中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

ANNUAL REPORT
2017

CONTENTS

FINANCIAL HIGHLIGHTS

	2017 US$'000	2016 US$'000
Results		
Revenues	**1,006,395**	841,461
Profit/(loss) attributable to owners of the Company	**32,271**	(229,579)
Basic and diluted earnings/(loss) per share	**US0.81 cents**	US(5.75) cents
Dividend	**15,354**[2]	20,472
Financial Position		
Total assets	**2,188,946**	2,074,342
Total liabilities	**355,052**	278,099
Equity attributable to owners of the Company	**1,817,028**	1,788,437
Cash and bank balances	**726,491**	643,978
Interest bearing liabilities	**138,023**	70,888
Interest bearing debt ratio[1]	**6.3%**	3.4%

(1) Interest bearing liabilities divided by total assets.

(2) Representing the proposed final dividend of HK3 cents (equivalent to US0.38 cents). Details are set out in Note 15.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I HEREBY PRESENT THE ANNUAL REPORT OF OUR GROUP FOR THE FINANCIAL YEAR ENDED BY 31 DECEMBER 2017 FOR YOUR REVIEW.

BUSINESS REVIEW

In 2017, the advanced economies such as Europe, the United States and Japan started to recover at the same time. The emerging economies headed by China and India had maintained steady growth, the world economy was on the track of recovery. With the thriving world trade and increasing prices of major commodities, seaborne demand started to pick up. On the other hand, the growth rate of shipping supply was quite low, supply and demand balance continued to improve, provided support for the recovery of dry bulk and container shipping markets.

For the dry bulk shipping market, in 2017, along with the recovery of global economy, dry bulk seaborne demand gradually improved. Confidence in the dry bulk shipping market has been boosted sharply, despite a higher net growth in shipping supply as compared with 2016. The average Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, was 1,145 points in 2017, representing an increase of 70% as compared with the lowest average in 2016.

For the container shipping market, in 2017, the container shipping market in Intra-Asia area was stable and on uptrend as the economic growth in Asia continued to outperform the global average. The competition landscape was relatively stable and the freight rates steadily increased.

The Group adhered to its strategy of steady growth under the ever-changing market situation. The Group responded to the market changes by conducting market research and making correct decisions. Also, the Group provided services with innovative measures and enhanced customer services. Moreover, the Group enhanced its internal management, strengthened the use of information technology, continued to optimize the fleet structure, and actively promoted cost reduction and efficiency enhancement, and profitability was enhanced. Through the aforesaid efforts, the operating results of the Group improved significantly during the year, achieved profit turnaround and beat the expectation. The Group recorded a revenue of US$1,006.40 million for the year 2017. The profit attributable to owners of the Company was US$32.27 million and earnings per share amounted to US0.81 cents.

Amid the weak market environment in the past three years (2015 to 2017), the Group scrapped 25 aged vessels and took delivery of 14 new eco-vessels and 1 LNG carrier. In addition, 6 Handysize bulk carriers ordered by the Group are expected to be delivered in 2018. Through the large-scale fleet upgrade, the structure of vessel types and age of the fleet have been greatly improved. As at the end of 2017, the average age of our self-owned fleet was 6.2 years only. With a higher market acceptance and significantly reduced fleet costs, the fleet's overall competitiveness has been further enhanced.

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal ice-class LNG carrier project in 2015 to jointly invest in 5 new-built LNG carriers and engage in LNG shipping in the Arctic Circle. As at the date of this report, 2 of the 5 new carriers have been delivered and are expected to contribute stable and relatively high investment return in 2018, whereas the remaining 3 carriers are expected to be delivered in 2019. The Group will closely monitor the shipbuilding progress of the 3 carriers to ensure the shipbuilding quality and a smooth project development.

Apart from the current operating performance, the Group has always attached great importance to the sustainable development of the Company's operations. In respect of safety, the Group has been committed itself to improving the vessel management standard so as to comply with ISM Code, the quality management standard ISO 9001 and the environmental management standard ISO 14001. The above measures helped ensure sound and prudent operation of the Group. In respect of employees, we strengthened team building and created a harmonious corporate culture by holding a series of employee activities. In respect of the environment, the Group actively reduced its carbon footprint both on-shore and off-shore and reduced energy and resource consumption. We firmly believe that sustainable operations will form a long-term competitive advantage for the Company. The Group has incorporated these principles into its daily operations in the current management system in order to achieve the sustainable development of the Company.

DIVIDEND

The Board proposed the payment of final dividend of HK3 cents per share for the year ended 31 December 2017 (2016: HK4 cents).

OUTLOOK

Looking forward into 2018, the world economic situation will remain complicated and constantly changing. The trend of steady recovery of domestic and world economies is expected to keep up while the growth in world trade is expected to accelerate, thus sustaining the steady economic growth in general. This will lay a solid foundation for the further recovery of the shipping market. However, the uncertain factors cannot be ignored and the Group takes cautiously optimistic attitude towards the market performance in 2018. In the dry bulk segment, the favorable macroeconomic environment will drive the dry bulk seaborne demand upward. In addition, with the "Belt and Road Initiative" being gradually taken forward, huge infrastructure development along the twin corridors will provide enormous market opportunities and provide new momentum for dry bulk market. At the same time, new building orders rebound may exert pressure on the market. In respect of the container shipping market, the economic growth rate of Intra-Asia region is expected to be higher than that of the world, which stimulates higher shipping demand. Also, the competition landscape of the regional container shipping market is relatively stable. Hence, it is expected that the freight rate would maintain a stable and mild growth. However, uncertain factors such as geopolitical risks, the rise of protectionism and the fluctuation in bunker prices, may affect the Group's operating performance.

2017 was the tenth anniversary of the listing of the Group. Despite the downturn that the shipping market experienced in the past decade, the Group has made steady progress with a more reasonable business structure thanks to the right leadership of the Board of Directors and the hard work of the staff, and accumulated extensive management

experience. Ten years mark a milestone and also a new start. Standing from a new starting point in a new era, we will never forget why we started and will overcome the challenges ahead. We will adhere to our business orientation of seeking improvement through gradual progress by seizing market opportunities and pursuing both short-term and long term interests. The Group will also consolidate the resources and develop a smart fleet with the aims of raising operating efficiency and controlling costs in order to enhance the overall fleet competitiveness. Leveraging the healthy financial position, low-cost self-owned fleet, professional management team, global business network and effective risk management, the Group will spare no effort to capture market opportunities so as to further promote business growth and corporate value, with maximizing shareholders' interests as its goal.

ACKNOWLEDGEMENT

Last but not least, I would like to take this opportunity to express my deepest gratitude to the support and trust of all shareholders, investors and customers over the past years and to the contribution made by all the staff last year. I believe that Sinotrans Shipping will continue to grasp its course in a volatile market and sail forward.

Li Zhen
Chairman
8 March 2018

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

BUSINESS REVIEW AND OUTLOOK

DRY BULK SHIPPING

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

Along with the recovery of global economy, dry bulk seaborne demand gradually improved and in particular, China's major commodities import increased in faster pace. Confidence in the dry bulk shipping market has been boosted sharply, despite a higher net growth in shipping supply as compared with 2016. The average Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, was 1,145 points in 2017, representing an increase of 70% as compared with the lowest average in 2016. The BDI fluctuated within the range of 685 points to 1,743 points during the period.

Facing a volatile market, the Group seized the golden chance of market recovery by conducting market research in advance and adjusted its fleet structure in time. Also, we made use of our global business network, optimized mode of business, and allocated more effort in exploring strategic customers, to improve profitability. The Group achieved a profit turnaround eventually.

In 2017, revenue of the Group from dry bulk shipping was US$489.10 million (2016: US$368.69 million), among which ocean freight income recorded US$289.68 million (2016: US$275.61 million), and charter hire income recorded US$199.42 million (2016: US$93.08 million). The shipping volume was 41.70 million tons during the year (2016: 41.32 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$10,458 (2016: US$6,521), representing a year-on-year increase of 60.4%.

CONTAINER SHIPPING

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

In 2017, the container shipping market in Intra-Asia area was stable and on uptrend as the economic growth in Asia continued to outperform the global average. The competition landscape was relatively stable, supply and demand balance has been improving, and the freight rates steadily increased.

The Group persistently oriented itself as the liner services provider in Intra-Asia area. It is committed to developing boutique shipping routes and strived to optimize route arrangement. During the year, the Group developed 3 new routes. The shipping volume of imported cargoes increased significantly by the strengthened marketing capability, leading to a better overall vessel utilization. At the same time, the Group continued strengthening its cost control management, extended new services by innovative measures and improved service quality. The profit for the segment hit a record high.

For the year ended 31 December 2017, revenue of the Group from container shipping was US$517.93 million (2016: US$473.33 million), among which income from liner service recorded US$481.65 million (2016: US$422.75 million), income from freight forwarding recorded US$36.28 million (2016: US$50.58 million). The container shipping volume of the Group was approximately 1,006,000 TEU during the year (2016: 879,000 TEU). The average income per container was US$392 (2016: US$392).

LNG SHIPPING

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal ice-class LNG carrier project in 2015 to jointly invest in 5 new-built LNG carriers and engage in LNG shipping in the Arctic Circle. As at the date of this report, 2 of the 5 new carriers have been delivered and are expected to contribute stable and relatively high investment return in 2018, whereas the remaining 3 carriers are expected to be delivered in 2019. The Group will closely monitor the shipbuilding progress of the 3 carriers to ensure the shipbuilding quality and a smooth project development.

VESSEL TECHNICAL MANAGEMENT AND OTHER SHIPPING RELATED BUSINESS

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

In 2017, our Group efficiently managed our vessels and introduced a number of effective safety management measures, which has basically ensured safety operation of vessels. The total number of operating days of our self-owned vessels was 17,711 days. The fleet utilisation rate still remained relatively high at 98%, and the safe operation of the fleet has been well ensured.

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

	2017	2016
Number of vessels at the end of the period	**36**	37
Total number of operating days	**13,056**	13,310
Total number of off-hire days (other than because of repair and maintenance)	**103**	111
Total number of days that vessels are not utilised because of repair and maintenance	**223**	140
Fleet utilisation(1)	**97%**	98.1%

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

	2017	2016
Number of vessels at the end of the period	**14**	11
Total number of operating days	**4,655**	3,928
Total number of off-hire days (other than because of repair and maintenance)	**34**	20
Total number of days that vessels are not utilised because of repair and maintenance	**13**	78
Fleet utilisation(1)	**99%**	97.6%

Note:

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

FLEET DEVELOPMENT

Amid the weak market environment in the past three years (2015 to 2017), the Group scrapped 25 aged vessels and took delivery of 14 new eco-vessels and 1 LNG carrier. In addition, 6 Handysize bulk carriers ordered by the Group are expected to be delivered in 2018. Through the large-scale fleet upgrade, the structure of vessel types and age of the fleet have been greatly improved. As at the end of 2017, the average age of our self-owned fleet was 6.2 years only. With a higher market acceptance and significantly reduced fleet costs, the fleet's overall competitiveness has been further enhanced.

Name of Vessel	DWT/TEU[1]/Cubic Metres[2]	Year Built	Age
Handysize Dry Bulk Vessel			
Great Resource	31,775	May 2010	7.5
Trans Friendship I [3]	31,809	August 2010	7.3
Trans Friendship II [3]	31,744	December 2010	6.9
Great Reward	31,785	January 2011	6.8
Great Beauty	38,800	January 2018 [5]	–
BC 388–02 [4]	38,800	April 2018 [5]	–
BC 388–03 [4]	38,800	May 2018 [5]	–
BC 388–04 [4]	38,800	June 2018 [5]	–
BC 388–05 [4]	38,800	July 2018 [5]	–
BC 388–06 [4]	38,800	September 2018 [5]	–
Handymax Dry Bulk Vessel			
Great Scenery	47,760	August 2002	Disposed
Great Praise	52,434	May 2006	11.6
Great Legend	52,385	August 2006	11.3
Great Amity	56,050	September 2004	13.2
Da Cheng [6]*	57,066	September 2010	7.2
Great Progress	63,377	August 2015	2.3
Great Rainbow	63,464	September 2015	2.2
Great Pioneer	63,411	October 2015	2.1
Great Fortune	63,497	November 2015	2.0
Great Link	63,464	January 2016	1.8
Great Fluency	63,391	January 2016	1.8
Great Comfort	64,000	April 2016	1.2
Great Vision	64,000	September 2016	1.6

* Such vessel was disposed in February 2018. For details, please refer to announcement of the Company dated 13 February 2018.

Name of Vessel	DWT/TEU[1]/Cubic Metres[2]	Year Built	Age
Panamax Dry Bulk Vessel			
Great Talent	76,773	January 2005	12.9
Great Mind	75,624	December 2011	5.9
Great Hope	75,630	February 2012	5.6
Great Wealth	75,569	September 2011	6.2
Great Rich	75,523	January 2012	5.8
Great Glen	93,251	October 2009	7.6
Great Cheer	93.297	April 2010	8.1
Great Animation	93,203	March 2011	6.7
Great Aspiration	93,412	January 2010	7.8
Great Triumph	77,835	June 2015	2.4
Great Victory	77,853	August 2015	2.3
Capsize Dry Bulk Vessel			
Great Qin	176,105	March 2010	7.7
Great Jin	175,868	March 2010	7.7
Great Zhou	180,334	July 2010	7.3
Great Han	180,443	October 2010	7.1
Great Tang	180,246	January 2011	6.8
Great Song	180,387	March 2011	6.7
Cape Sun [6]	175,611	January 2010	7.8
Great Yuan	179,978	August 2010	7.3
Great Sui	179,978	May 2010	7.5

Name of Vessel	DWT/TEU[1]/Cubic Metres[2]	Year Built	Age
Container vessels			
Sinotrans Beijing	847	February 2008	9.8
Sinotrans Shenzhen	847	April 2008	9.6
Sinotrans Ningbo	847	May 2008	9.5
Sinotrans Xiamen	847	July 2008	9.3
Sinotrans Hong Kong	1,049	May 2006	11.5
Sinotrans Dalian	1,106	August 2013	4.3
Sinotrans Qingdao	1,106	July 2013	4.3
Sinotrans Shanghai	1,040	July 2013	4.3
Sinotrans Tianjin	1,040	October 2013	4.1
Yi Yun [7]	404	May 1996	Disposed
Yi Sheng [7]	404	August 1996	21.5
Sinotrans Kaohsiung	1,900	May 2017	0.3
Sinotrans Keelung	1,900	June 2017	0.3
Sinotrans Manila	1,900	September 2017	0.1
Sinotrans Bangkok	1,900	November 2017	0.1
LNG vessels			
Fedor Litke	172,410	December 2017	0.1
Boris Vilkitsky	172,410	January 2018	–
Arctic LNG 3 [4]	172,410	–	–
Arctic LNG 4 [4]	172,410	–	–
Arctic LNG 5 [4]	172,410	–	–

Note:

(1) Applies only to container vessels.

(2) Applies only to LNG vessels.

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

(4) Construction has been commissioned.

(5) Expected date of delivery.

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

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

EMPLOYEES

As at 31 December 2017, the Group had a total of 648 shore-based employees working in our offices in Hong Kong, Mainland China, Canada, Singapore and other regions. The remuneration policies and development of our employees were substantially the same as those disclosed in the 2016 annual report with no material change.

OUTLOOK

Looking forward into 2018, the world economic situation will remain complicated and constantly changing. The trend of steady recovery of domestic and world economies is expected to keep up while the growth in world trade is expected to accelerate, thus sustaining the steady economic growth in general. This will lay a solid foundation for the further recovery of the shipping market. However, the uncertain factors cannot be ignored and the Group takes cautiously optimistic attitude towards the market performance in 2018.

In the dry bulk segment, the favorable macroeconomic environment will drive the dry bulk seaborne demand upward. In addition, with the "Belt and Road Initiative" being gradually taken forward, huge infrastructure development along the twin corridors will provide enormous market opportunities and provide new momentum for dry bulk market. At the same time, newbuilding orders rebound may exert pressure on the market. In respect of the container shipping market, the economic growth rate of Intra-Asia region is expected to remain higher than that of the world, which stimulates higher shipping demand. Also, the competition landscape of the regional container shipping market is relatively stable. Hence, it is expected that the freight rate would maintain a stable and mild growth. However, uncertain factors such as geopolitical risks, the rise of protectionism and the fluctuation in bunker prices, may affect the Group's operating performance.

2017 was the tenth anniversary of the listing of the Group. Despite the downturn that the shipping market experienced in the past decade, the Group has made steady progress with a more reasonable business structure thanks to the right leadership of the Board of Directors and the hard work of the staff, and accumulated extensive management experience. Ten years mark a milestone and also a new start. Standing from a new starting point in a new era, we will never forget why we started and will overcome the challenges ahead. We will adhere to our business orientation of seeking improvement through gradual progress by seizing market opportunities and pursuing both short-term and long term interests. The Group will also consolidate the resources and develop a smart fleet with the aims of raising operating efficiency and controlling costs in order to enhance the overall fleet competitiveness. Leveraging the healthy financial position, low-cost self-owned fleet, professional management team, global business network and effective risk management, the Group will spare no effort to capture market opportunities so as to further promote business growth and corporate value, with maximizing shareholders' interests as its goal.

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

	2017	2016	% Change
Return on equity[1]	**1.79%**	(12.01%)	114.9%
Current ratio[2]	**3.12**	4.09	(23.7%)
Debt asset ratio[3]	**0.16**	0.13	23.1%
Net asset per ordinary share (USD)[4]	**0.46**	0.45	2.2%

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

(2) Current assets divided by current liabilities.

(3) Total liabilities divided by total assets.

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

REVIEW OF HISTORICAL OPERATING RESULTS

The world economy has entered a normal recovery track in 2017. The advanced economies such as Europe, the United States and Japan started to recover at the same time. The emerging economies headed by China and India had maintained steady growth. With the thriving international trade and increasing prices of major commodities, seaborne demand started to pick up. On the other hand, the growth rate of shipping supply was quite low, supply and demand balance continued to improve. The dry bulk and container shipping markets showed a good momentum of recovery, stepping out from the historical low in 2016. The overall market performance was on the uptrend along with volatility.

The Group adhered to its strategy of steady growth under the ever-changing market situation. The Group responded to the market changes by conducting market research and making correct decisions. Also, the Group provided services with innovative measures and enhanced customer services. Moreover, the Group enhanced its internal management, strengthened the use of information technology, continued to optimize the fleet structure, and actively promoted cost reduction and efficiency enhancement, and profitability was enhanced. Through the aforesaid efforts, the operating results of the Group improved significantly during the year, achieved profit turnaround and beat the expectation.

The Group recorded a revenue of US$1,006.40 million for the year 2017. The profit attributable to owners of the Company was US$32.27 million and earnings per share amounted to US0.81 cents.

Revenues

For the year ended 31 December 2017, revenues of our Group were US$1,006.40 million (2016: US$841.46 million).

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

	2017 US$'000	2016 US$'000	% Change
Revenues from:			
– Dry bulk shipping[1]	**489,102**	368,691	32.7%
– Container shipping	**517,930**	473,333	9.4%
– Others	**1,032**	1,060	(2.6%)
	1,008,064	843,084	19.6%
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(1,669)**	(1,623)	2.8%
Revenues per the consolidated statement of profit or loss and other comprehensive income	**1,006,395**	841,461	19.6%

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

Dry bulk shipping

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

Along with the recovery of global economy, dry bulk seaborne demand gradually improved and in particular, China's major commodities import increased in faster pace. Confidence in the dry bulk shipping market has been boosted sharply, despite a higher net growth in shipping supply as compared with 2016. The average Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, was 1,145 points in 2017, representing an increase of 70% as compared with the lowest average in 2016. The BDI fluctuated within the range of 685 points to 1,743 points during the period.

Facing a volatile market, the Group seized the golden chance of market recovery conducted market research in advance and adjusted its fleet structure in time. Also, we made use of our global business network, optimized mode of business, and allocated more effort in exploring strategic customers, to improve profitability. The Group achieved a profit turnaround eventually.

In 2017, revenue of the Group from dry bulk shipping was US$489.10 million (2016: US$368.69 million), among which ocean freight income recorded US$289.68 million (2016: US$275.61 million), and charter hire income recorded US$199.42 million (2016: US$93.08 million). The shipping volume was 41.70 million tons during the year (2016: 41.32 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$10,458 (2016: US$6,521), representing a year-on-year increase of 60.4%.

