS Finance**"), an associate of the Group, 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 in 2016.

On 30 June 2014, China Shipping Development (Hong Kong) Marine Co., Limited ("**CSDHK**"), a wholly-owned subsidiary of 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 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 in 2016.

Other remaining interest expenses represented number of transactions during the period and were recognised in profit or loss as finance costs.

(4) 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 (which related to 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) 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.

23. RELATED PARTY TRANSACTIONS (Continued)

(5) On 28 April 2016, Dalian Tanker entered into a financial services framework agreement with COSCO Finance Co., Ltd. ("**COSCO Finance**"), a fellow subsidiary of the Company, 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.

(6) Outstanding balances with related parties

(i) As at 30 June 2017, included in loan receivables represent loans to associates of RMB426,567,000 (31 December 2016: RMB457,153,000), which are unsecured, interest-bearing at approximately 4.84% to 5.60% over 3-month Libor (31 December 2016: approximately 3.30% to 6% over 3-month Libor) per annum and repayable in 2030 and 2031 (31 December 2016: 2030 and 2031).

As at 30 June 2017, included in loan receivables represent loans to joint ventures of RMB1,451,131,000 (31 December 2016: RMB1,015,331,000), which are unsecured, interest-bearing at 3-month Libor plus 0.80% (31 December 2016: 3-month Libor plus 0.80%) per annum prior to delivery of vessels and at 3-month Libor plus 1.30% (31 December 2016: 3-month Libor plus 1.30%) per annum after delivery of vessels and repayable in twenty years after the vessels construction projects are completed.

(ii) As at 30 June 2017, included in trade and bill receivables are amounts due from joint ventures and fellow subsidiaries amounted to RMB12,502,000 (31 December 2016: RMB5,648,000), which are unsecured, non-interest-bearing and under normal credit period as other trade receivables.

(iii) As at 30 June 2017, included in prepayments, deposits and other receivables are amounts due from associates, joint ventures and fellow subsidiaries amounted to RMB797,456,000 (31 December 2016: RMB294,724,000).

(iv) As at 30 June 2017, included in cash and cash equivalent is an amount of RMB4,091,897,000 (31 December 2016: RMB3,726,654,000) of bank balance deposited with CS Finance.

As at 30 June 2017, included in cash and cash equivalent is an amount of RMB962,148,000 (31 December 2016: RMB1,035,964,000) of bank balance deposited with COSCO Finance.

(v) As at 30 June 2017, included in trade and bills payables are amounts due to immediate holding company, an associate and fellow subsidiaries amounted to RMB361,064,000 (31 December 2016: RMB596,734,000), which are unsecured, non-interest-bearing and under normal credit period as other trade payables.

(vi) As at 30 June 2017, included in other payables and accruals are amounts due to immediate holding company, an associate, joint ventures and fellow subsidiaries amounted to RMB47,180,000 (31 December 2016: RMB368,942,000).

23. RELATED PARTY TRANSACTIONS (Continued)

(6) Outstanding balances with related parties (Continued)

(vii) As at 30 June 2017, included in other borrowings represent an amount of RMB1,000,000,000 (31 December 2016: RMBnil) which borrowed from immediate holding company, unsecured, interest-bearing at fixed rate of 3.60% per annum and repayable in 2018.

Except for those amounts mentioned in (i), (ii), (iv), (v) and (vii) above, the amounts due with immediate holding company, associates, joint ventures, fellow subsidiaries and other related parties are unsecured, non-interest-bearing and repayable on demand.

24. FAIR VALUE MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value at the end of the reporting period by level of the fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2017 (unaudited)				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	**251,923**	**—**	**—**	**251,923**
Financial liabilities:				
Derivative financial instruments	**—**	**521,563**	**—**	**521,563**
At 31 December 2016 (unaudited)				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	187,542	—	—	187,542
Financial liabilities:				
Derivative financial instruments	—	474,988	—	474,988

24. FAIR VALUE MEASUREMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Fair value hierarchy has been defined in the Group's consolidated financial statements disclosed in the Company's 2016 annual report. There was no transfers between Level 1 and Level 2, or transfer into or out of Level 3 in the current and prior periods.

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 the current interest rates and the current creditworthiness of the swap counterparties.

(b) 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 30 June 2017 and 31 December 2016.

25. 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.