Container shipping

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

In 2017, the container shipping market in Intra-Asia area was stable and on uptrend as the economic growth in Asia continued to outperform the global average. The competition landscape was relatively stable, supply and demand balance has been improving, and the freight rates steadily increased.

The Group persistently oriented itself as the liner services provider in Intra-Asia area. It is committed to developing boutique shipping routes and strived to optimize route arrangement. During the year, the Group developed 3 new routes. The shipping volume of imported cargoes increased significantly by the strengthened marketing capability, leading to a better overall vessel utilization. At the same time, the Group continued strengthening its cost control management, extended new services by innovative measures and improved service quality. The profit for the segment hit a record high.

For the year ended 31 December 2017, revenue of the Group from container shipping was US$517.93 million (2016: US$473.33 million), among which income from liner service recorded US$481.65 million (2016: US$422.75 million), income from freight forwarding recorded US$36.28 million (2016: US$50.58 million). The container shipping volume of the Group was approximately 1,006,000 TEU during the year (2016: 879,000 TEU). The average income per container was US$392 (2016: US$392).

Cost of operations

The cost of operations increased to US$940.11 million (2016: US$888.56 million) for the year ended 31 December 2017. The principal cost of operations included voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

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

	2017 US$'000	2016 US$'000	% Change
Dry Bulk Shipping			
Voyage costs	**128,599**	131,353	(2.1%)
Cargo transportation costs	**51,837**	54,809	(5.4%)
Operating lease rentals	**173,933**	142,635	21.9%
Vessel costs	**94,795**	105,731	(10.3%)
Others	**9,082**	5,782	57.1%
	458,246	440,310	4.1%
Container Shipping			
Voyage costs	**81,035**	57,933	39.9%
Cargo transportation costs	**245,363**	243,656	0.7%
Operating lease rentals	**129,281**	124,456	3.9%
Vessel costs	**24,571**	21,753	13.0%
Others	**304**	316	(3.8%)
	480,554	448,114	7.2%
Segment – Others	**1,308**	131	898.5%
Total cost of operations	**940,108**	888,555	5.8%

The operating costs of dry bulk shipping amounted to US$458.25 million (2016: US$440.31 million). The slight increase in the operating costs in 2017 was caused by the increase in operating lease rentals by 21.9% due to the upturn in charter hire rate and larger scale of charter-in vessels.

The operating costs of container shipping amounted to US$480.55 million (2016: US$448.11 million). The increase in the operating costs in 2017 was as a result of the increase in voyage costs by 39.9% mainly due to the upturn in bunker prices and shipping volume.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs and office cost, amounted to US$37.17 million (2016: US$ 34.38 million).

Impairment loss on asset classified as held-for-sale

As at 31 December 2017, the Group contemplated to sell a dry bulk vessel, "Da Cheng", to a fellow subsidiary. Accordingly, such vessel was derecognised from property, plant and equipment and classified to asset classified as held-for-sales, and its carrying amount was written down to its fair value less costs to sell. Therefore, an impairment amounted to US$1.80 million was recognised within "Other gains/(losses), net". The transfer agreement has been signed on 12 February 2018.

Finance income and expenses

The finance income and expenses were US$17.52 million (2016: US$10.83 million) and US$6.53 million (2016: US$6.26 million) respectively. The increase in finance income was mainly attributable to the increase in bank balances and interest rate.

Share of (losses)/profits of joint ventures

The share of losses of joint ventures, which was substantially the startup expenses incurred by LNG shipping business, was US$0.83 million (2016: profits of US$0.46 million).

Income tax expense

Income tax for the year ended 31 December 2017 was US$5.72 million (2016: US$1.32 million). The increase is due to the unutilized tax losses of a subsidiary fully utilized by the end of 2016 and the increase in taxable profits caused by the better business environment.

Liquidity and financial resources

Our cash is principally used for payments for construction of vessels, final dividend of 2016, investment in LNG shipping business and operation costs for the year ended 31 December 2017. We have financed our liquidity requirements primarily through internally generated cash.

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

	2017 US$'000	2016 US$'000
Current assets	**928,807**	855,008
Current liabilities	**297,677**	208,827
Liquidity ratio (Note)	**3.12**	4.09

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

Our liquidity ratio as at 31 December 2017 was 3.12 (2016: 4.09).

Borrowings

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

	Bank borrowings		Finance lease obligation		Total	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Within 1 year	**6,346**	6,346	**1,872**	1,663	**8,218**	8,009
Between 1 and 2 years	**6,346**	6,346	**2,058**	1,819	**8,404**	8,165
Between 2 and 5 years	**10,807**	16,931	**7,975**	7,047	**18,782**	23,978
Over 5 years	**–**	–	**27,750**	30,736	**27,750**	30,736
	23,499	29,623	**39,655**	41,265	**63,154**	70,888
Less: current portion	**(6,346)**	(6,346)	**(1,872)**	(1,663)	**(8,218)**	(8,009)
Non-current portion	**17,153**	23,277	**37,783**	39,602	**54,936**	62,879

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 31 December 2017 and 2016.

Capital commitments

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

	2017 US$'000	2016 US$'000
Contracted but not provided for	**99,476**	191,605

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

	2017 US$'000	2016 US$'000
Capital commitment in respect of the vessels under construction	–	12,146

Capital expenditures

For the year ended 31 December 2017, total capital expenditures were US$115.44 million (2016: US$109.46 million), which was mainly attributable to the capital expenditures for construction of vessels, investments in LNG shipping business, dry docking and intangible asset.

Foreign exchange risk

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

Contingent liabilities

The contingencies of our Group were set out in Note 30 to the Consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Basis of Preparation

The Environmental, Social and Governance Report (the "ESG Report" or the "Report") focuses on the environmental and social performance of the SINOTRANS SHIPPING LTD. (the "Company") and its subsidiaries (collectively called the "SINOTRANS" or the "Group") in the fiscal year of 2017. The Report is prepared in accordance with Appendix 27 "Environmental, Social and Governance (ESG) Reporting Guide" of the Rules Governing the Listing of Securities on the Main Board ("Listing Rules") of The Stock Exchange of Hong Kong Limited ("SEHK").

Reporting Period

The ESG Report covers the period from 1 January 2017 to 31 December 2017 ("Reporting Period"). The Report is published annually.

Scope of the Report

Unless otherwise stated, the Report covers the Company and its two subsidiaries based in China, namely China National Chartering Co., Ltd. (the "SINOCHART") and SINOTRANS Container Lines Co., Ltd. (the "SINOLINES"). In the Report, the statistical calculations of emissions are mainly based on the self-owned vessels and self-owned office cars. The Group also reports on staff participation, community contribution and performance.

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

Conventions, Codes and Regulations

The Group strictly observes the following domestic and international conventions, codes and regulations:

- The Maritime Labor Convention 2006 (MLC 2006)
- The International Convention for the Safety of Life at Sea (SOLAS)
- The International Convention for the Prevention of Pollution From Ships (MARPOL)
- International Safety Management Code (ISM Code)
- International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW Convention)
- Safety Production Law of the People's Republic of China
- Emergency Response Law of the People's Republic of China
- Law of the People's Republic of China on Prevention and Control of Occupational Disease
- Regulation of the People's Republic of China on Seamen
- Quality Management System ISO 9001/2015
- Environment Management System ISO 14001/2015

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

- Safety, Quality & Environmental Manual
- Quality & Environmental Manual
- Shipboard Safety Manual
- Shipboard Management Manual
- Shipboard Emergencies & Contingencies Manual
- Comprehensive Emergency Preparedness Plan on Production Safety Accidents, Dangers and Sudden Incidents of Sinotrans Shipping Ltd. (Revised in 2017)

Disclaimer

The Report introduces the principle of obligation performance, conducts, effectiveness and commitment for the year of 2017. The SINOTRANS ensures the authenticity and impartiality of the Report and intends to strengthen the communication with the stakeholders, and thus to establish corporate transparency and sustainable development in economy, society and environment through the publishing of the Report.

The Report is written in Traditional Chinese and English. In case if any inconsistency between the two versions, the Traditional Chinese version shall prevail.

Statement of the Management

The year of 2017 is a year of reform, innovation and breakthrough for the Group. Based on the concept of “Control Risk and Develop Steadily”, the SINOTRANS sticks to the concept of “service creates value”, attaches importance to the environmental and social impact of the services, and strives to create common value. We understand that there is a strong link between sustainable development and the competitiveness of the Group while pursuing the maximization of corporate benefit, corporate value and shareholders’ rights and interests. In addition to the economic indicators, the Group also focuses on the environmental and social impacts of its operations and integrate sustainable development strategies into corporate culture and business plans. This is a necessary and important strategy to enhance future competitiveness. In addition, the SINOTRANS adopts a management policy on safety, and the principle of “Safety first, prevention prevailing and integrated treatment”. Meanwhile, the Group is guided by international standards (such as ISM Code, Quality Management System ISO 9001, Environmental Management System ISO 14001, etc.) and persistently pursues the target of sustainable development by establishing a sound safety management system and launching various energy-saving measures so as to consolidate a strong foundation for steady development.

The Group constantly integrates social responsibility into the Group’s development strategy and attaches great importance to the personal safety of employees. In 2017, the Group did not suffer from accidents with greater liability and demonstrated outstanding professional competence in the Deed of “GREAT SONG” for the rescue of Indonesian people in danger. The Group attaches great importance to the physical and mental health of employees while advancing their own development, so as to protect the rights and interests of employees, as well as their health and safety. The Group adheres to the continuous improvement of occupational health and safety systems, and commits itself to create a safe and harmonious working environment for employees. The Group also attaches great importance to the personal development of the staff. In addition, not only does the Group emphasize on the open and fair competition amongst the candidates during the selection process for recruitment, it also encourages the reasonable job rotations among employees within the Group as this provides more learning and promotion opportunities for the employees.

The Group has developed environmental factor identification and assessment control procedures to ensure that important environmental factors are given necessary attention and effective control to reduce adverse effects on the environment. At the same time, we are committed to improving the efficiency of energy use, actively promoting energy conservation and environmental protection measures and the use of eco-friendly products. The Group also signed Energy Saving Charter 2017 with the Environmental Protection Department, HKSAR. In addition, the Group is committed to improving the social risks management, as well as sparing no effort in supply chain auditing, promoting the objection on forced labor and the enforcement of anti-corruption policy. With the aforesaid, the SINOTRANS proactively takes corporate social responsibility into practice.

In 2017, the Group continued to build the sustainable development management system, to enhance ESG internal controls and risk management, and to fulfill its environmental and social responsibilities to continuously strengthen the Group's sustainable operating capacity and market competitiveness, contribute to the building of a harmonious society.

Communication with Stakeholders

The Group always attaches importance to the views of stakeholders and communicates with them in various channels. At present, the Group's key stakeholders are government and related departments, investors (shareholders), onshore staff and crew, industry associations, suppliers, etc. Through different channels of communication, the Group understands the expectations of and gains feedback from the stakeholders. This will help the Group to review objectively the issues that need to be addressed in planning, managing, implementing and evaluating the sustainable development of the Group.

Key stakeholders	Main focus	Response channels
Government and related departments	– Compliance with laws and regulations	– Participate in the government meeting – Actively report to relevant departments – Proactively accept supervision
Investors (shareholders)	– Increase profitability	– Organize Annual General Meeting of shareholders, results announcement, regular meetings of Board of Directors, etc., to strengthen the investors on the Group's business operation – Regularly update the Group's website to ensure that investors receive the up-to-date company information
Employees	– Employee training and development – Health and safety	– Employees' professional skill training – Employee health and safety – Organize regular meetings with subsidiaries – Regularly assess employees' performance – Organize regular department meetings
Industry associations	– Industrial standard	– Take an active part in events organized by industry associations – Understand the latest regulatory requirements and developments in the industry
Suppliers	– Quality assurance and management	– Closely follow international quality management standards – Strengthen communication

Key Environmental and Social Performance Indices in 2017

Environmental Aspect	Social Aspect
The offshore CO_2 emission intensity (EEOI): 4.50 g/1 metric ton of cargo sailed 1 nautical mile	Employed 1,391 crew and 648 onshore staffs
The offshore NO_x emission intensity: 0.108 g/1 metric ton of cargo sailed 1 nautical mile	All crew and 614 onshore staffs received related training
The offshore SO_x emission intensity: 0.068 g/1 metric ton of cargo sailed 1 nautical mile	The retention rate of full-time staffs is above 91%
The fuel oil consumption intensity on board: 1.80 g of standard coal/1 metric ton of cargo sailed 1 nautical mile	No corruption litigation during the reporting year.
The fuel oil consumption by onshore vehicles: 53 metric tonnes	SINOTRANS Ship “GREAT SONG” rescued 20 persons from Indonesian medical ship in distress
The electricity consumption in onshore offices: 939,127 kWh	

I. Protect the Environment

With the increasing attention to global climate change and environment pollution, the Group answers the call for sustainable development, actively practices corporate citizenship responsibility, and strives to reduce the consumption of resources and pollution emissions in the operation process. The Group strictly follows the following domestic and international standards and regulations: Environmental Protection Law of the People's Republic of China, Energy Conservation Law of People's Republic of China, The International Management Code for the Safe Operation of Ships and for Pollution Prevention, etc. At the same time, with our experienced and excellent management team and through reasonable arrangement of routes, implementation of economic speed and cooperation with professional weather navigation companies, we can timely provide detailed and accurate information (weather, ocean currents, sea condition, etc.) for ships by using navigational big data, develop optimal routes to reduce waste of energy and reduce environmental pollution. At the same time, the Group's onshore offices also actively implement low-carbon measures for emission reduction and encourage employees to pursue green office in respect through policy and action.

(i) Emission Reduction by Technology

In view of the fuel and fresh water which are both critical resources over the voyage, the SINOTRANS aims to explore and optimize the technology transformation while satisfying the basic needs of the fleet, in order to reduce resources consumption. Along with pollution prevention measures, SINOTRANS proactively introduces innovative measures to save energy through technology transformation and design optimization to improve equipment efficiency and reduce shipboard energy consumption. For the existing fleet, the Group works mainly on the technology transformation in the way of improving fuel efficiency. Over the past year, SINOTRANS has greatly increased the fuel saving rate via the technological transformation on PBCF (Propeller Boss Cap Fins), installation of boiler soot blower(s) and electric fuel injector(s). For newly built vessels, SINOTRANS adopts innovation on technology design from the professional design institute. Currently, a large number of advanced energy-saving equipment has been widely applied in the fleet. For example, systems such as SIMP (Ship-shore Integrated Management Platform) helps achieve energy-saving and emission reduction to a certain extent and made a positive contribution to the environmental protection. At the same time, the Group strictly complies with the relevant laws and regulations of China, the European Union, North America and other countries and regions, as well as the relevant regulations of the International Maritime Organization, and uses low sulfur oil and eco-friendly lubricants that meet the local standards or that are above-standards to protect our marine environment.

Case Study on Design Optimization for Newly Built Vessel – New 1,900TEU Container Carriers

The Group took delivery four 1,900TEU container carriers in 2017.

(1) Streamlining the Hull Form

1,900TEU container carriers were developed on the basis of original 1,700TEU container carriers by SDARI (Shanghai Merchant Ship Design and Research Institute). The existing mature technology had been used to optimize the hull, layout, structure, propeller, etc. For example, the container carriers had maintained the length within the limits of Bangkok Port, one of the major ports in Southeast Asia, while increasing the width by 1m to 28.4m. The container carriers are able to increase the draught appropriately according to route conditions and reduce the speed to a more economical point in accordance with the actual operational needs. At the same time, with an optimized hull, the deadweight of the ships reach 24,000 DWT. This has greatly increased the actual carrying capacity and reduced fuel consumption significantly. The optimized ship type conforms to the current development trend of international container carrier with wide body and energy saving. These are eco-container carriers that fulfil the requirements of the latest international convention and meet international advanced standards with the characteristics of low energy consumption, good safety and reliability, flexible operation and easy maintenance, etc.

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

The newly built 1,900TEU container carriers employ the new EFI main engine modeled MAN B&W 6S60ME. Compared with the traditional main engine, the ME-type EFI main engine makes the biggest change in the fuel combustion system, which replaces the camshaft drive with high-pressure power fuel to feed power for fuel injection and exhaust valve opening. Moreover, the fuel atomization could get rid of the reliance on main engine speed. The installation of new EFI main engine(s) could significantly improve the efficiency of fuel combustion via computer to control the timing and accuracy of fuel injection. Compared with the traditional ones, EFI Main Engines could increase the efficiency of fuel atomization and combustion, and also greatly mitigate the carbon deposition in cylinder especially when under low-load operation and extend the maintenance cycle. It is of great significance for ship owners to reduce cost and increase efficiency by making the main engine operate under low load for a long time.

(3) Reducing Fuel Consumption by Larger Main Engine

The newly built 1,900TEU container carriers follow the design trend of larger-power engine, so it can operate at normal continuous rating (NCR) with lower specific fuel consumption and rotation speed. Compared with the traditional design, the new design is capable for installation of more efficient propeller(s) with large diameter and low speed, which increases the container carriers' propulsion efficiency and leads to cost-efficient fuel consumption.

(4) Utilization of Waste Heat

The newly built 1,900TEU container carriers employ an integrated boiler with exhaust gas combustor and fuel combustor. The waste gas from two diesel generators is connected to the exhaust boiler and increases the supply of waste gas of boiler. The waste heat from the exhaust gas from the main engine and generator engine could satisfy most of the daily steam consumption when the container carriers sail at low speed, which in turn save fuels and reduce CO_2 and other air pollutants.

With the aforesaid measures, the sailing trial indicates the EEDI (Energy Efficiency Design Index according to IMO) is 35% lower than the value required in IMO and fulfill the second phase emission requirement of IMO during 2020-2024.

(ii) Pollution Prevention

The Group develops specified control measures for all anticipated marine pollutants, which are included in *Shipboard Management Manual*. In accordance with relevant provisions, the Captain and the Chief Engineer on-board each ship shall be responsible for shipboard management and report pollution incidents and measures that have been taken in the monthly safety meeting. In 2017, the Group revised *Comprehensive Emergency Preparedness Plan on Safety Incidents, Risks and Emergencies* by analyzing the safety risks in the production and operation process, the accidents in the past years are summarized and classified according to the business characteristics of the Company. The two types of risk events are related to the environment: (1) Environmental pollution or ecological damage accident: leakage of toxic, harmful, hazardous substances, goods or oil, resulting in environmental pollution and ecological damage; (2) Disastrous weather: typhoons, cold winds, freezing waves, tsunamis, etc. In the classification of safety events, accidents are categorized according to the degree of its damages and/or losses caused. The ordinary accidents are divided into four levels. The accidents at level 3 and above (the highest level is the extraordinarily serious accident) have taken into account of water pollution caused by oil spill from ships as an important index. In case of fuel leakage, the crew on board shall immediately take action(s) according to *Shipboard Emergency and Contingency Manual and Shipboard Oil Pollution Emergency Plan* (SOPEP), including but not limited to stopping all filling and related operations, identifying the source of leakage and report to the Captain and the Chief Engineer. The emergency alarm shall be raised. If the leakage is caused by fuel feeding, the bunker barge and Port Authorities & Port Emergency Response Team shall be notified immediately. Any action taken by the crew shall ensure no fuel will be discharged overboard. Attention shall be paid to environmental protection under the premise of giving priority to human life in emergency response on the spot. In the case of environmental pollution that has occurred, measures should be taken to control the situation as far as possible to reduce pollution. In case of possible environmental pollution, preventive measures should be taken to avoid environmental pollution.

With the rapid development of international trade and the shipping industry, the ballast water operation is increasing worldwide (Ballast Water means water containing suspended matter onboard to control longitudinal trim, transverse trim, draught, stability, or stress). International organizations and countries all over the world pay more and more attention to the problems of sanitation, environmental protection and marine ecology caused by ships' ballast water carrying exotic organisms and pathogens. To prevent foreign aquatic organisms from spreading with ballast water, IMO (International Maritime Organization) passed *International Convention for the Control and Management of Ballast Water and Sediments in Ships* (the "***Convention***") in February 2004. The Convention aims to prevent and minimize the risk to the environment, human health, property and resources caused by the transfer of harmful aquatic organisms and pathogens through the control and management of ships' ballast water and sediments.[1] The Group has applied for certificate in compliance with ballast water management for all ships, and has updated the ballast water management in the Group's management system in accordance with the requirements of *Convention*, and has strengthened the training of crew in the use of ballast water treatment system. The Group requires installing the ballast water treatment equipment for the newly-built ships. At present, 14 ships have been completed and delivered, including eight 64,000 DWT bulk carriers, two 78,000 DWT bulk carriers and four 1,900TEU container carriers. The equipment has also been installed in six 38,800 DWT bulk carriers under construction.

1 Chinese Journal of Frontier Health and Quarantine, 2007, 30(2): 112-114

Major Pollution Prevention Procedures for the Fleet Owned by the Group in 2017

Pollution Type	Primary Control Measures
Oil Pollution	1. Proper usage of incinerator; 2. Proper disposal of oil residues (sludge); 3. Oil Water separation system; 4. Clearly define duties of responsible personnel in oil transfer operation; 5. Crew training and familiarization; 6. Proper and well-planned emergency drill.
Ballast Water Pollution	1. A Classification Societies approved Ballast Water Management Plan is available onboard; 2. Clearly define duties of appointed officer in charge of Ballast Water Management; 3. Safety consideration and procedures for ballast water management; 4. Crew training; 5. Properly record ballast water management.
Air Pollution	1. Management on ozone depleting substances (ODS); 2. Management on Nitrogen Oxides (NO_x); 3. Management on Sulfur Oxides (SO_x); 4. Management on shipboard incinerators; 5. Survey and certification requirement on air pollution; 6. Records Management; 7. Crew training and familiarization.
Sewage Pollution	1. Sewage disposal shall be carried out according to the requirements of MARPOL Convention and/or the regulation of Port State; 2. Regular and proper maintenance to all sewage disposal equipment; 3. Constantly check for pipeline fittings and connections with standard shore connection for sewage disposal to reception facility; 4. Crew training and familiarization.
Garbage Pollution	1. Garbage disposal shall be carried out according to the requirements of MARPOL Convention and/or the regulation of Port State; 2. Crew training and familiarization.

All self-owned vessels under the SINOTRANS had no pollution incident during the voyage in 2017.

(iii) Green Office

The Group continued to carry out energy conservation and environment protection measures in offices in 2017 and published *Publicity Manual of Energy Conservation, Emission Reduction and Low-carbon Living* with an aim to spread the basic knowledge of energy conservation and emission reduction among employees in June 2017 and fully practice low carbon life style on four aspects of clothing, food, transportation and utility.

The SINOTRANS

(1) The SINOTRANS set the target that "the power consumption in offices shall be 1% lower than last year".

(2) The environmental-friendly products-T5 light tube and LED spotlight bulb were used in the offices. We advocated turning off the lights for 45 minutes at lunchtime on Fridays.

(3) Recorded electricity consumption monthly electricity and compared with the same period in previous years. The results were e-mailed to all employees, and energy conservation measures were listed to remind employees to save electricity.

(4) Participate in the annual vehicle maintenance plan to reduce exhaust emissions and fuel consumption through proper maintenance and repair.

(5) *Energy Saving Charter 2017* was formally signed in April 2017. The average temperature in offices has been adjusted to 24°C-26°C.

(Theme: The certificate of Energy Saving Charter 2017 signed).

The SINOCHART

In 2017, the SINOCHART continued to initiate "Green Office" program, launched the special environmental protection activities to ensure there was no unnecessary lighting and water usage, and called the employees to actively conform to *Quality and Environmental Management Manual*, so as to save water and electricity. These efforts included closing the windows when air conditioning in offices was turned on; turning off the lights and computers after work; turning off office equipment such as photocopiers and scanners over the holidays; double-sided printing, reducing the number of printers, making use of recyclable toner cartridges and tight budget control on office supplies. According to the record, the annual paper consumption in 2017 was reduced by 9% (equivalent to approximately 30,000 pieces of paper) as compared to the previous year in SINOCHART.

The SINOLINES

In 2017, the SINOLINES called the employees to actively conform to *Quality and Environmental Management Manual* and reduce the waste of resources by reducing the unnecessary printing/photocopying, recycling printer ink cartridge and saving electricity. The SINOLINES also actively promoted office energy saving tips to employees. For example: employees were required to use smaller font size for printing, and double-sided printing, take use of remaining materials, set up paper recycling bins, reduce the use of paper cups and disposable goods. In order to further realize paper saving, the SINOLINES reasonably allocated the number of printers on each floor. The use of electrical appliances and lighting in conference rooms, offices and pantries were also included in the routine inspection for green office. Inspectors for public area were assigned to specific floors to ensure the air conditioning and lighting equipment were turned off when there was no one in the office. At the same time, the SINOLINES advocated green transportation, established "eco-reading corner" and implemented "low-carbon walking". In addition, the column of "energy saving and emission reduction" was set up on official website. The display screen in public area was used to play the energy saving and environment protection publicity video regularly.

(iv) Reporting of Results

The Air Pollutants and Greenhouse Gas (GHG) Emissions from Direct Fuel Consumption of the Self-owned Vessels of SINOTRANS in 2017

Emission Type	Nitrogen Oxides (NO_x)	Sulfur Oxides (SO_x)	Carbon Dioxide (CO_x-Scope 1)
Emission (metric tonnes)	22,742	14,288	943,070
Emission Intensity (g/1 metric ton of cargo sailed 1 nautical mile)	0.108	0.068	4.50

Notes:

1. The figures above show the emissions intensities of direct fuel consumption of the self-owned vessels of the Group in 2017;
2. Scope 1: direct emissions from the combustion of fuels in mobile sources (e.g. ships);
3. The emissions of NO_x, SO_x and GHG are calculated on the basis of the formulas in Annex 6 of the *Third IMO Greenhouse Gas Study 2014*, which is issued by the International Maritime Organization;
4. Sulfur content used in SO_x calculation is derived from the fuel suppliers;
5. The NO_x emission in 2017 is calculated on the basis of the fuel consumption by main engine. The emission factor used are referred to *Nitrogen Oxides (NO^x) – Regulation 13* issued by the International Maritime Organisation;
6. Greenhouse gas emission intensity is expressed as the industry standard-ship energy efficiency operation indicator (EEOI) for comparison.

The Air Pollutants and Greenhouse Gas Emissions from Onshore Office in 2017

Emission Type	Nitrogen Oxides (NO_x)	Sulfur Oxides (SO_x)	Carbon Monoxide (CO)	Particulate Matters (PM_x)	Carbon Dioxide Equivalents (CO_x-Scope 1)	Carbon Dioxide (CO_x-Scope 2)
Emission (metric tonnes)	0.13	0.001	1.56	0.02	164.6	719

Notes:

1. The data of air pollutants and CO_2 equivalent (scope 1) from onshore offices of the Group in 2017 are disclosed for the first time;
2. Scope 1: direct emissions from the combustion of fuels in office vehicles;
3. Scope 2: indirect emissions from the generation of purchased electricity from power companies;
4. The figures above are collected from onshore offices of SINOTRANS and the subsidiaries "SINOLINES" and "SINOCHART";
5. The GHG emission of scope 2 is calculated: electricity consumption of each office times the local CO_2 emission factor;
6. The CO_2 emission factors adopted in calculation are derived from Table 2 of *Carbon Dioxide Accounting Methods and Data Verification Table* issued by the General Office of the National Development and Reform Commission.

The Energy Consumption of the Self-owned Vessels of SINOTANS in 2017

Consumption Type	Fuel Oil	Heavy Diesel Oil
Consumption (metric tonnes)	263,637	38,087
Consumption Intensity (g of standard coal/1 metric ton of cargo sailed 1 nautical mile)	1.80	0.26

Note:

1. The figures above show the fuel consumption intensities based on the self-owned vessels of the Group in 2017.

The Energy Consumption in Onshore Office of SINOTRANS in 2017

Consumption Type	Electricity (kWh)	Gasoline (metric tonnes)
Consumption	939,127	53

Note:

1. The figures of 2017 are collected from onshore offices of SINOTRANS and the subsidiaries "SINOLINES" and "SINOCHART".

The Water Consumption in Onshore Office of SINOTRANS in 2017

Consumption Type	Water Consumption in Office (m^3)
Water Consumption	15,028

Notes:

1. The water consumption data in onshore offices of the Group in 2017 is disclosed for the first time;
2. The figure above collected from onshore offices of SINOTRANS and the subsidiaries "SINOLINES" and "SINOCHART".

II. Care for Employees

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

(i) Recruitment

The Group strictly implements relevant local laws and regulations including *Labor Law of the People's Republic of China, Employment Ordinance in Hong Kong, International Labor Conventions, Maritime Labor Convention, 2006 and The Amendments (2014) to the Maritime Labor Convention,* etc. The SINOTRANS has zero tolerance towards relevant offenses, commits to fighting against child labor and forced labor, and conforms to national statutory leave arrangements and statutory work hour; the SINOTRANS concludes and performs labor contract with the employees and timely pays the salary; the SINOTRANS treats the employees equally irrespective of the gender, nationality, race and culture of employees. In 2017, the Group improved more than 10 HR management systems, namely management methods of recruitment and termination, measures for the management of the probationary period for new entrants, measures for post promotion management, training management measures, regulations on the management of internal trainers, etc. At the same time, the Group has established a sound and transparent promotion mechanism to provide opportunities for the staff to advance in their career.

As of December 31, 2017, the Group employed a total of 648 onshore employees, distributed in the Hong Kong Headquarter and offices in Canada, Singapore, Shanghai and Beijing. There was no significant difference in terms of retention rate between 2016 and 2017.

HR statistics for onshore staff in terms of gender, employment type and contract type as of December 31, 2017

	Gender		Type of Employment		Contract Type	
Classification	Male	Female	Full-time	Part-time	Fixed term	Non-fixed term
Onshore Staff	408	240	648	0	171	477
Turnover Number of Employees	26	16	42	0	21	21
Retention Rate	93.6%	93.3%	93.5%	–	87.7%	95.6%

HR statistics for onshore staff in terms of regional distribution as of December 31, 2017

Region	Hong Kong	Canada	Singapore	Shanghai	Beijing
Onshore Staff	101	10	11	458	68
Ratio	15.6%	1.5%	1.7%	70.7%	10.5%
Turnover Number of Employees	9	0	0	25	7
Retention Rate	91.1%	100%	100%	94.5%	89.7%

HR statistics for onshore staff in terms of age group as of December 31, 2017

Age Group	35 and below	36 to 45	46 to 55	Over 55
Onshore Staff	203	239	151	55
Ratio	31.3%	36.9%	23.3%	8.5%
Turnover Number of Employees	18	16	7	1
Retention Rate	91.1%	93.3%	95.4%	98.2%

The Group has recruited 1,391 new crew members in 2017 through qualified crew manning agencies, among which 1,332 crew members were from PRC (the People's Republic of China), 59 were of other nationalities. Details of crew recruitment statistics on age groups and nationalities are shown below. Due to the nature of maritime industry, only male seafarers were recruited by the Group, but the Group is open for anyone who is capable.

Crew recruitment statistics in terms of age groups as of December 31, 2017

Age group	35 and below	36 to 45	46 to 55	Over 55
Recruited Crew	677	417	278	19
Ratio	48.67%	29.98%	19.99%	1.36%
Turnover Number of Employees	26	17	11	9
Retention Rate	96.16%	95.92%	96.04%	52.63%

Compared with that in 2016, the retention rate of crew of different ages increased by 2 percentage points and above. The high turnover rate (increased by 6 percentage points) of age group above 55 was due to mismatch in fitness for work and therefore those crew members were voluntarily dismissed or retired. As a result, the overall retention rate is lower than that of other age groups.

Crew recruitment statistics in terms of nationalities as of December 31, 2017

Nationality	China	Bangladesh	India	Australia	Ghana	Sri Lanka
Recruited Crew	1,332	49	1	1	1	7
Ratio	95.76%	3.52%	0.07%	0.07%	0.07%	0.51%
Turnover Number of Employees	13	49	1	0	0	0
Retention Rate	99.02%	0.00%	0.00%	100.00%	100.00%	100.00%

The employment of Bangladeshi and Indian crews by the Group was a temporary demand for specific voyages and their employments were terminated according to terms and conditions in their employment agreement when those voyages were completed. 0% crew retention rate of some nationalities was due to cessation of one-off/infrequent routes in the respective countries and the working contracts between the Group and those crew of such routes were terminated accordingly. The overall retention rate of crew except Bangladesh and India was above 99% in 2017, which is higher than that in 2016, and fully reflected employee satisfaction with the management of the Group.

(ii) Training and Development

Guided by the career development needs of all levels of staff, in order to promote the future business development and management of the Company, the Group actively sets up a training management system, solicits suggestions from various departments, and finally establishes a more systematic training management system covering both onshore and onboard crew, develops the Company training manual, promotes and disseminates the manual within the Company. In order to strengthen and standardize the management of employees' professional promotion, elevate and retain outstanding crew, the Group builds a fair competition mechanism within the Company, optimizes the existing methods of manager management and talent selection, and improves the internal talent selection mechanism. Through both vertical and horizontal development, we enrich the development channel of employees' careers, so that employees can get more opportunities for development. Based on the annual performance results, combining with the labour market conditions and economic development situation in Hong Kong and Shenzhen, the Group takes use of various channels and tools to obtain the salary information of relevant positions, completes annual payroll adjustment program and prior-year bonus payment program, strengthens the incentive to all kinds of talents, and encourages employees to contribute more to the Group in their own positions. In 2017, the Company adjusted the compensation strategy according to the Company's development conditions and promoted those with excellent performance. The Company adjusted the salary of key positions, gradually established and improved the incentive mechanism based on the job responsibilities that link the performance and assessment results, link the material and spiritual incentives, so that the performance assessment and salary distribution were effectively combined. The dynamic distribution mechanism of "Excellent performance with attractive salary" was established to guide staff behavior, mobilize staff enthusiasm, attract and retain talents.

As of December 31, 2017, a total of 614 (194 more than that in 2016) onshore employees have joined the job training. Details of classification in terms of gender, employment type and contract type are as follows.

Classification	Gender		Type of Employment		Contract Type	
	Male	Female	Full-time	Part-time	Fixed-term	Non-fixed term
No. of Trained Employees	384	230	614	–	161	453

Training Type	Training Content
Orientation Training	– A comprehensive introduction of the history of the Group and its structure; development plan; management and employee codes and regulations; financial policies; department functions, to facilitate the integration of newly recruited staff into the SINOTRANS;
Professional and Technical Training	– Specific training regarding national and international laws and regulations; updated training about the International Maritime Organization; shipboard safety management; seminars on ship convention to assure all staffs of the Group getting well understanding of related laws and regulations;
	– Specific training regarding corporate business and further development; outlook of oil price; issues of dry bulk shipping; operational risk management of LNG vessel; development and analysis on demand and supply of shipping market to provide all employees with further professional skills and information;
Training for Management Personnel	– Regular training regarding communication skills; project management; strategic thinking to middle and senior management;
Training for Back-up Personnel	– Comprehensive training including joint training of offshore and onshore program; cadet trainee program; crew training to provide comprehensive and professional trainings to potential crew and to reserve back-up crew for the Group.

Comprehensive Training System:

Review of Staff Training Activities:

(Theme: Cadet Training-1)

(Theme: Cadet Training-2)


(Theme: Business Management Trainee-1)


(Theme: Interns Training)


(Theme: Crew Training)


(Theme: Senior-level Crew Training)

(iii) Health and Safety

Safety always comes first. The Group strictly observes safety regulations and implements "Plan-Do-Check-Act". Risk assessments shall be performed for all critical operation. In order to create a safe and healthy working environment for employees, corresponding management system and policy are made for the occupational health and safety of employees. The Group has established the Safety, Quality and Environmental Management system (SQEM) and this system has been certificated by the American Bureau of Shipping (ABS) in compliance with the requirements of ISM Code, ISO 9001 and ISO 14001.

According to *Law of the People's Republic of China on Work Safety* and other relevant laws and regulations and internal safety policies, the Group formulates *Measures for the Administration of Production Safety in SINOTRANS (trial)*, in order to standardize the safety management of companies at all levels of the Group, and improve the safety prevention and supervision consciousness of all staff, prevent and control the occurrence of production safety accidents. According to this system, the SINOTRANS sets up Safety Production Management Committee (the "Committee") as the leading organization of safety production management, and standardizes the safety management responsibilities of the organization at all levels. The system also regulates the safety production guarantee of workers, safety education and training, safety inspection and hidden trouble correction, emergency rescue and accident investigation and handling, safety work reports and statistics, as well as safety culture development and performance evaluation.

In 2017, the SINOTRANS established the Safety Supervision and Management Department as the functional department, which is responsible for the safety supervision and management. Under the leadership of the Committee, the Group adheres to “Red-line awareness”, “Bottom-line thinking” and the safety principles of “Safety first, prevention prevailing and integrated treatment”, strictly implements the safety management system, practically strengthens the ship safety management, strengthens the ship maintenance and safeguards the ships’ safety operation, maintaining safe and stable operation.

The Group conducts regular and occasional safety training for its employees, including regular training courses for crew on leave and in-house training courses for the Company. In 2017, the regular training courses for crew on leave involve 41 persons participating in the training class for “Top-four” crew (including Captain, Chief Engineer, Chief Officer and Second Engineer) and 93 persons participating in the centralized training course for non “Top-four” crew.

Case:

Emergency and Security Drills of the Company and Its Fleet

On June 22, 2017, departments of the SINOTRANS conducted a joint ship-shore drill on “GREAT HAN” with the insurance company, shipping agency, Hong Kong Marine Department, International SOS Center, crew agency, etc. Through the drill, the comprehensive response capabilities of emergency communication, emergency disposal, site guidance, accident control and so on were tested. At the end of the drill, the contents and conclusions of the exercise were sorted out and sent to all fleets of the Group with circular for study and reference; the SINOTRANS ship controllers conducted a joint security drill once a year for all ships and evaluated the results of the drill.

Anti-piracy

The SINOTRANS insists on tracking the pirate information on a daily basis, monitoring the ship dynamics, and updating the latest requirements of risk assessment system when the ships pass by the Gulf of Aden and the Indian Ocean, including reporting to MSCHOA and UKMTO. We conduct a joint drill in the Refuge cabin with on-board and onshore crew before the ship enters the high-risk areas; In addition, the Marine Affairs Department, Technical Department and Safety Supervision Department evaluate the shipping conditions in advance to determine whether the armed guards should be employed; At the same time, they understand the naval escort program, and timely apply for naval escort and safeguard the ship’s security. In December, “GREAT VISION” and “GREAT RAINBOW” passed the dangerous areas – the Gulf of Aden and the Indian Ocean. The Marine Affairs Department has given appropriate security guidance and employed armed escorts for the ships. During the reporting period, the Group had a total of 12 ships passed the dangerous areas – the Gulf of Aden and the Indian Ocean. Armed guards have been employed for 12 times in total.


(Theme: On-site Photo of Crew Drills)


(Theme: Crew Safety Inspection)

(iv) Anti-corruption

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

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

In addition to the aforesaid, the Group disseminate news on a weekly basis to the management, staff involved in procurement and finance to further increase their awareness on anti-corruption. The news contains corruption cases and anti-corruption policies. The Group also invites the Community Relations Department of Hong Kong Independent Commission Against Corruption (ICAC) from time to time, to introduce the corruption prevention information to employees of all levels, in order to foster proper values for the staff and promote corporate culture.

The specific measures are shown as follows:

Aspect	Measures
Procurement system management	1. Transparent and enhanced procurement system design and process management
Economic supervision of the management	2. Auditing supervision to guide economic behavior
Project approval and supervision	3. Strengthening examination and approval and monitoring, standardizing investment management
Project cost expenditure	4. Budget follow-up and strict control of expenditure
Crew assessment and promotion	5. Strengthen the system of selection and assessment to ensure the fine style of the work for the management team

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

III. Build a Harmonious Community

The Group is well aware that fulfilling corporate social responsibility not only depends on economic growth, but also on its own environment and social responsibility performance, so that we can maintain the steps of "Steady Development". The Group continually integrates social responsibility into the Group's strategy, fulfills the responsibilities as clients and partners, implements safety and environment protection measures, strengthens supply chain review and anti-corruption and integrity supervision, and contributes to building a harmonious and beautiful community.

(i) Responsible for Clients and Partners

The Group follows the *Advertising Law of the People's Republic of China*, and other national and local laws and regulations, makes sure that the published advertisements and identifications conform to the requirements of government and related industries and do not mislead the public. In addition, the Group strictly observes the Constitution of the *People's Republic of China, Criminal Procedure Law of the People's Republic of China, Tort Law of the People's Republic of China* and other national laws and regulations, and makes sure to do well in the confidentiality of the information of partners and clients. The Group provides in Code of Conduct that all employees shall strictly implement the confidentiality measures and prevent the leakage of clients' data.

At the same time, we issue satisfaction survey questionnaires to key clients (Ship owners/renters) yearly and requires the clients to rate the on-board and onshore services of the Group. The questionnaire asks the clients to evaluate the satisfaction level of the ship's machinery and the condition of the ship, the performance of the on-board crew and onshore staff, etc. The scope of assessment includes:

Assessment object	Assessment Content
Offshore Crew	– Ability to execute instructions; – Professional attitude; – Efficiency on responding to clients and cooperative attitude; – Ability to respond to different situations; – Communication ability, etc.
Onshore Staff	– Response efficiency to clients in emergency situations; – Response efficiency to clients after work, etc.

Upon receipt of the questionnaire, we should review and follow up on the feedback and improve our services. In addition, the Company's staff maintain close contact with clients through the system to meet their requirements and needs as far as possible and improve the quality of services.

(ii) Supply Chain Management

In order to standardize the supplier selection procedure, the SINOTRANS demands all levels of staff to select the suppliers which conform to the international standards and codes, and purchase onboard and onshore in strict accordance with the relevant regulations and manuals, such as The Regulations of Purchase, The Regulations of Fixed Assets Management, Quality and Environmental Management Manual, Safety, Quality & Environmental Management Manual, etc.

The Group continues to strengthen the procurement system, standardize the procurement processes, optimize the approval processes. Since 2017, the Group has introduced the information system to realize fine management, strictly control each of the purchasing process, further achieve a transparent, reasonable and standardized purchasing process. In addition, the SINOTRANS also established the online quotation platform, improved the supplier's bidding mechanism and quotation evaluation system, further standardized purchasing and other project operation procedures.

As of the end of 2017, all departments of the Group had worked with a total of 941 suppliers (increasing 162 compared with that in 2016) which are based in 42 countries and regions worldwide. Among them, 106 suppliers have passed the relevant management system certifications, namely ISO 9001, ISO 14001, ISO 28000, OHSAS 18001, etc.

Region	Asia	Europe	North America	South America	Africa	Oceania
Number of Suppliers	716	127	51	14	21	12

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

(iii) Contribution to the Society

The Group has always addressed that all the employees should protect the earth and care for the ecological environment. Not only do we proactively implement technological emission reduction and energy saving measures on board and onshore, but also actively participate in social environment protection activities, such as "Earth Hour" activity and Energy Conservation Week, tree planting, environmental protection fund raising activities, etc.

(Theme: Poster of "Earth Hour")

(Theme: Tree-planting Activity)

(Theme: Photo of Association of Youth Volunteers)

For a long time, the SINOTRANS has been implementing corporate social responsibility program in human resource management ranging from recruiting, training to performance management, providing various internships and job opportunities to local students and graduates, attracting new-blood to join, enhancing the image of the Group, promoting the harmonious and healthy development of the Group and communities. The SINOTRANS was awarded the "Partner Employer Award" in 2017 by the Hong Kong General Chamber of Small and Medium Business for the third consecutive year.

(Theme: Certificate of "Partner Employer Award")

On May 20, 2017, the SINOLINES called on the employees to participate in the Outdoor Orienteering Challenge event jointly held by Chinese Mountaineering Association, Orienteering Association of China, Shanghai Sports Federation, Shanghai Jiushi (Group) Co., Ltd. It was an emerging and fashionable event for the whole community featuring citywide exercises and all-round experience.

(Theme: Outdoor Challenge-1)

(Theme: Outdoor Challenge-2)

The SINOTRANS was awarded "Best Sustainable Development Performance 2017" by China Financial Market.

(Theme: Awards Ceremony at China Financial Market)

On May 31, 2017, the SINOTRANS garnered "Best IR Company", "Best Investor Meeting" and "Best IRO" in the small cap category at 3rd Investor Relations Awards organised by Hong Kong Investor Relations Association.

At the beginning of 2018, the SINOTRANS has been honoured the "Hong Kong Environmental Excellence Award-Transport and Logistics in 2017" (Group of non-SMEs) awarded by Environmental Campaign Committee, so as to commend the excellent environmental performance in the sector.

Deed of "GREAT SONG"

On July 20, 2017, 20 Indonesian nationals on board a medical ship in danger were successfully rescued by "GREAT SONG", a capesize vessel owned by the SINOTRANS in the waters around Maluku Islands, Indonesia. "GREAT SONG" was proceeding to Tianjin Port from Dampier port, Australia carrying about 176,000 tons of iron ores. The wooden ship rescued was an Indonesian medical ship named "RSA Dr. Lie Dharmawan" with a length of 25m and a width of 7m. The ship served as a floating hospital for islanders in remote areas. After the successful completion of the rescue operation, "GREAT SONG" continued to voyage northward.

(Theme: Photo of Rescuers and Rescued People)

Process review:

Wooden Ship Calls for Help

"GREAT SONG" received a distress call from a wooden ship when she was at 00-57N, 126-49E. Second officer on duty contacted the ship immediately with a high frequency radiotelephone and confirmed that the wooden ship was 9 nautical miles ahead of "GREAT SONG".

Situation Determination

Shortly, the captain of "GREAT SONG" noted that the wooden ship in danger was a medical ship. There were 22 people onboard (including 5 crew members and 17 medical crew members). The ship's engine room was seriously flooded and might sink momentarily, and the crew was in urgent need of rescue.

Rescue Preparation

The captain of "GREAT SONG" reported the relevant rescue plan to the Company's DPA, then activated the rescue plan and proceeded promptly to the ship in danger.

Stay in Touch

During the period, the captain of "GREAT SONG" guided the ship in danger to drain water by radio telephone to mitigate the flooding rate, advised the people to put on life jackets and be ready for disembarkation.

Rescue Begins

20 minutes later, "GREAT SONG" approached the ship in danger, prepared the rescue equipment, boarding ladder, climbing net and other rescue tools. Due to the high wind, high waves and heavy rain, "GREAT SONG" approached the wooden boat 1 hour later. All people on the wooden boat were wet and trembling in the rain.

(Theme: Rescue Scene)

Successful Evacuation

With the assistance of the captain and crew of "GREAT SONG", the wooden ship in distress was successfully alongside on the port side of "GREAT SONG". After half an hour, 20 distress personnel safely boarded "GREAT SONG" one by one. The other two people, stayed in the wooden ship and stopped the drain under the care of "GREAT SONG" and were later rescued.

Appropriate Care

The rescued were properly arranged to rest at the crew gym of "GREAT SONG". The crew enthusiastically served meals and drinks and served to their needs.

(Theme: Persons in danger boarded on the Ship "GREAT SONG"-1)

(Theme: Persons in danger boarded on the Ship "GREAT SONG"-2)

Successful Completion

Thanks to the efforts of a ship management company, the Hong Kong Maritime Rescue Coordination Centre and Indonesian Search and Rescue Center, all the rescued were transferred to the local rescue vessel – KN SAR PANDUDEWANATA. The distress ship was also fully supported and left under the escort of local salvage ship.

(Theme: Successful Transfer of Persons in Danger-1)

(Theme: Successful Transfer of Persons in Danger-2)

More than 6 hours of valiant rescue demonstrated the professionalism and exquisite rescue skills of crew onboard "GREAT SONG", and reflected the spirit of international humanitarianism.

IV. Environmental, Social and Governance Reporting Guide by HKEX

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Pages of Disclosure	Remarks
Environment			
Aspect A1: Emissions			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P.23 & P.25 – 27	
KPI A1.1	The types of emissions and respective emissions data	P.28 – 29	
KPI A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P.28 – 29	
KPI A1.3	Total hazardous wastes produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	The Group is mainly engaged in shipping business, the amount of hazardous waste generated during operation is relatively small and is not in the scope of the material impact, so we decided not to disclose it in the Report; we will further improve the data collection system in the future
KPI A1.4	Total non-hazardous wastes produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	–	The Group is mainly engaged in shipping business, the amount of non-hazardous waste generated during operation is relatively small and is not in the scope of the material impact, so we decided not to disclose it in the Report; we will further improve the data collection system in the future

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Pages of Disclosure	Remarks
KPI A1.5	Description of measures to mitigate emissions and results achieved	P.23 – 24 & P.27	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	P.27 – 28	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	P.23 & P.27 – 28	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	P.27 – 29	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P.30	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	P.23 – 24 & P.27 – 28	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	P.27	
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	–	Not applicable to the business scope of the Group
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	P.25 – 26	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	P.25 – 26	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Pages of Disclosure	Remarks
Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.30 – 32	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	P.30 – 31	
KPI B1.2	Employees turnover rate by gender, age group and geographical region	P.30 – 31	
Aspect B2: Health and Safety			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	P.36	
KPI B2.1	Number and rate of work-related fatalities	–	
KPI B2.2	Lost days due to work injury	–	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P.36 – 37	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P.32 – 33	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	P.33	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Pages of Disclosure	Remarks
KPI B3.2	The average training hours completed per employee by gender and employee category	–	
Aspect B4: Labor Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	P.30	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor	P.30	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	P.30	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	P.40	
KPI B5.1	Number of suppliers by geographical region	P.40	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P.40	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P.39 – 40	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Pages of Disclosure	Remarks
KPI B6.2	Number of products and service related complaints received and how they are dealt with	P.39 – 40	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	
KPI B6.4	Description of quality assurance process and recall procedures	–	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	–	
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.38 – 39	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	P.39	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P.38	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	P.41	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	P.42 – 43	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	–	

CORPORATE GOVERNANCE REPORT

CONTINUOUS IMPROVEMENT IN CORPORATE GOVERNANCE

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

Our Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules as the corporate governance code of our Company. Our Company has complied with all the code provisions that are in force as set out in the Code throughout the year of 2017 except that due to other business commitment, the chairman of the Company did not attend and chair the annual general meeting held on 25 May 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific enquiry made by our Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2017.

BOARD OF DIRECTORS

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

As at 31 December 2017, the Board comprised eight Directors, of which two were executive Directors, two were non-executive Directors and four were independent non-executive Directors, whose names were as follows:

Chairman: Mr. Li Zhen;

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

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

Independent non-executive Directors: Mr. Tsang Hing Lun (passed away on 4 June 2017), Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung (appointed on 4 July 2017).

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

The Board has approved the establishment of an executive committee of the Board (the "Executive Committee") on 12 March 2008 and the rules of proceedings and scope of authority of the Executive Committee. As at 31 December 2017, composition of the members of the Executive Committee included:

Mr. Li Hua and Ms. Feng Guoying.

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

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

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

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

During the year of 2017, four Board meetings were held by the Company. Apart from convening Board meetings, business of the Board was also transacted by convening Executive Committee meetings or by obtaining consent of the Board through the circulation of written resolutions. Our Company had prepared and properly kept detailed minutes for the matters discussed on the Board meetings, and such minutes were also open for our Directors' reference.

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

The table below sets out the attendance of each Director in the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings in 2017:

	Attendance/No. of meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Li Hua	4/4				1/1
Ms. Feng Guoying	4/4				1/1
Non-executive Directors					
Mr. Li Zhen	3/4		1/1	1/1	0/1
Mr. Tian Zhongshan	4/4				1/1
Independent non-executive Directors					
Mr. Tsang Hing Lun (Passed away on 4 June 2017)	2/2	1/1	N/A		0/1
Mr. Lee Peter Yip Wah	4/4	2/2		1/1	1/1
Mr. Zhou Qifang	3/4	1/2	0/1	0/1	1/1
Mr. Xu Zhengjun	4/4		1/1		1/1
Mr. Wu Tak Lung (Appointed on 4 July 2017)	2/2	1/1			N/A

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

BOARD DIVERSITY POLICY

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

SUMMARY OF THE POLICY

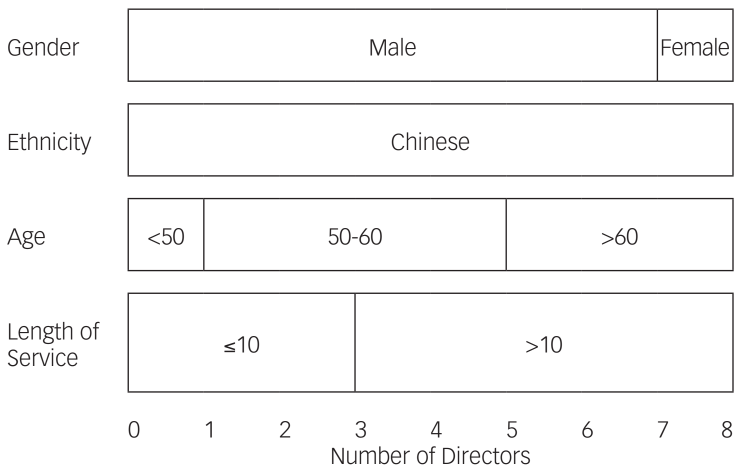
The Company recognises board diversity as the key element for the achievement of its strategic goals and sustainable development. In designing the composition of members of the Board, the Company takes into account a number of factors from various aspects, including but not limited to gender, age, cultural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

MEASURABLE OBJECTIVES

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

EXECUTION

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



TRAINING FOR DIRECTORS

On 25 May 2017, under the arrangement of the Company, all Directors had attended a training for directors provided by Sidley Austin LLP. The training covers recent case studies related to inside information, pricing policy in connected transactions, risk management and internal control as well as duties and responsibilities as a director of listed companies in Hong Kong. Besides, the Company provides regular updates on the development of the Group's business and operations to all the Directors to ensure that they have appropriate understanding of the business and operations of the Group.

APPOINTMENT OF DIRECTORS

Under the service contracts entered into between our Company and each of our executive Directors and non-executive Directors, each of our executive Directors and non-executive Directors is appointed for a term of three years with effect from November 2016. Under the letters of appointment entered into between our Company and each of our independent non-executive Directors, each of our independent non-executive Directors is appointed for a term of one year with effect from November 2017. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

CHAIRMAN AND GENERAL MANAGER

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

For the year ended 31 December 2017, the Audit Committee was chaired by Mr. Tsang Hing Lun (passed away on 4 June 2017), Mr. Wu Tak Lung (appointed on 4 July 2017) and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang. Most of the members possess professional qualifications and experience in finance. All members of the Audit Committee are independent non-executive Directors.

The Audit Committee held two meetings in 2017. Details of the meetings are mainly as follows:

1. The first meeting was convened on 9 March 2017. The auditor explained the audit issues to the Audit Committee. The Company explained to the Audit Committee about internal control and risk management. The Audit Committee resolved to approve, among other things, the engagement of the external auditor of the Company for 2017, as well as the submission of the financial statements for the year of 2016 to the Board for approval.

2. The second meeting was convened on 9 August 2017. The auditor explained the review and audit strategies issues for 2017 to the Audit Committee. The Audit Committee resolved to approve the submission of the unaudited condensed financial information for the first half of 2017 to the Board for approval.

REMUNERATION COMMITTEE

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

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

For the year ended 31 December 2017, the Remuneration Committee was chaired by Mr. Zhou Qifang. Its members include Mr. Li Zhen and Mr. Tsang Hing Lun (passed away on 4 June 2017), Mr. Xu Zhengjun (appointed on 4 July 2017).

The Remuneration Committee held a meeting on 10 August 2017, at which the resolution to approve the proposed director's fees and remuneration level of our independent non-executive Directors and executive Directors for the term commencing from 23 November 2017 and ending on 22 November 2018 and submit the same to the Board for approval. A written resolution was passed on 19 June 2017 to recommend the remuneration of Mr. Wu Tak Lung to act as an independent non-executive Director of the Company and to adjust the remuneration of other independent non-executive Directors.

For the year ended 31 December 2017, the remuneration of the members of the senior management by band is set out below:

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

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

NOMINATION COMMITTEE

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

For the year ended 31 December 2017, the Nomination Committee is chaired by Mr. Li Zhen and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

A meeting was held on 10 August 2017. After taking into account of the skills, knowledge and experiences of Directors, Board Diversity Policy and assessment of independence of the independent non-executive Directors based on the independence requirements of Rule 3.13 of Listing Rules, it resolved to pass the re-appointment of Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung as the independent non-executive Directors of the Company for a term of one year from 23 November 2017 to 22 November 2018 and entered into reappointment letters. A written resolution was passed on 19 June 2017 to pass the proposal in relation to Mr. Wu Tak Lung acting as an independent non-executive Director of the Company and Chairman of the Audit Committee.

INTERNAL AUDIT

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

Our internal audit staff directly reports to the Audit Committee and the management, execute the resolutions passed by the Audit Committee and play an advisory role in day-to-day operations. In 2017, the internal auditors of the Company reported to the management on the business and financial matters of the Company: the representative of internal audit department attended meetings of the Audit Committee and reported to the Audit Committee on the work of internal audit.

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

EXTERNAL AUDITOR

PricewaterhouseCoopers was engaged by our Company as our auditor for the year ended 31 December 2017.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2017 were as follows:

	US$'000
– Audit and review services	870
– Non-audit services (transaction related service, tax advisory and compliance services)	44

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Company has established the Risk Management Office which is responsible for taking forward the risk management of the Company and formulating relevant policies. The Subsidiaries implement such policies while the headquarter of the Company inspects and monitors the implementation of the internal control system by the Subsidiaries and forms a comprehensive risk management report.

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

Through regular communication with business units, the Risk Management Office sorts and classifies the information on the management, operation, monitoring and control processes of the Company so as to identify, evaluate and manage risks. Risk management units have been established by subsidiaries, risk library of the Company have been identified and established, and will be updated and revised each year.

In 2017, all departments selected the risks that could emerge in their relevant fields and that were of relatively high importance. These risks were then assessed jointly by the management and the functional departments of the Company and the management and operating personnel of the relevant subsidiaries. The assessment took into account of the possibility and the impacts of the occurrence of the risks. The major risks of the year were determined by the assessment results. To mitigate the major risks, each functional department has formulated corresponding measures in relation to the material risks and reported regularly on the execution of such measures. Also, the effectiveness of corresponding measures should be summarized and assessed annually. The major subsidiaries of the Company also developed their risk management based on the aforesaid procedures.

The major risks management and control in 2017 are as follows:

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

Major risks	Key mitigations	Indicator of control completion
➢ Customers going bankrupt, resulting in economic losses of the Company.	• Continue to assess and track major contracts and creditworthiness of major customers.	• No occurrence of credit risk cases for the fleet which led to significant losses to the Company.
➢ the impact on overall profitability of the Company due to the litigations and claims faced by a subsidiary.	• Actively strive for the best results in favor of the Company. In case of the worst case, choose the best solution to minimize the loss.	• A major litigation claim case faced by a subsidiary for eleven years ended with winning the law suit.

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

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

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

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

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

In 2017, the Board reviewed, through the Audit Committee, the risk management and internal control systems of the Group and considered these systems effective and sufficient.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

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

Our independent non-executive Directors were informed by the executive Directors that SINOTRANS & CSC Group Company was not aware that there existed any such opportunity during the year of 2017. In respect of the Chartering Opportunity, the independent non-executive Directors considered that there was not or was not likely to be any competition between the vessels available for chartering from companies relating to SINOTRANS & CSC Group Company and the vessels available for chartering from our Group in 2017.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2017.

Compliance with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules

Following the passing away of Mr. Tsang Hing Lun on 4 June 2017, the audit committee of the Board (1) did not have an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong King Limited (the ''Listing Rules'') and (2) comprised only 2 members which did not fulfil the requirement under Rule 3.21 that the audit committee must comprise a minimum of three members. Besides, the remuneration committee of the Board comprised one non-executive director and one independent non-executive director which did not fulfil the requirement under Rule 3.25 of the Listing Rules that the remuneration committee must comprise a majority of independent non-executive directors.

In order to fulfill the requirements of Rules 3.10(1), 3.21 and 3.25 of the Listing Rules, Mr. Wu Tak Lung was appointed as independent non-executive director of the Company and the chairman of Audit Committee of the Company with effect from 4 July 2017.

Following the above appointment, the audit committee of the Board (1) has included an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and (2) comprises three members which fulfil the requirement under Rule 3.21 of the Listing Rules that the audit committee must comprise a minimum of three members.

On the same day, Mr. Xu Zhengjun was appointed as member of remuneration committee of the Company. Following the above appointment, the remuneration committee comprises a majority of independent non-executive directors of the Company as required under Rule 3.25 of the Listing Rules that the remuneration committee must comprise a majority of independent non-executive directors.

DIRECTORS RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" on page 99 to page 100 of this annual report.

COMPANY SECRETARY

Ms. Koo Ching Fan was appointed as company secretary in November 2016. She is a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, and a fellow member of the Association of Chartered Certified Accountants. Ms. Koo is also a director of Fair Wind Secretarial Services Limited and she has over 20 years of experience in company management and secretarial fields. For many years, she has provided professional services to various listed companies. Although Ms. Koo is not a full time employee of the Company, she is responsible for advising the Board on governance matters. The primary contact person of the Company with her is Mr. Yu Guangqun, the general manager of the Investor Relations Department of the Company. Ms. Koo has confirmed that she has taken no less than 15 hours of relevant professional training during 2017.

SHAREHOLDERS MEETINGS

The annual general meeting was convened on 25 May 2017 to review and approve the audited financial statements, the report of Directors and the independent auditor's report for the year ended 31 December 2016, re-elect Directors and authorise the Board to determine the Directors' remuneration, to consider the re-appointment of auditor and determine its remuneration and to approve the general mandates to buyback shares and to issue shares.

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

SHAREHOLDERS' RIGHTS

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

1. Calling a general meeting upon the request of Shareholders

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

2. Procedures to propose a resolution at Annual General Meeting

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

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

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

Our Company places strong emphases on its communications with investors, and considers that maintaining ongoing and open communications with investors can promote investors' understanding of and confidence in our Company and enhance the standard of corporate governance. Our Company has set up the Investor Relations Department which is primarily responsible for investor relations. In 2017, the representatives of our management participated in a number of meetings with investors through activities including company visits, conferences calls, luncheons and large investment conferences organised by investment banks. These various ways of communications have enabled the investors to have a better understanding of the Company's policy, operations and strategies of development, and thus enhanced transparency and investor's recognitions of the Company.

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

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

Attn: Ms. Lucille Tsang, Investor Relations Department
Sinotrans Shipping Limited
21st Floor, Great Eagle Centre
23 Harbour Road,
Wanchai, Hong Kong
Email: ir@sinotranship.com
Tel No.: (852) 28285535
Fax No.: (852) 37535981

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Hua (李樺), born in April 1966, was appointed as the general manager of the Company in July 2013. Mr. Li is responsible for the overall strategic planning and daily operation management of our Company. Mr. Li joined SINOTRANS Group after he graduated from the University of International Business and Economics in 1989. He received a master degree at Murdoch University in Australia in January 2002. Mr. Li has over 28 years' experience in the shipping industry. Mr. Li joined China Business Marine Co., Ltd. in July 1989. Mr. Li served as the assistant to the general manager and deputy general manager for Worlder Shipping Limited, and the director and deputy general manager of the Company since February 2003.

Ms. Feng Guoying (馮幗英), born in March 1964, has been a Director and the deputy general manager of our Company since September 2004. She joined SINOTRANS Group after she graduated from Renmin University of China in 1986. She received a master's degree at Guanghua School of Management in Peking University in 2007. Ms. Feng has over 27 years of experience in the shipping industry. From December 1989 to March 1998, Ms. Feng served in various positions in Worlder Shipping Limited such as the deputy manager of business department. From March 1998 to December 2007, she served as the manager, assistant general manager, deputy general manager of China Business Marine Co., Ltd. as well as the director of Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd and Sinotrans Shipping (Shenzhen) Limited successively. From January 2003, she served as the assistant to general manager of our Company and was promoted to the position of deputy general manager of our Company in September 2004. Ms. Fung resigned as deputy general manager of the Company in October 2016 and resigned as an executive director of the Company on 29 March 2018.

Non-executive Directors

Mr. Su Xingang (蘇新剛), born in October 1958, was appointed as a non-executive Director and the chairman of the Company on 29 March 2018. He graduated from Ship Navigation and Harbour Superintendency Administration Specialty of Navigation Department of Dalian Maritime University (formerly Dalian Marine College), and is a senior engineer with over 30 years of experience in shipping industry. Mr. Su served as the Deputy Division Chief of Department of Transportation Administration, Assistant Director General of Department of Water Transportation of Ministry of Communications, Vice President of China Changjiang National Shipping (Group) Corp., Deputy Director General, Director General of Department of Water Transportation of Ministry of Communications. Mr. Su joined China Merchants Group in September 2005, in which he successively held the positions of chief economist, General Counsel, Vice President and Deputy General Manager of China Merchants Group Limited. Mr. Su was an Executive Director of China Merchants Holdings (International) Company Limited (now known as China Merchants Port Holdings Company Limited, the shares of which are listed on the Hong Kong Stock Exchange) from May 2007 to February 2016; a director and vice Chairman of Shanghai International Port (Group) Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange) from September 2009 to January 2016. Mr. Su is currently a Director of China Merchants Group Limited, the Chairman of China Merchants Energy Shipping Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange). He is also the Chairman of China VLCC Company Limited and the Chairman of China LNG Shipping (Holdings) Limited, etc. He is the 13th CPPCC Standing Committee of Shanghai, the Chairman of Hong Kong Shipping Circles Association, the Vice Chairman of the Hong Kong Shipowners Association, the Vice President of China Shipowners' Association, the Vice President of China Shipowners Mutual Assurance Association, the Vice President of China Institute of Navigation, a Director of Association of Economy and Trade Across Taiwan Straits and a Director of Council of China Classification Society, etc.

Mr. Liu Weiwu (劉威武) was born in November 1964, was appointed as a non executive director of the Company on 29 March 2018. He graduated from Xi'an Highway Scientific Academy. He holds professional qualification of accountant and has over 30 years of experience in shipping industry. Mr. Liu was the Chief Funding Manager of the Financial department of Guangzhou Ocean Shipping Company. In 1997, he joined the China Merchants Group, in which he successively served as the Manager of Finance and Accounting Department of Hong Kong Ming Wah Shipping Co., Ltd. and the Deputy General Manager of the Finance Department of China Merchants Group Limited. Since February 2009, he has been the Financial Controller of China Merchants Energy Shipping Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange) and a Director of China VLCC Company Limited. He has been a Director of China Merchants Energy Shipping Co., Ltd. since May 2012, and its Vice President since February 2016.

Mr. Li Zhen (李甄), born in September 1963, was appointed as a non-executive Director and the chairman of the Company in November 2013. Mr. Li graduated from Dalian Maritime University (formerly known as Dalian Maritime Institute) in 1987 and obtained an EMBA degree in Cheung Kong Graduate School of Business. He holds the professional qualification of International Business Engineer. He has over 27 years of experience in the shipping industry. From August 1987 to May 1991, Mr. Li worked as an officer of Seamen's Union of All China Federation of Trade Unions. In June 1991, he joined SINOTRANS Group and served as the general manager of Laya Transportation Co., Ltd (Brazil) and the general manager of China National Chartering Co., Ltd. (formerly known as China National Chartering Co.). In March 2005, Mr. Li was appointed as the assistant to the general manager of China National Foreign Trade Transportation (Group) Corporation. He serves as the assistant to the general manager and party committee member of SINOTRANS & CSC Holdings Co. Ltd. Mr. Li was appointed as the Safety Director of SINOTRANS Group in April 2014, the general manager of China Business Marine Co., Ltd. in August 2015 and the managing vice chairman of Nanjing Tanker Corporation in May 2015. In May 2017, Mr, Li was appointed as the vice president of China Merchants Energy Shipping Co. Ltd. He is also an executive director of the China Shipowners Association and the vice president of China Institute of Navigation. On 29 March 2018, Mr. Li resigned as Chairman of the Company.

Mr. Tian Zhongshan (田忠山), born in October 1968, has been the Director of our Company since January 2003. Mr. Tian joined SINOTRANS Group after he graduated from the University of International Business and Economics in 1991, and obtained a master degree at the University of South Australia in 2006. He has over 26 years of experience in the shipping industry. Mr. Tian worked at China National Chartering Co., Ltd. from January 1991 to March 2002. From April 2002 to December 2007, he served as the deputy general manager, legal representative and general manager of China Business Marine Co., Ltd. and the legal representative of Sinotrans Shipping (Shenzhen) Limited. In May 2003, Mr. Tian worked as the deputy general manager of our Company and was promoted to the position of general manager of our Company in March 2005. He was redesignated as a non-executive Director of the Company on 5 July 2013. He resigned as a non-executive director of the Company on 29 March 2018.

Independent Non-executive Directors

Mr. Tsang Hing Lun (曾慶麟), born in April 1949, was appointed as the independent non-executive director of our Company in August 2007. Mr. Tsang is also the Chief Executive Officer of Influential Consultants Ltd. and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Hons) in 1973. Mr. Tsang took up various senior management positions in several listed companies in Hong Kong and Singapore. He joined Hang Seng Bank in 1973 and served for 17 years. Mr. Tsang acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as the head of International Branches Division and the first vice president. After working in the UOB Group, Mr. Tsang acted as an executive director of the Hong Kong Stock Exchange in 1993, an executive director of China Champ Group in 1994 and the alternate chief executive officer and the deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. He is currently an independent non-executive director of Sino-Ocean Land Holdings Ltd., Nexteer Automotive Group Limited and China Shipping Container Lines Co., Ltd., all of which are listed on the Hong Kong Stock Exchange. Mr. Tsang passed away in June 2017.

Mr. Lee Peter Yip Wah (李業華), born in April 1942, was appointed as the independent non-executive director of our Company in August 2007. Mr. Lee graduated from The University of Hong Kong with a Bachelor's Degree of Arts in 1965 and was formerly a practising solicitor. He possesses approximately 41 years of experience in management and company secretarial works. Mr. Lee was the former senior partner of Messrs. Woo, Kwan, Lee & Lo. He was admitted as a certified solicitor in Hong Kong, United Kingdom and Singapore in 1971, 1974 and 1995 respectively. He was appointed as a China-appointed attesting officer in 1993. He is currently an independent non-executive directors of China Merchants Port Holdings Company Limited (previously known as China Merchants Holdings (International) Company Limited) and SHK Hong Kong Industries Limited, both of which are listed on the Hong Kong Stock Exchange.

Mr. Zhou Qifang (周祺芳), born in December 1943, was appointed as the independent non-executive director of our Company in October 2007. Mr. Zhou graduated from Dalian Maritime University in 1965. Mr. Zhou has over 52 years of experience in the shipping industry. From September 1965 to June 1990, he worked at Guangzhou Ocean Shipping Company, where he held various positions including the head of the ship repairing factory. From June 1990 to July 1992, Mr. Zhou served as the general manager of the Nantong Ocean Shipping Enterprise under China Ocean Shipping Company. China Ocean Shipping Company was restructured and renamed as China Ocean Shipping (Group) Company in 1992. Between July 1992 and July 1997, Mr. Zhou was promoted to the position of vice president of China Ocean Shipping (Group) Company. Between July 1997 and April 2000, Mr. Zhou worked as the general manager of Shekou Industrial Zone Co., Ltd. From October 1997 to April 2000, Mr. Zhou served as a director and the vice president of China Merchants Group Limited and remained as its director and vice president between April 2000 and March 2004. From March 2004 to March 2007, he served as a director of China Merchants Group (Hong Kong) Limited and the chairman of China LNG Shipping (Holdings) Limited. From December 2004 to March 2007, he was appointed as a director of China Merchants Energy Shipping Co. Ltd.

Mr. Xu Zhengjun (徐政軍), born in September 1955, was appointed as an independent non-executive director of the Company in June 2016. Mr. Xu obtained postgraduate degree in Maritime Transportation Management from Shanghai Maritime University in 2003 and is a senior political officer with over 41 years of experience in the shipping industry. Mr. Xu had been the section chief and the head of department of Shanghai Ocean Shipping Co., Ltd; the general manager of crew company and land property company, which were the subsidiaries of COSCO Container Lines Co., Ltd.; the assistant to general manager of COSCO Container Lines Co., Ltd.; the general manager of Shanghai Ocean Shipping Company; a member of the leading team of COSCO Container Lines Co., Ltd. in charge of audit and supervision affairs; the managing director of COSCO (H.K.) Industry & Trade Holdings Limited and the director and vice chairman of Shenzhen Guangju Energy Co., Ltd. (listed in the PRC) until his resignation in March 2013; Mr. Xu had been vice president and chief legal consultant of COSCO (Hong Kong) Group Limited and director of True Smart International Limited. Since July 2012, he had served as the executive director and managing director of COSCO International Holdings Limited, and was also the chairman of Corporate Governance Committee, and a member of each of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee of the Company, until his resignation in March 2016.

Mr. Wu Tak Lung (吳德龍), born in May 1965, was appointed as an independent non-executive director of the Company in July 2017. Mr. Wu was awarded the bachelor's degree of Accounting by the Hong Kong Baptist University in 1993 and the master's degree of business administration (MBA) jointly by the University of Manchester and the University of Wales in 2001. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu had worked in an international accounting firm, Deloitte Touche Tohmatsu, for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance and executive director, with over 20 years of experience in accounting, finance, auditing, taxation, corporate finance and asset management. Mr. Wu currently served as an independent non-executive director of Kam Hing International Holdings Limited, Beijing Media Corporation Limited, Sinomax Group Limited, Henan Jinma Energy Company Limited and China Machinery Engineering Corporation, which are companies listed on the Hong Kong Stock Exchange, Olympic Circuit Technology Co., Ltd, a company listed on the Shanghai Stock Exchange, and First Tractor Company Limited, a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Moreover, he was an independent non-executive director of Aupu Group Holding Company and Huarong Investment Stock Corporation Limited in the last three year. Mr. Wu is currently a member of Jiangsu Province Chinese People's Political Consultative Committee, member of the Court of Hong Kong Baptist University, an adjunct professor of the School of Business of Hong Kong Baptist University, the Honorary Chairman of the North Kwai Chung Scout and the Vice President of Hongkong-Guangdong Youth Exchange Promotion Association.

SENIOR MANAGEMENT

Mr. Li Wanjin (李萬錦), born in December 1962, was appointed as the deputy general manager of the Company in April 2018. He received a degree of executive master of business administration at Wuhan University in December 2008 and holds professional qualifications of senior economist, with over 37 years of experience in shipping business. Mr. Li joined Nanjing Yangtze Oil Transportation Company (南京長江油運公司) in 1984, where he served as the head of Party Committee office and Deputy Secretary of the Party Committee. From January 2004 to January 2006, he served as a member of the prefectural committee, Deputy Commissioner, member of the Standing Committee of the Simao Municipal Party Committee and Deputy Mayor of the Simao District of Yunnan Province. He served as Deputy General Manager of Nanjing Changjiang Oil Transportation Company (南京長江油運公司) in February 2006, and served as the General Manager of the company from December 2007 to April 2018.

Mr. Xu Qiumin (徐秋敏), born in December 1958, was appointed as the deputy general manager of our Company in August 2014, responsible for the operation and management of the container business of the Company. Mr. Xu graduated from Shanghai Maritime University in July 1987 and joined SINOTRANS Group thereafter. He was granted a master degree of the Shanghai Institute of International Finance in March 2002 with the qualification of senior business engineer and senior economist. He has over 31 years of experience in shipping industry. Mr. Xu acted as the deputy manager of administration department and the deputy manager of sea transportation export department of Sinotrans Shanghai Company from July 1987 to March 1991. He was appointed as the general manager of Sino-Am Marine Company Inc. in USA from March 1991 and June 1996. He was the assistant to the general manager and deputy general manager of Sinotrans Shanghai Company from June 1996 to May 1999. He acted as the deputy general manager of Sinotrans Shanghai Group Company from May 1999 to December 2002 and the deputy general manager of Sinotrans Eastern Co., Ltd. from January 2003 to July 2006. He has been the general manager of Sinotrans Container Lines Co., Ltd. since July 2006. Mr. Xu is currently the deputy chairman of Shanghai Shipowners' Association and Lujiazui Shipping Association of Shanghai. In February 2018, Mr. Xu resigned from positions as the deputy general manager of the Company and the general manager of Sinotrans Container Lines Co., Ltd. due to work adjustment.

Mr. Geng Chen (耿晨), born in September 1967, was appointed as the deputy general manager of our Company in August 2014, responsible for the operation and management of the dry bulk business of the Company. Mr. Geng graduated from University of International Business and Economics in July 1990. Mr. Geng has been qualified as an international business engineer and has over 25 years of experience in shipping industry. Mr. Geng joined the First Shipping Department of SINOTRANS Group Company in July 1993 which was merged with China National Chartering Co., Ltd. in 1998. Mr. Geng successively took up the position as the deputy manager of the handy-size ship department and the manager of Cape-size Ship Department of China National Chartering Co., Ltd. He acted as the deputy general manager of that company from March 2001 to August 2008 and has been the general manager of that company since August 2008.

Mr. Xie Shaohua (謝少華), born in January 1971, was appointed as the chief financial controller of our Company since August 2007 and is responsible for overseeing all financial aspects of our Company. He was appointed as a deputy general manager and chief financial officer of the Company in October 2016, responsible for the financial, information technology and logistics of the Company. Mr. Xie graduated from Central University of Finance and Economics in 1993 and received master degrees at the University of International Business and Economics and The Chinese University of Hong Kong in 2003 and 2005 respectively. Mr. Xie has over 18 years of experience in the shipping industry. From November 1998 to October 2002, he worked in the finance department of SINOTRANS & CSC Group Company. From November 2002 to May 2007, he served as the deputy general manager of the finance department of Sinotrans Limited.

Ms. Xing Naiqun (邢乃群), born in April 1967, was appointed as the deputy general manager and General Counsel of the Company in October 2016, being responsible for the legal affairs, insurance, risk control and internal control and audit of the Company. Ms. Xing graduated from Dalian Maritime University in July 1989, and has been granted a master degree from the Faculty of Law at Stockholm University (瑞典斯德哥爾摩法學院) in November 1997. She has been qualified as a Chinese Lawyer and Grade 1 Enterprise Legal Counsel (一級企業法律顧問), and has accumulated over 29 years of experience in the shipping industry. She joined Sinotrans Group in August 1989, and successively served as the Assistant General Manager in Sinotrans Container Lines Co., Ltd. Beijing Branch (中外運集裝箱公司北京分公司), Manager of Business Department, Manager of Operation Department, and Manager of Legal and Risk Control Department, etc. in China National Chartering Co., Ltd. Currently, she is serving as the Deputy General Manager and General Counsel, etc. in China National Chartering Co., Ltd.

Mr. Liu Chun Ting (劉春庭), born in June 1976, was appointed as the deputy general manager of the Company in October 2016. Mr. Liu is responsible for human resources, strategy and planning, operations management and integrated management of the Company. Mr. Liu graduated from Tsinghua University with a bachelor's degree and a master's degree in July 2003. He holds professional qualifications of PRC lawyer, logistician and economist and has over 9 years' experience in the shipping industry. Mr. Liu joined Sinotrans Group in August 2003 and served as the head of Human Resources Department of Sinotrans Group, the general manager of Human Resources Department and the general manager of Strategy and Planning Department of the Company, the chief representative of Shenzhen Office of Sinotrans Shipping Limited and a director of Sinotrans Container Lines Co., Ltd.

Mr. Tang Kai (唐凱), born in March 1977, was appointed as the deputy general manager of the Company in October 2016, responsible for the market development, crew management and corporate culture of the Company and the operation of Shenzhen Office of the Company. Mr. Tang graduated from Dalian University of Foreign Languages in July 1999 and obtained his master degree from Dongbei University of Finance & Economics in June 2011. He has been qualified as an economist and a senior logistician and has accumulated over 16 years of experience in the shipping industry. He joined Sinotrans Group in September 1999, and successively served as the Youth League Secretary and President Secretary of Sinotrans Group, Director and Deputy General Manager of Sinotrans Shipping (Shenzhen) Limited (深圳中外運航運有限公司), Deputy General Manager of Sinomarine Limited, Director and Deputy General Manager of SINOECL Auto Liners, Limited, Deputy General Manager of Dalian Harbour ECL Logistics Co., Ltd., Director of Sinotrans MOL Shipping Limited (中外運商船三井航運有限公司), General Manager of Crew Management Department of the Company, General Manager of Shenzhen Representative Office of the Company, etc.

Mr. Li Kin Ming (李健明), born in November 1952, was appointed as the port captain of our Company and the general manager of Sinotrans Shipping Management Limited in December 2015, responsible for managing the operation department and technical department and overseeing all shipping technical matters. Mr. Li graduated from the Pre-Sea Deck Cadet Training School of Island Navigation Corp., H.K. in 1972. Mr. Li has over 46 years of experience in the shipping industry. In 1991, Mr. Li served as the port captain of the operation department of Wah Tung Shipping Agency. From September 2000 to June 2004, he was the port captain of the operation department of Worlder Shipping Limited. From July 2004 to October 2014, Mr. Li served as the manager and general manager of the operation department of Sinotrans Shipping Management Limited. In November 2014, Mr. Li served as the assistant general manager of Sinotrans Shipping Management Limited.

Mr. Li Shudong (李樹棟), born in July 1969, was appointed as the Safety Director of the Company in October 2016, and is responsible for safety and technical management of the Company. Mr. Li graduated from Dalian Maritime University in 1993 and has over 24 years of experience in the shipping industry. He joined China Business Marine Co., Ltd. in 1995 and worked in Worlder Shipping Limited in 2001. In 2003, he joined the Company and took up several positions such as the deputy manager of technical department, the senior manager of business department, the assistant to general manager of the Company and the deputy general manager of Sinotrans Shipping Management Limited. Mr. Li served as the general manager of Sinotrans Shipping (Shenzhen) Limited from 2005 to 2010 and was responsible for car carrier business.

REPORT OF THE DIRECTORS

The Board hereby presents its report and the audited financial statements of our Group for the year ended 31 December 2017.

BUSINESS OPERATIONS OF THE GROUP

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

An analysis of our Group's operating results for 2017 by business segments is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Business review for the year and outlook of the Group are set out in Chairman's Statement on page 2 to page 6 and Business Review and Outlook on page 7 to page 12 of this annual report. The risks and uncertainties may be encountered by the Group are also set out in Chairman's Statement on page 2 to page 6 and Business Review and Outlook on page 7 to page 12 of this annual report.

Discussion on risk management are set out in Corporate Governance Report on page 51 to page 61. The objectives and policies of financial risks management are set out in Notes to the consolidated financial statements on page 124 to page 129.

The environment protection policies of the Group are set out in Environmental, Social and Governance Report on page 19 to page 50 of this annual report.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Particulars of the principal subsidiaries and joint ventures of our Company are set out in Note 35 to the consolidated financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2017 are set out in the financial statements of this annual report on page 101.

DIVIDEND

The Board has proposed a final dividend for the year ended 31 December 2017 of HK3 cents per share and, if such dividend is approved by the shareholders at the annual general meeting of the Company ("Annual General Meeting") to be held on 14 June 2018, it is expected to be paid on 29 June 2018 to those shareholders whose names appear on the Company's register of members after the close of business at 4:30 p.m. on 20 June 2018.

In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 20 June 2018.

CLOSE OF REGISTER OF MEMBERS

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 11, June 2018 (Monday) to 14, June 2018 (Thursday) (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify to attend and vote at the Annual General Meeting, share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8, June 2018 (Friday) for registration.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Particulars of bank borrowings of our Group as at 31 December 2017 are set out in Note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2017, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 23.0% and 15.6% of the Group's turnover and purchases, respectively.

The revenue generated from our largest customer accounted for 12.0% of our total revenue, while the purchases from our largest supplier accounted for 8.0% of our total purchases. During the year ended 31 December 2017, none of our Directors or any of their close associates or any of our shareholders who, to the knowledge of the Board, owned more than 5% of our shares had any interest in any of our five largest customers (except SINOTRANS & CSC Group which is our largest customer) or our five largest suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the Group's material related party transactions for the year ended 31 December 2017 are set out in Note 32 to the consolidated financial statements. Some of those transactions constituted connected transactions and continuing connected transactions requiring disclosures under Chapter 14A of the Listing Rules, details of which are as follows:

A. Connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules

On 31 May 2017, China National Chartering Co., Ltd. ("Sinochart"), an indirect non wholly-owned subsidiary of the Company, entered into the disposal agreement with SINOTRANS & CSC Group Company pursuant to which Sinochart agreed to dispose of, and SINOTRANS & CSC Group Company agreed to purchase, 0.833% equity interest in SINOTRANS & CSC Finance Co., Ltd. (中外運長航財務有限公司) at a consideration of RMB27,863,889.65 (equivalent to approximately HK$31,579,317.85) (the "Disposal").

SINOTRANS & CSC Group Company is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

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

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

SINOTRANS & CSC Group Company is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

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

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

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

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

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

The leasing of the Properties under the New Supplemental Renewed Master Tenancy and Property Management Agreement allows continuous and stable use by our Group of operating premises at market rate without expending the resources and disruption that relocation inevitably entails. For further details, please refer to the announcement dated 13 June 2016. The annual caps of the continuing connected transactions under the New Supplemental Master Tenancy and Property Management Agreement were revised (see announcement dated 7 April 2017) for details.

	Transaction amount (US$'000)	Annual cap (US$'000)
Leasing of properties by SINOTRANS & CSC Group to our Group	3,333	4,347

For the year ended 31 December 2017, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong	1,168	1,238
(b)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou	55	88
(c)	24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen	83	119
(d)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai	637	894
(e)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road	751	871
(f)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC	14	20
(g)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC	7	7
(h)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC	26	37
(i)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC	56	104
(j)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC	57	96
(k)	Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC	130	135
(l)	Units 01-03, 8th Floor, Sinotrans Shanghai Building (中外運上海大廈), No. 777 Guojian Road, the trial Shanghai Free Trade Zone, Shanghai, the PRC (Note 1)	174	174

Note 1: Pursuant to the agreement dated 7 April 2017 entered into between 中外運上海(集團)有限公司 (Sinotrans Shanghai (Group) Co., Ltd.*) ("Sinotrans Shanghai"), a wholly-owned subsidiary of SINOTRANS & CSC Group Company, and 中外運天澤輪船有限公司 (Sinotrans Navigation Ltd*) ("Sinotrans Tianze"), an indirect wholly owned subsidiary of the Company, in respect of the leasing of this property. Amounts of the transaction amount and annual cap of this property in RMB have been converted into US$ at the rate of US$1=RMB6.88 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou	16	27
(b)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai	84	295
(c)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road, the PRC	–	100
(d)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC	18	58
(e)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC	1	5
(f)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC	–	3
(g)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC	15	27
(h)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC	12	20
(i)	Units 01-03, 8th Floor, Sinotrans Shanghai Building (中外運上海大廈), No. 777 Guojian Road, the trial Shanghai Free Trade Zone, Shanghai, the PRC (Note 1)	29	29

Note 1: Pursuant to the agreement dated 7 April 2017 entered into between Sinotrans Shanghai and Sinotrans Tianze in respect of the property management services for this property. Amounts of the transaction amount and annual cap of this property in RMB have been converted into US$ at the rate of US$1=RMB6.88 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.

SINOTRANS & CSC Group Company is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

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

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

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

Given SINOTRANS & CSC Group Company has administratively been allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds SINOTRANS & CSC Group Company and is an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Shenzhen Lianda, which is an indirect wholly-owned subsidiary of CMG, is an associate of the Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Tug Service Agreement is a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, the transaction amount and annual cap of the continuing connected transaction under the Tug Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of the Tug Services	34	343

3. **Provision of certain container terminal services by the CMG Subsidiaries to Sinotrans Container Lines**

On 3 March 2017,蛇口裝箱運輸碼頭有限公司(Shekou Container Terminals Ltd.), Chiwan Container Terminal Co., Ltd., Shenzhen Chiwan Harbour Container Co., Ltd., Shenzhen Mawan Port Service Co., Ltd. and Shenzhen Mawan Terminals Co., Ltd. (collectively, the "CMG Subsidiaries") entered into the container terminal service agreement (the "Container Terminal Service Agreement") with Sinotrans Container Lines in respect of the provision of certain container terminal services (including berthage, cargo handling/loading, container storage, transfer of containers, etc.) (the "Terminal Services") by the CMG Subsidiaries to Sinotrans Container Lines.

The term of the Container Terminal Service Agreement commenced from 1 January 2017 and will expire on 31 December 2018.

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds the Parent Company and becomes an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Each of the CMG Subsidiaries, which is an indirect wholly-owned subsidiary of CMG, is an associate of the Company under the Listing Rules, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Container Terminal Service Agreement is a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, the transaction amount and annual cap of the continuing connected transaction under the Container Terminal Service Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of the Terminal Services	1,058	2,680

4. **Provision of the shipping agency service by China Merchants Energy Shipping Co., Ltd. ("China Merchants Energy") to the Group**

On 11 April 2017, China Merchants Energy entered into the service agreement (the "CMG Energy Service Agreement") with the Company in respect of the provision of shipping agency services by China Merchants Energy and its subsidiaries (the "CMG Energy Group") to the Group.

The term of the CMG Energy Service Agreement commenced from 1 January 2017 and will expire on 31 December 2018.

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds the Parent Company and becomes an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. China Merchants Energy, which is an indirect wholly-owned subsidiary of CMG, is an associate of the Company under the Listing Rules, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the CMG Energy Service Agreement is a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, the transaction amount and annual cap of the continuing connected transaction under the CMG Energy Service Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of the Shipping Agency Service	3	500

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

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

Given general shipping services are continuously provided between SINOTRANS & CSC Group and our Group so as to better utilize their internal resources to increase competitiveness, on 13 June 2016, the new supplemental parent master services agreement (the "New Supplemental Parent Master Services Agreement") was entered into between the Company and SINOTRANS & CSC Group Company to set out such general services provided.

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

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

For the year ended 31 December 2017, the transaction amounts and annual caps of the above continuing connected transactions under the New Supplemental Parent Master Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
General services provided to SINOTRANS & CSC Group	389,430	436,137
General services received from SINOTRANS & CSC Group	38,557	117,911

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel technical management services	–	360
(b)	commercial management services	–	200
(c)	consultancy services	–	100
(d)	corporate administrative services	1	10
(e)	shipping agency services	–	23
(f)	freight forwarding services	183	822
(g)	cargo transportation services	389,246	434,622

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	commercial management services	750	2,000
(b)	consultancy services	–	500
(c)	shipping broker services	365	2,500
(d)	shipping agency services	2,541	6,721
(e)	maintenance and repairing services	–	3,003
(f)	supervisory services regarding construction of vessels	1,280	3,200
(g)	crew agency services (including crew management services)	12,343	18,000
(h)	insurance broker services	–	3,484
(i)	refuelling services	3,513	36,400
(j)	vessels inspection services	1	26
(k)	freight forwarding services	5,234	14,942
(l)	containers chartering services	9,747	17,699
(m)	container depot services	2,783	9,436

SINOTRANS & CSC Group Company is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

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

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

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

The purpose of entering into the New Sinochart Master Services Agreement is to leverage their internal resources and services arrangement to increase the competitiveness. Please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2017, the transaction amounts and annual caps of the above continuing connected transactions under the New Sinochart Master Services Agreement were as follows:

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel technical management services	86	800
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping agency services	40	234

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

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

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

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

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

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

The purpose of entering into the New SNL Master Services Agreement is to leverage their internal resources and services arrangement to increase the competitiveness. For further details, please refer to the announcement and the circular both dated 13 June 2016.

For the year ended 31 December 2017, the transaction amounts and annual caps under the New SNL Master Services Agreement were as follows:

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	shipping agency services	–	25

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

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

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

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

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

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

For the year ended 31 December 2017, the transaction amounts and annual caps under the New Supplemental Parent Master Chartering Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Chartering of vessels by our Group to SINOTRANS & CSC Group	459	10,000
Chartering of vessels from SINOTRANS & CSC Group to our Group	3,094	25,878

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

	Transaction amount (US$'000)	Annual cap (US$'000)
(a) Charter Hire and C/V/E Fee	459	10,000

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

	Transaction amount (US$'000)	Annual cap (US$'000)
(a) Charter Hire and C/V/E Fee	3,094	25,878

SINOTRANS & CSC Group Company is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transactions constitute continuing connected transactions for the Company under the Listing Rules.

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

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

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

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

For the year ended 31 December 2017, the transaction amounts and annual caps under the New Sinochart Master Chartering Agreement were as follows:

A) Chartering of vessels by the Combined Group to Sinochart

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	8,723	49,400
(b)	Address Commission	335	1,853

B) Chartering of vessels by Sinochart to the Combined Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	407	76,342
(b)	Address Commission	–	2,862

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

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

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

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

For the year ended 31 December 2017, the transaction amounts and annual caps under the New SNL Master Chartering Agreement were as follows:

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	27,020	54,750
(b)	Address Commission	–	2,053

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

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

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

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

For the year ended 31 December 2017, the transaction amount and the relevant annual cap under the New Financial Services Framework Agreement were as follows:

	Transaction amount (RMB'000)	Annual cap (RMB'000)
Maximum daily outstanding balance of deposits placed by the Group and joint ventures of the Company (including accrued interests and handling charges but not including any loans advanced by the Finance Company)	349,633	350,000

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

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

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

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

On 11 April 2017, China Merchants Hoi Tung entered into the supplemental master services agreement (the "Supplemental Hoi Tung Master Services Agreement") with the Company pursuant to which the Hoi Tung Group agreed to provide the vessel refueling services to the Group. The term of the Supplemental Hoi Tung Master Services Agreement commenced from 1 January 2017 and will expire on 31 December 2018.

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds SINOTRANS & CSC Group Company and is an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. China Merchants Hoi Tung, a wholly-owned subsidiary of CMG, is an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Hoi Tung Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

For the year ended 31 December 2017, the transaction amount and annual cap under the Supplemental Hoi Tung Master Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of general services by the Hoi Tung Group to the Group	683	32,654

Provision of general services by the Hoi Tung Group to the Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	supply of materials and components services	43	4,321
(b)	shipping broker services	22	150
(c)	maintenance and repairing services	97	456
(d)	vessel inspection services	–	65
(e)	refueling services	521	27,662

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

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

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

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and has been a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds SINOTRANS & CSC Group Company and is an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. CMG Industry, a wholly-owned subsidiary of CMG, is an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Industrial Maintenance and Repairing Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

For the year ended 31 December 2017, the transaction amount and annual cap under the CMG Industrial Maintenance and Repairing Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of maintenance and repairing services by CMG Industry to the Group	–	3,003

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

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

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

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds SINOTRANS & CSC Group Company and is an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. CMG Logistic, a wholly-owned subsidiary of CMG, is an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Logistic Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

For the year ended 31 December 2017, the transaction amounts and annual caps under the CMG Logistic Services Agreement were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Provision of general services by CMG Logistic to the Group	–	1,673
Provision of cargo transportation services by the Group to CMG Logistic	–	43,463

A) Provision of general services by CMG Logistic to the Group

	Transaction amount (US$'000)	Annual cap (US$'000)
(a) shipping agency services	–	328
(b) freight forwarding services	–	1,345

B) Provision of cargo transportation services by the Group to CMG Logistic

	Transaction amount (US$'000)	Annual cap (US$'000)
(a) cargo transportation services	–	43,463

11. Chartering of vessels by our Group to/from China Merchants Energy

On 13 June 2016, the master chartering agreement was entered into between the Company and China Merchants Energy (the "CMG Energy Master Chartering Agreement") to set out the terms of the chartering services provided.

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

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

Given SINOTRANS & CSC Group Company has been administratively allocated (for no consideration) into and has become a wholly-owned subsidiary of CMG after completion of the Reorganisation in 2017, CMG directly holds SINOTRANS & CSC Group Company and is an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. China Merchants Energy, a wholly-owned subsidiary of CMG, is an associate of SINOTRANS & CSC Group Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the CMG Energy Master Chartering Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules after completion of the Reorganisation.

For the year ended 31 December 2017, the transaction amounts and annual caps under the CMG Energy Master Chartering Agreement were as follows:

A) Chartering of vessels by the Group to China Merchants Energy

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	–	18,250
(b)	Address Commission	–	684

B) Chartering of vessels by China Merchants Energy to the Group

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	–	18,250
(b)	Address Commission	–	684

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

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

Given there was a change in the shareholding of China Merchants Bank prior to completion of the Reorganisation. Upon completion of the Reorganisation, China Merchants Bank was indirectly owned as to approximately 29.97% by CMG and was no longer directly and indirectly owned as to approximately 0.09% by SINOTRANS & CSC Group Company. China Merchants Bank was therefore not an associate of the Company for the purpose under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the CMB Financial Services Agreement did not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Our Directors (including independent non-executive Directors) consider that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group on normal commercial terms pursuant to the terms of relevant transaction agreements and are fair and reasonable and in the interests of the Company and our shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engages the auditor of our Company, PricewaterhouseCoopers, to perform procedures on the above continuing connected transactions as identified by the management for the year ended 31 December 2017 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor reports that:

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

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

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

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

DONATION

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

RESERVES

Details of movements in the reserves of our Group and our Company during the year are set out in the consolidated statement of changes in equity and Note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2017 amounted to approximately US$28.51 million.

ISSUED SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the interests or short positions held by the following persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of Shareholders	Long Position/ Short Position	Capacity	Number of Shares Held	As a % of Total Issued Shares
SINOTRANS & CSC Group Company (Note 1)	Long position	Interest of controlled corporation	2,724,742,500	68.25%
Sinomarine Limited (Note 1)	Long Position	Interest of controlled corporation	2,600,000,000	65.13%
Sinotrans Shipping (Holdings) Limited (Note 1)	Long position	Beneficial Owner	2,600,000,000	65.13%

Note:

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

Save as disclosed above, as at 31 December 2017, no other person (other than the Directors or chief executives of the Company) had any interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 31 December 2017, there was no purchase, sale or redemption of any of our shares by our Company or any of our subsidiaries.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The table below sets out a summary of the operating results, assets and liabilities of the Group for each of the five years ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2017	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS					(Restated)
Revenues	**1,006,395**	841,461	999,774	1,206,811	1,313,032
Cost of operations	**(940,108)**	(888,555)	(1,030,329)	(1,210,353)	(1,308,842)
Selling, administrative and general expenses	**(37,169)**	(34,376)	(36,424)	(33,397)	(33,846)
Vessels impairment	**–**	(162,793)	(4,717)	–	–
Other gains/(losses), net	**6,446**	(1,555)	(14,393)	9,371	3,073
Operating profit/(loss)	**35,564**	(245,818)	(86,089)	(27,568)	(26,583)
Finance income, net	**10,991**	4,573	12,024	15,816	24,716
Share of (losses)/profits of joint ventures	**(834)**	455	153	926	510
Profit/(loss) before income tax	**45,721**	(240,790)	(73,912)	(10,826)	(1,357)
Income tax expenses	**(5,719)**	(1,324)	(7,625)	(1,912)	(2,603)
Profit/(loss) for the year	**40,002**	(242,114)	(81,537)	(12,738)	(3,960)
Profit/(loss) attributable to:					
– Owners of the Company	**32,271**	(229,579)	(66,334)	1,862	(638)
– Non-controlling interests	**7,731**	(12,535)	(15,203)	(14,600)	(3,322)
	40,002	(242,114)	(81,537)	(12,738)	(3,960)
Earnings/(loss) per share					
– Basic and diluted	**US0.81 cents**	US(5.75) cents	US(1.66) cents	US0.05 cents	US(0.02) cents
Dividend	**15,354**	20,472	–	40,945	–

CONSOLIDATED BALANCE SHEET

	Year ended 31 December				
	2017	**2016**	2015	2014	2013
	US$'000	**US$'000**	US$'000	US$'000	US$'000 (Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,188,946**	2,074,342	2,353,225	2,524,144	2,624,066
TOTAL LIABILITIES	**(355,052)**	(278,099)	(296,231)	(333,871)	(439,113)
NON-CONTROLLING INTERESTS	**(16,866)**	(7,806)	(21,614)	(38,726)	825
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,817,028**	1,788,437	2,035,380	2,151,547	2,185,778

Notes:

(a) The financial figures for the year ended 2017 were extracted from the consolidated financial statements.

(b) The financial figures for the year 2013 to 2016 were extracted from the 2016 annual report.

DIRECTORS

For the year ended 31 December 2017 and up to the date of this report, the composition of the Board was as follows:

Executive Directors:

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

Non-executive Directors:

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

Independent non-executive Directors:

Mr. Tsang Hing Lun (passed away on 4 June 2017)
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang
Mr. Xu Zhengjun
Mr. Wu Tak Lung (appointed on 4 July 2017)

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

DIRECTORS OF THE SUBSIDIARIES

The names of directors of the subsidiaries of the Company for the year ended 31 December 2017 and up to the date of this report are Mr. Li Zhen (李甄), Mr. Li Hua (李樺), Ms. Feng Guoying (馮幗英), Mr. Xia Zhengguo (夏正國), Mr. Tian Xue Hao (田學浩), Mr. Xie Shaohua (謝少華), Ms. Xing Naiqun (邢乃群), Mr. Liu Chunting (劉春庭), Mr. Tang Kai (唐凱), Mr. Li Shudong (李樹棟), Mr. Ye Jie (葉捷), Mr. Ji Jie (嵇杰), Mr. Liu Bingshuang (劉炳雙), Mr. Wang Hui (王暉), Mr. Zhu Wei (朱煒), Mr. Li Xu (李旭), Mr. Zhou Hui (周暉) , Mr. Xu Tinghui (徐挺惠), Mr. Li Jun (李駿), Mr. Li Jing (李京), Mr. Gu Xing (谷興), Mr. Wang Gui Fu (王桂付), Mr. Zhang Guoqing (張國慶), Mr. Geng Chen (耿晨) and Mr. Xu Qiumin (徐秋敏).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 62 to 66 in this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Each of our executive Directors and non-executive Directors has entered into their service contracts with our Company for a term of three years with effect from November 2016.

Under the letter of appointment entered into between our Company and each of the independent non-executive Directors, each independent non-executive Director is appointed for a term of one year with effect from November 2017. For the twelve months ended November 2017, each independent non-executive Director, Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, and Mr. Mr. Xu Zhengjun, is entitled to an annual fee of HK$162,500. Mr. Tsang Hing Lun is entitled to an annual fee of HK$67,500 and Mr. Wu Tak Lung is entitled to an annual fee of HK$90,000. For the twelve months ending November 2018, each of the independent non-executive Directors is entitled to an annual fee of HK$190,000.

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

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2017, none of the Directors or chief executives of our Company or their respective associates had any interest or short position in any shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be recorded in the register kept by our Company, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at 31 December 2017 and at any time during the year, none of our Directors or his/her connected entities had any material interest, directly or indirectly, in any transactions, arrangements or contract of significance to which our Company, the parent company, subsidiaries or any of our fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2017, none of our Company, any of our subsidiaries, our ultimate holding company or any of our fellow subsidiaries was a party to any arrangement which would enable our Directors to acquire benefits by means of acquisition of shares in or debentures of our Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Li Zhen is the Vice President of China Merchants Energy Shipping Co. Ltd.

China Merchants Energy Shipping provides a full range of energy transportation services running a large diversity of vessels, including crude oil tankers, dry bulk carriers and liquefied natural gas carriers, and such businesses may compete, either directly or indirectly, with the business of the Group (in particular, dry bulk shipping and liquefied natural gas shipping).

However, the Company is capable of carrying on its business independently of, and at arm's length, from the businesses of China Merchants Energy Shipping. If conflict of interest arises on the part of Mr. Li Zhen, he shall, pursuant to the Articles of Association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

Save as disclosed above, as at 31 December 2017, so far as is known to the Directors, none of the Directors or any of their respective associates had any interests in a business, which competes or may compete with the business of the Group.

SHARE OPTIONS

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

Details of the Share Option Scheme are as below:

(i) Purpose

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

(ii) Maximum number of shares

(1) 10% limit

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

(2) Renewal of the 10% limit

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

(3) Beyond 10% limit

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

(4) Individual limit

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

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

(5) Maximum limit of 30%

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

(iii) Exercise period of options

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

(iv) Amounts payable upon acceptance of option

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

(v) Exercise price

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

(vi) The remaining life of the Share Option Scheme

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

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

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

The Share Option Scheme has been expired on 31 December 2017. As at 31 December 2017, no share option has been granted under the Share Option Scheme, nor has the Company adopted other share option plans.

EQUITY-LINKED AGREEMENTS

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

CONTRACTS WITH SINOTRANS & CSC GROUP COMPANY

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

PERMITTED INDEMNITY PROVISION

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Our Company has adopted the Model Code as the code of conduct regarding our Directors' security transactions. Upon specific enquiry made by the Company, all the Directors of the Company had confirmed that they had complied with the required standards set out in the Model Code throughout the year of 2017.

AUDIT COMMITTEE

Our Company has established an Audit Committee ("the Audit Committee") and prescribed its written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The principal functions of the Audit Committee include the appointment of the external auditor, review and supervision of the Group's financial reporting process, risk management and internal controls as well as the provision of advices and recommendations to the Board. The terms of reference of the Audit Committee are available on our Company's website. As of 31 December 2017, the Audit Committee was chaired by Mr. Tsang Hing Lun (passed away on 4 June 2017), Mr. Wu Tak Lung (appointed on 4 July 2017) and its members were Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Audit Committee has reviewed our Group's consolidated financial statements for the year ended 31 December 2017, including the accounting principles and policies adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2017, our Company had legal claims arising in the ordinary course of business. Our Directors consider that these cases will not have significant financial or operational impact on our Group.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and will not offer themselves for reappointment at the forthcoming annual general meeting.

The board has resolved to recommend the appointment of SHINEWING (HK) CPA LIMITED as the new auditor of the Company following the retirement of PricewaterhouseCoopers and such proposed appointment is subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

On behalf of the Board

Li Zhen
Chairman

Hong Kong, 8 March 2018

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Sinotrans Shipping Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 174, which comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017;
- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of principal accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Vessels impairment
- Provision for onerous contracts

Key audit matter	How our audit addressed the Key Audit Matter
Vessels impairment	
Refer to note 17 to the consolidated financial statements. As at 31 December 2017, the Group has a large fleet of wholly owned vessels amounted to US$1,077 million. The net asset value of the Group at 31 December 2017 is higher than its market capitalisation. This factor, together with the challenging market conditions, are considered as indicators of impairment. Management has therefore performed impairment assessment of the Group's vessels. The recoverable value of the vessels is supported by the value-in-use calculations of vessels. The value-in-use of each vessel that has impairment indicators is estimated by discounting future cash flow forecasts which involved significant judgements including discount rates, charter hire rate and inflation rates of operating, administrative and general expenses. Management compared the carrying amount and the recoverable amount of the vessels, and concluded that as at 31 December 2017, no additional impairment provision was required.	We evaluated management's impairment assessment by assessing the valuation methodology, the future discounted cash flows used in the value-in-use calculation and the process by which they were prepared and by assessing the reasonableness of the underlying key assumptions, including: • The forecast charter hire rates were compared with long term historical actual results and published external industry forecasts; • The inflation rates of operating, administrative and general expenses were compared with economic forecasts; • The forecast utilisation rates were compared with historical actual result; • The discount rates were assessed with our knowledge of discount rates for the industry and with comparable companies; • Reviewing the appropriateness of the sensitivity calculations prepared by management, in particular, the assumptions set out above. We found the Group's judgement and assumptions used in the impairment assessment to be reasonable based on the available evidence.

Key audit matter	How our audit addressed the Key Audit Matter
Provision for onerous contracts	
Refer to note 26 to the consolidated financial statements. The Group has entered into a number of charter-in contracts and is therefore committed to significant future lease payments. A provision should be made for future lease obligations where the cost of those obligations exceeds the economic benefits expected to be received under the lease. Under the challenging market conditions, the market freight rate remains at a relatively low level, management therefore performed an assessment of the Group's charter-in contracts to identify any onerous contracts that may require provisioning. The onerous contracts are assessed on an individual vessel basis. Management compared the expected future cash inflows and the committed costs under the operation of the charter-in contracts, and concluded that as at 31 December 2017, an onerous contracts provision of US$7.81 million was required and this is fully provided for. The conclusion is based on significant judgements including economic benefits expected under the contracts, calculated using expected charter hire rates and utilisation for the remaining period of the charter term to determine future cash inflows.	Our procedures performed to assess the provision for onerous contracts included: • Checking the completeness of the lease commitments list, which was used to compile the onerous contract assessment by reference to charter hire expense of the chartered-in vessels charged to the consolidated statement of profit or loss and other comprehensive income; • Agreeing the details of the lease commitments list, including the charter hire rate and charter-in period, to the charter-in contracts on a sample basis; • Assessing the reasonableness of key assumptions, including charter hire rate; • Checking the calculation of the onerous provision by comparing the expected future cash inflows and the committed costs under the operation of the charter-in contracts. We found the Group's judgements and assumption used in the onerous contract assessment to be reasonable based on the available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Revenues	6	**1,006,395**	841,461
Cost of operations	7	**(940,108)**	(888,555)
Selling, administrative and general expenses	7	**(37,169)**	(34,376)
Vessels impairment	8	**–**	(162,793)
Other gains/(losses), net	9	**6,446**	(1,555)
Operating profit/(loss)		**35,564**	(245,818)
Finance income	12	**17,516**	10,830
Finance expenses	12	**(6,525)**	(6,257)
Share of (losses)/profits of joint ventures		**(834)**	455
Profit/(loss) before income tax		**45,721**	(240,790)
Income tax expense	13	**(5,719)**	(1,324)
Profit/(loss) for the year		**40,002**	(242,114)
Profit/(loss) attributable to:			
– Owners of the Company		**32,271**	(229,579)
– Non-controlling interests		**7,731**	(12,535)
		40,002	(242,114)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**18,538**	(18,495)
Available-for-sale financial assets			
– Fair value changes		**38**	(142)
– Transfer to profit or loss		**(440)**	–
Total comprehensive income/(loss) for the year		**58,138**	(260,751)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**49,078**	(246,943)
– Non-controlling interests		**9,060**	(13,808)
		58,138	(260,751)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	14	**US0.81 cents**	US(5.75) cents
Dividend	15	**15,354**	20,472

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,130,702**	1,105,373
Intangible asset	18	**3,145**	2,502
Investments in joint ventures	19	**89,581**	74,057
Loans to joint ventures	19	**2,667**	4,000
Loans to related companies	20	**13,959**	15,027
Available-for-sale financial assets	22	**20,085**	18,360
Deferred income tax assets	28	**–**	15
		1,260,139	1,219,334
Current assets			
Inventories		**19,303**	17,996
Loans to joint ventures	19	**1,333**	1,333
Trade and other receivables	20	**169,259**	157,194
Available-for-sale financial assets	22	**1,619**	34,507
Cash and bank balances	21		
– Cash and cash equivalents		**199,074**	283,243
– Short-term bank deposits		**527,302**	360,627
– Restricted cash		**115**	108
		918,005	855,008
Asset classified as held-for-sale	24	**10,802**	–
		928,807	855,008
Total assets		**2,188,946**	2,074,342

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**1,878,209**	1,878,209
Reserves		**(61,181)**	(89,772)
		1,817,028	1,788,437
Non-controlling interests		**16,866**	7,806
Total equity		**1,833,894**	1,796,243
LIABILITIES			
Non-current liabilities			
Provision for other liabilities	26	**2,439**	6,393
Borrowings	27	**54,936**	62,879
		57,375	69,272
Current liabilities			
Trade and other payables	25	**278,613**	178,460
Provision for other liabilities	26	**6,155**	20,554
Taxation payable		**4,691**	1,804
Borrowings	27	**8,218**	8,009
		297,677	208,827
Total liabilities		**355,052**	278,099
Total equity and liabilities		**2,188,946**	2,074,342

The financial statements on pages 101 to 174 were approved by the Board of Directors on 8 March 2018 and were signed on its behalf

……………………......   ……………………......

Li Zhen   **Li Hua**

Director   *Director*

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital US$'000	Merger reserve US$'000	Statutory reserve US$'000	Other reserve US$'000	Available-for-sale reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Subtotal US$'000	Non-controlling interest US$'000	Total equity US$'000
At 1 January 2017	1,878,209	(448,132)	2,995	51,941	(148)	(14,536)	318,108	1,788,437	7,806	1,796,243
Comprehensive income										
Profit for the year	–	–	–	–	–	–	32,271	32,271	7,731	40,002
Other comprehensive income/(loss)										
Currency translation differences	–	–	–	–	–	17,209	–	17,209	1,329	18,538
Available-for-sale financial assets										
– Fair value changes	–	–	–	–	(186)	–	–	(186)	224	38
– Transfer to profit or loss	–	–	–	–	(216)	–	–	(216)	(224)	(440)
Total comprehensive (loss)/income	–	–	–	–	(402)	17,209	32,271	49,078	9,060	58,138
Transaction with owners										
Dividend	–	–	–	–	–	–	(20,487)	(20,487)	–	(20,487)
Total transaction with owners	–	–	–	–	–	–	(20,487)	(20,487)	–	(20,487)
At 31 December 2017	1,878,209	(448,132)	2,995	51,941	(550)	2,673	329,892	1,817,028	16,866	1,833,894

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

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

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Cash generated from operations	29.1	**93,771**	5,635
Interest received		**14,306**	10,098
Income tax paid		**(3,109)**	(9)
Net cash generated from operating activities		**104,968**	15,724
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(99,079)**	(96,495)
Proceeds from disposals of:			
– Property, plant and equipment		**2,828**	7,964
– Joint venture		**–**	128
– Available-for-sales financial assets		**38,211**	23,329
Investment in joint ventures		**(16,358)**	(12,961)
Repayment of loans to:			
– Joint ventures		**1,333**	1,333
– Related companies		**1,437**	1,437
Interest income from			
– Available-for-sales financial asset		**1,243**	1,980
– Loan to related companies		**323**	259
Receipt of government subsidy		**–**	144,178
Purchase of available-for-sales financial assets		**(6,000)**	(49,740)
(Increase)/decrease in bank deposits		**(159,713)**	112,642
Net cash (used in)/generated from investing activities		**(235,775)**	134,054
Cash flows from financing activities			
Dividend paid		**(20,487)**	–
Interest expenses on			
– Bank borrowings		**(871)**	(1,035)
– Financial lease obligation		**(5,033)**	(5,222)
– Amount due to related companies		**(621)**	–
Drawdown of amount due to an immediate holding company	29.2	**74,869**	–
Repayment of bank borrowings	29.2	**(6,124)**	(6,290)
Repayment of finance lease obligation	29.2	**(1,607)**	(1,438)
Net cash generated from/(used in) financing activities		**40,126**	(13,985)
Net (decrease)/increase in cash and cash equivalents		**(90,681)**	135,793
Cash and cash equivalents at beginning of year		**283,243**	154,978
Effect of foreign exchange rate changes		**6,512**	(7,528)
Cash and cash equivalents at end of year		**199,074**	283,243

The notes on pages 107 to 174 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The ultimate holding company is China Merchants Group Limited, a state–owned enterprise established in the People's Republic of China (the "PRC").

In December 2015, the State-owned Assets Supervision and Administration Commission of the state Council ("SASAC") approved the strategic reorganisation between SINOTRANS & CSC Holdings Co., Ltd. and China Merchants Group Limited. According to the approval, SINOTRANS & CSC Holdings Co., Ltd. will be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, China Merchants Group Limited. In April 2017, the relevant legal procedures of the above strategic reorganisation have been completed. Thereafter, China Merchant Group Limited becomes the ultimate holding company of the Company.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 8 March 2018.

2 BASIS OF PREPARATION

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

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

(ii) Amended standards adopted by the Group

The Group has adopted the following amendments to existing standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning on or after 1 January 2017:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

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

2 BASIS OF PREPARATION (CONTINUED)

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

The HKICPA has issued the following new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2017 and have not been early adopted:

HKFRS 9[1]	Financial Instruments
HKFRS 15[1]	Revenue from Contracts with Customers
HKFRS 16[2]	Leases
HKFRS 17[3]	Insurance Contracts
HK (IFRIC) 22[1]	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) 23[2]	Uncertainty over Income Tax Treatments
Annual Improvements Project[1]	Annual Improvements 2014-2016 Cycle
Annual Improvements Project[2]	Annual Improvements 2015-2017 Cycle
Amendments to HKAS40[1]	Investment Property
Amendments to HKFRS 10 and HKAS 28(4)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2018
(2) Effective for annual periods beginning 1 January 2019
(3) Effective for annual periods beginning 1 January 2021
(4) Effective date to be determined

The Group has commenced an assessment of the impact of these new standards. Key changes are expected from HKFRS 15 and 16.

HKFRS 15 replaces HKAS 11 which covers construction contracts and HKAS18 which covers contracts for goods and services for revenue recognition. It introduces the concept of recognising revenue over time if the performance obligation is satisfied over time. That is, the customer simultaneously receives and consumes the benefits provided. Management has performed a preliminary assessment on HKFRS 15 and considers there is no significant impact on the Group's consolidated financial statements.

According to HKFRS 16, charter-in operating leases of longer than 12 months will be accounted for on balance sheet as right-of-use assets and lease liabilities. Operating lease expenses in the income statement will be replaced by a combination of depreciation and interest expense. Interest expenses will be calculated by reference to the interest rates implicit in the leases and will produce a constant periodic rate of interest on the remaining balance of the lease liabilities. The interest expenses will reduce over time in line with the principal reduction. Charter-in contracts of less than 12 months are not affected. The Group is still in the process of making an assessment of the implication of this new standard. It is not yet in a position to conclude whether any substantial changes to the Group's principal accounting policies and presentation of the consolidated financial statements will be resulted.

3 PRINCIPAL ACCOUNTING POLICIES

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

(a) Subsidiaries

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

(i) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party, as prescribed in Accounting Guideline 5 ("AG 5"), Merger Accounting for Common Control Combinations, issued by the HKICPA.

The net assets of the combining entities or businesses are combined using the existing book value from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

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

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

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries (Continued)

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries (Continued)

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

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

(iv) Disposal of subsidiaries

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

(b) Separate financial statements

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

(c) Joint arrangements

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies

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

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

(f) Property, plant and equipment

(i) Vessels under construction

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

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

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

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

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

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

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised within "Other gains/(losses), net" in the statement of profit or loss and other comprehensive income.

(g) Intangible assets

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

(h) Financial assets

(i) Classification

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

(i) Classification (Continued)

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

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

(ii) Recognition and measurement

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

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

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

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of other comprehensive income as "Other gains/(losses), net".

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

(iii) Offsetting financial instruments

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

(i) Inventories

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

(j) Trade and other receivables

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

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

(k) Impairment

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (Continued)

(ii) Impairment of financial assets carried at amortised cost

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

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

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

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Cash and cash equivalents

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

(m) Asset classified as held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for deferred income tax and financial assets other than investments in subsidiaries and associates), are stated at the lower of carrying amount and fair value less costs to sell.

(n) Trade and other payables

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

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

(o) Borrowings

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs

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

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

All other borrowing costs are recognised in statement of profit or loss and other comprehensive income in the period in which they are incurred.

(q) Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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

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

(c) Offsetting

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

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus entitlements

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(iii) Retirement benefits obligations

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

(s) Provisions

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

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

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

(t) Contingent liabilities

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

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

(u) Revenue and income recognition

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and income recognition (Continued)

The Group recognises revenue and income on the following basis:

(i) Revenue from charter hire

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

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

(ii) Revenue from container shipping

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

(iii) Revenue from shipping related businesses

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

(iv) Interest income

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

(v) Leases

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Leases (Continued)

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

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

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

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

(w) Dividend distribution

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

(x) Government grants

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

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

(y) Share Capital

Ordinary shares are classified as equity.

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risks

(1) Market freight rate risk

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

(2) Bunker price risk

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

As at 31 December 2017 and 2016, the Group had no bunker forward contracts outstanding.

(3) Cash flow and fair value interest rate risk

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

As at 31 December 2017, with all other variables held constant, the impact on the statement of profit or loss and other comprehensive income of a 100 basis-point shift in interest rate would be an increase or decrease of US$2,181,000 (2016: US$3,046,000).

(4) Foreign exchange risk

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risks (Continued)

(4) Foreign exchange risk (Continued)
As at 31 December 2017, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit/(loss) for the year would have increased/decreased (2016: decreased/increased) by approximately US$3,502,000 (2016: US$3,536,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Credit risk

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

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

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

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

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

(iii) Liquidity risk

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

Surplus cash held by the operating entities over balance required for working capital management are managed centrally by the Group Finance and the surplus cash would be invested in interest bearing bank deposits and available-for-sale financial asset with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At 31 December 2017, the Group has current portion of cash and bank balances of US$726,491,000 (2016: US$643,978,000) that are expected to readily generate cash inflows for managing liquidity risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts at 31 December
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2017					
Group					
Borrowings (exclude finance lease obligations)	**7,036**	**17,859**	**–**	**24,895**	**23,499**
Finance lease obligations	**6,643**	**26,590**	**37,370**	**70,603**	**39,655**
Trade and other payables	**278,613**	**–**	**–**	**278,613**	**278,613**
	292,292	**44,449**	**37,370**	**374,111**	**341,767**
At 31 December 2016					
Group					
Borrowings (exclude finance lease obligations)	7,246	24,895	–	32,141	29,623
Finance lease obligations	6,643	26,590	44,013	77,246	41,265
Trade and other payables	178,460	–	–	178,460	178,460
	192,349	51,485	44,013	287,847	249,348

(b) Capital risk management

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

The Group monitors its capital on the basis of the gearing ratio, which represents ratio of comparing net debt to total capital. Net debt represents total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and bank balances. Total capital represents "total equity" as shown in the consolidated statement of financial position plus net debt. During 2017, the Group's strategy, which was unchanged from 2016, was to maintain a gearing ratio below 50%.

Gearing ratio is not presented as the Group had net cash (in excess of debt) as at 31 December 2017 and 2016.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value as at 31 December 2017 and 2016, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	2017 **US$'000**	2016 US$'000
Available-for-sale financial assets		
Level 1:		
– Equity securities	**89**	173
– Debt securities	**20,085**	36,261
Level 2:		
– Debt securities	**1,530**	12,829
Level 3:		
– Equity securities	**–**	3,604
	21,704	52,867

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

(a) Financial instruments in level 1

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments.

	Equity securities	
	2017	2016
	US$'000	US$'000
Opening balance at 1 January	**3,604**	3,863
Disposal	**(3,826)**	(13)
Other comprehensive income/(loss)		
– Currency translation differences	**222**	(246)
Available-for-sale financial assets		
– Fair value changes	**440**	–
– Transfer to profit or loss	**(440)**	–
Closing balance at 31 December	**–**	3,604
Total gain/(loss) for the year recognised in consolidated statement of profit or loss and other comprehensive income and presented in fair value changes of available-for-sale investment	**222**	(246)
Total losses for the period recognised in profit or loss related to assets held at the end of the year and presented in other gains/(losses), net	**–**	–

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

There were no changes in valuation techniques during the year.

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

Specific valuation techniques used to value financial instruments include:

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

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Vessels impairment

The operation of shipping industry is subject to cyclical fluctuations, which in turn affects the results of operations. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable.

Management assesses certain indicators of potential impairment, such as results of operation of the vessels, reported sale and purchase prices, market demand and general market conditions are considered. The Group tests whether the carrying value of vessels have suffered any impairment in accordance with the accounting policy on investments in subsidiaries, joint ventures and non-financial assets (Note 3 (k)(i)). Based on management's review, impairment indication exists for certain vessels of the Group and impairment assessment for these vessels has been performed.

The recoverable amounts of the vessels have been determined based on the higher of fair value less costs to sell or value-in-use method. The fair value of the vessels were determined based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash flows from the continuing use of the vessels (including the charter hire income, operating, administrative and general expenses and discount rate). All these items have been historically volatile and may impact the results of the impairment assessment.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Vessels impairment (Continued)

Were the discount rate of 9% (2016: 9%) to increase by 1% from management estimate with all other variables held constant, it is estimated that no impairment would be required (2016: impairment increased by US$37,779,000). Were the charter hire rate to increase or decrease by 1% from management estimate with all other variables held constant, it is estimated that no impairment would be required as at 31 December 2017 (2016: impairment decreased by US$6,811,000 or increased by US$6,888,000). Were the inflation rate over expenses to increase or decrease by 0.5% from management estimate with all other variables held constant, it is estimated that no impairment would be required as at 31 December 2017 (2016: impairment increased by US$5,008,000 or decreased by US$4,916,000).

(b) Useful lives of vessels

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

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

Were the useful lives to differ by 10% from management estimates with all other variables held constant, it is estimated that the carrying value of vessels would decrease by US$3,863,000 (2016: US$5,703,000) or increase by US$5,378,000 (2016: US$4,945,000) as at 31 December 2017.

(c) Residual value of vessels

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

Were the residual value to differ by 10% from management estimates with all other variables held constant, it is estimated that the carrying value of vessels would increase or decrease by US$1,499,000 (2016: US$1,353,000) as at 31 December 2017.

(d) Provision of voyage expenses

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

As at 31 December 2017, were the actual expenses of voyages differ by 5% from management estimates with all other variables held constant, it is estimated that the voyage expenses would increase/decrease by US$4,499,000 in the future periods (2016: US$4,446,000).

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Provision for onerous contracts

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

Management conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision for onerous contracts of US$7,814,000 at 31 December 2017 (2016: US$17,637,000) (note 26).

The dry bulk market is subject to cyclical fluctuation and freight rates for long periods are difficult to predict with a reasonable certainty. Had the estimated freight rates for onerous contracts as at 31 December 2017, with all other variables held constant, been increased or decreased by 10% from management's estimates, the provision for onerous contracts would have approximately decreased by US$6,061,000 (2016: US$9,743,000) or increased by US$9,076,000 (2016: US$11,599,000).

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

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

	2017	2016
	US$'000	US$'000
Dry bulk shipping (note)	**487,433**	367,068
Container shipping	**517,930**	473,333
Others	**1,032**	1,060
	1,006,395	841,461

Note:

Revenue from dry bulk shipping under time charter hire agreements were US$197,756,000 for the year ended 31 December 2017 (2016: US$91,453,000).

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Operating segments

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

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

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

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

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

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

	Year ended 31 December 2017			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	490,190	517,930	7,512	1,015,632
Inter-segment revenues	(1,088)	–	(6,480)	(7,568)
Revenues from external customers	489,102	517,930	1,032	1,008,064
Segment results	36,665	37,090	(2,923)	70,832
Depreciation	42,908	8,285	329	51,522
Reversal of provision for impairment of trade and other receivables, net	826	–	–	826
Additions to property, plant and equipment	24,330	73,266	15	97,611
Reversal of provision for onerous contracts, net of utilisation	10,383	–	–	10,383

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

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

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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

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

	2017	2016
	US$'000	US$'000
Revenues from external customers for reportable segments	**1,008,064**	843,084
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(1,669)**	(1,623)
Total revenues per the consolidated statement of profit or loss and other comprehensive income	**1,006,395**	841,461

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

A reconciliation of segment results to profit/(loss) before income tax is provided as follows:

	2017	2016
	US$'000	US$'000
Segment results for reportable segments	**70,832**	(211,624)
Corporate expenses	**(34,902)**	(32,782)
Depreciation and amortisation	**(1,200)**	(957)
Finance income	**17,516**	10,830
Finance expenses	**(6,525)**	(6,257)
Profit/(loss) before income tax	**45,721**	(240,790)

For the year ended 31 December 2017, the Group has one (2016: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$121,132,000(2016: US$185,654,000) is attributable to the container shipping segment.

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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2017			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	US$'000	US$'000	US$'000
Segment assets	1,043,872	378,659	83,090	1,505,621
Segment assets include:				
Interests in joint ventures	21,199	–	68,382	89,581
Loans to joint ventures	4,000	–	–	4,000
Segment liabilities	115,247	152,380	5,558	273,185

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

Reportable segment assets are reconciled to total assets as follows:

	2017	2016
	US$'000	US$'000
Segment assets	1,505,621	1,448,154
Corporate assets	683,325	626,188
Total assets per the consolidated balance sheet	2,188,946	2,074,342

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2017 US$'000	2016 US$'000
Segment liabilities	**273,185**	273,795
Corporate liabilities	**81,867**	4,304
Total liabilities per the consolidated balance sheet	**355,052**	278,099

Geographical information

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

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

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

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

	2017 US$'000	2016 US$'000
Container shipping		
– Asia	**466,560**	439,158
– Australia	**51,370**	34,175
	517,930	473,333
Dry bulk shipping	**489,102**	368,691
Others	**1,032**	1,060
	1,008,064	843,084

7 EXPENSES BY NATURE

	2017 US$'000	2016 US$'000
Depreciation and amortisation (notes 17, 18)	**52,722**	60,378
Hiring of crews and seafarers	**38,102**	38,287
Bunker consumed	**139,646**	108,759
Spare parts, lubricants and materials expenses	**13,364**	12,598
Operating lease expenses		
– vessels	**215,242**	158,691
– office premises	**3,931**	3,528
– containers	**26,167**	23,517
(Reversal of)/additional provision for onerous contracts, net of utilisation (note 26)	**(10,383)**	14,916
Brokerage and commission	**22,527**	15,244
Port charges	**70,027**	80,527
Cargo handling charges and container charges	**193,198**	179,124
Ocean freight expense	**121,548**	123,031
Employee benefit expense (note 10)	**32,381**	28,815
Remuneration to auditors (note)		
– audit service	**969**	969
– non-audit service	**44**	120
Others	**57,792**	74,427
Total cost of operations and selling, administrative and general expenses	**977,277**	922,931

Note:

US$870,000 (2016: US$871,000) of the audit services fees and US$44,000 (2016: US$120,000) of non-audit services fees are payable to the Company's auditor.

8 VESSELS IMPAIRMENT

In the fourth quarter of 2016, an impairment assessment was undertaken in respect of the Group's dry bulk vessels. Management has reviewed the latest market developments and the business plan and considers the recoverable amount of these vessels to be adversely impacted by the continuous uncertainty of the global economy, the supplies of vessels, and the challenging shipping market operation environment. Based on the value in use calculation, an impairment loss of US$162,793,000 was recognised for the year ended 31 December 2016. For the year ended 31 December 2017, no additional impairment loss was recognised.

9 OTHER GAINS/(LOSSES), NET

	2017 US$'000	2016 US$'000
Reversal of/(additional) provision for impairment of trade and other receivables, net	**826**	(1,280)
Exchange (loss)/gain	**(3,563)**	861
Loss on disposals of property, plant and equipment (note 17(e))	**(6,496)**	(49,583)
Impairment loss on asset classified as held-for-sale (note 24)	**(1,804)**	–
Government subsidy (note a)	**8,139**	48,945
Gain on disposal of available-for-sale financial assets	**440**	–
Reversal of/(additional) provision for claims under pending litigations (note b)	**8,731**	(649)
Others	**173**	151
	6,446	(1,555)

Notes:

(a) The government subsidy included an approximate US$8,065,000 (2016: US$48,645,000) subsidy in relation to the demolition of vessels. During the year, the Group, through China Merchants Group Limited, submitted an application of government subsidy of RMB54,388,000 (approximately US$8,065,000) (2016: RMB318,612,000 (approximately US$48,645,000)) in respect of the demolition of two (2016:five) vessels. The government subsidy is applied in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China ("Vessel Demolition Subsidy"). Management is of the view that the Group has fulfilled all the requirements as stipulated in the above laws and notices and is qualified for the subsidy. Management considers the receipt of the subsidy is probable and accordingly such subsidy is recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. After taken into account of the subsidy compensation, the net gain of demolition of the two vessels was approximately US$1,517,000 (2016: net loss of the five vessels was approximately US$919,000).

(b) The judgement of a legal proceeding has been concluded during the year. Accordingly, the provision for such legal proceeding amounted to US$8,700,000 is reversed to the profit or loss during the year ended 31 December 2017 (note 30).

10 EMPLOYEE BENEFIT EXPENSE

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

	2017 US$'000	2016 US$'000
Wages and salaries	**29,777**	26,168
Pension costs – defined contribution plans	**2,604**	2,647
	32,381	28,815

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

(a) Directors' and chief executive's emoluments

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

Name of director	Fees	Salaries, bonus, allowances and benefits-in-kind	Employer's contributions to pension plans	Total
	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2017				
Executive directors				
Li Hua	–	230	9	239
Feng Guoying	–	181	9	190
	–	411	18	429
Non-executive directors				
Li Zhen	–	–	–	–
Tian Zhongshan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Tsang Hing Lun (passed away during year 2017)	7	–	–	7
Lee Peter Yip Wah	22	–	–	22
Zhou Qifang	22	–	–	22
Xu Zhengjun	22	–	–	22
Wu Tak Lung (appointed during year 2017)	14	–	–	14
	87	–	–	87
	87	411	18	516

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

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

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

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

There is no discretionary bonus for directors and the chief executives.

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

No director waived or agreed to waive any emoluments during the year (2016: nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors of the Company during the year (2016: nil). There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2016: nil).

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2016: two) directors of the Company whose emoluments as disclosed in note 11(a). The emoluments paid or payable to the remaining non-director individuals during the year are as follows:

	2017	2016
	US$'000	US$'000
Salaries, bonus, allowances and benefits-in-kind	**523**	624
Contributions to pension plans	**14**	26
	537	650

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument band		
US$128,000 (HK$1,000,001) – US$192,000 (HK$1,500,000)	**2**	–
US$192,000 (HK$1,500,001) – US$256,000 (HK$2,000,000)	**1**	3
	3	3

12 FINANCE INCOME AND EXPENSES

	2017 US$'000	2016 US$'000
Interest expenses:		
– Bank borrowings	**871**	1,035
– Finance lease obligations	**5,033**	5,222
– Amounts due to related companies	**621**	–
Finance expenses	**6,525**	6,257
Interest income		
– Cash and bank balances	**14,793**	7,604
– Amount due from a fellow subsidiary	**657**	465
– Loans to related companies	**823**	781
– Available-for-sale financial assets – debt securities	**1,243**	1,980
Finance income	**17,516**	10,830
Finance income, net	**10,991**	4,573

13 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 26% during the year (2016: 17% to 26%).

	2017 US$'000	2016 US$'000
Current income tax		
– Hong Kong profits tax	**36**	12
– Overseas taxation	**5,670**	1,005
– Over provision in prior years	**(2)**	(5)
	5,704	1,012
Deferred income tax (note 28)	**15**	312
Income tax expense	**5,719**	1,324

13 INCOME TAX EXPENSE (Continued)

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

	2017 US$'000	2016 US$'000
Profit/(loss) before income tax	**45,721**	(240,790)
Less: share of losses/(profits) of joint ventures	**834**	(455)
	46,555	(241,245)
Tax calculated at 16.5% (2016: 16.5%)	**7,682**	(39,806)
Income not subject to tax	**(81,693)**	(52,693)
Expenses not deductible for tax purposes	**76,782**	87,939
Effect of different tax rates of other countries	**1,837**	580
Over-provisions in prior years	**(2)**	(5)
Tax losses not recognised as deferred tax assets	**1,098**	2,726
Reversal of previously recognised deferred tax assets	**15**	206
Unrecognised deductible temporary differences	**–**	2,377
	5,719	1,324

14 EARNINGS/(LOSS) PER SHARE

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

	2017	2016
Profit/(loss) attributable to owners of the Company (US$'000)	**32,271**	(229,579)
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings/(loss) per share (US cents per share)	**0.81**	(5.75)

As there were no dilutive potential ordinary shares outstanding during the year (2016: nil), the diluted earnings/(loss) per share for the year is equal to basic earnings/(loss) per share.

15 DIVIDEND

	2017 US$'000	2016 US$'000
Final dividend proposed of US0.38 cents (2016: US0.51 cents) per share	**15,354**	20,472

On 8 March 2018, the Board proposed the payment of final dividend of HK3 cents (equivalent to US0.38 cents) per share for the year ended 31 December 2017 (2016: HK4 cents (equivalent to US0.51 cents)).

16 SUBSIDIARIES

Subsidiaries with material non-controlling interests

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

Summarised balance sheet

	Sinochart group As at 31 December		Sinotrans Container Lines group As at 31 December	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Current				
Assets	**83,626**	66,008	**150,170**	117,753
Liabilities	**(71,003)**	(69,088)	**(132,702)**	(116,616)
Total net current assets/(liabilities)	**12,623**	(3,080)	**17,468**	1,137
Non-current				
Assets	**38,933**	56,584	**4,266**	5,197
Liabilities	**(40,221)**	(44,533)	**–**	–
Total net non-current (liabilities)/assets	**(1,288)**	12,051	**4,266**	5,197
Net assets	**11,335**	8,971	**21,734**	6,334

16 SUBSIDIARIES (CONTINUED)

Subsidiaries with material non-controlling interests (Continued)

Summarised statement of profit or loss and other comprehensive income

	Sinochart group For the year ended 31 December		Sinotrans Container Lines group For the year ended 31 December	
	2017 **US$'000**	2016 US$'000	**2017** **US$'000**	2016 US$'000
Revenue	**290,948**	224,962	**517,930**	473,313
Profit/(loss) before income tax	**587**	(33,016)	**19,988**	9,623
Income tax expense	**–**	(312)	**(5,416)**	(873)
Post-tax profit/(loss)	**587**	(33,328)	**14,572**	8,750
Other comprehensive income/(loss)	**1,777**	(2,363)	**828**	(134)
Total comprehensive income/(loss)	**2,364**	(35,691)	**15,400**	8,616
Total comprehensive income/(loss) allocated to non-controlling interests	**1,206**	(18,202)	**7,854**	4,394
Dividends paid to non-controlling interests	**–**	–	**–**	–

Summarised cash flows

	Sinochart group		Sinotrans Container Lines group	
	2017 **US$'000**	2016 US$'000	**2017** **US$'000**	2016 US$'000
Cash flows generated from/(used in) operating activities				
Cash generated from/(used in) operations	**11,139**	(7,946)	**24,124**	13,635
Interest received	**–**	–	**115**	147
Net cash generated from/(used in) operating activities	**11,139**	(7,946)	**24,239**	13,782
Net cash generated from/(used in) investing activities	**3,920**	13,158	**340**	(2,878)
Net cash used in financing activities	**(6,659)**	(6,662)	**–**	–
Net increase/(decrease) in cash and cash equivalents	**8,400**	(1,450)	**24,579**	10,904
Cash and cash equivalents at beginning of year	**20,392**	21,890	**38,114**	25,648
Exchange (losses)/gains on cash and cash equivalents	**(11)**	(48)	**(2,027)**	1,562
Cash and cash equivalents at end of year	**28,781**	20,392	**60,666**	38,114

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

17 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Vessels under construction	Land and buildings	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2016	1,507,719	65,350	6,965	9,217	1,589,251
Currency translation differences	(1,506)	–	(114)	(383)	(2,003)
Additions	67,515	24,130	–	3,236	94,881
Disposals	(142,401)	–	–	(282)	(142,683)
Transfer	41,640	(41,640)	–	–	–
At 31 December 2016	1,472,967	47,840	6,851	11,788	1,539,446
Currency translation differences	1,339	–	551	528	2,418
Additions	75,673	21,598	–	459	97,730
Disposals	(26,838)	–	–	(280)	(27,118)
Transfer to asset classified as held-for-sale	(14,795)	–	–	–	(14,795)
Transfer	27,005	(27,005)	–	–	–
At 31 December 2017	1,535,351	42,433	7,402	12,495	1,597,681
Accumulated depreciation and impairment					
At 1 January 2016	290,983	–	312	5,980	297,275
Currency translation differences	(475)	–	(10)	(291)	(776)
Depreciation charge for the year	58,450	–	286	1,181	59,917
Disposals	(84,867)	–	–	(269)	(85,136)
Impairment	162,793	–	–	–	162,793
At 31 December 2016	426,884	–	588	6,601	434,073
Currency translation differences	446	–	56	311	813
Depreciation charge for the year	50,510	–	286	1,220	52,016
Disposals	(17,558)	–	–	(237)	(17,795)
Transfer to asset classified as held-for-sale	(2,128)	–	–	–	(2,128)
At 31 December 2017	458,154	–	930	7,895	466,979
Net book value					
At 31 December 2017	1,077,197	42,433	6,472	4,600	1,130,702
At 31 December 2016	1,046,083	47,840	6,263	5,187	1,105,373

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

(b) At 31 December 2017, the Group's vessels with an aggregate net book value of US$64,192,000 (2016: US$66,937,000) were pledged as security for the bank borrowings (note 27(b)).

(c) The aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets as at 31 December 2017 (where the Group is the lessor) comprised the vessels under time charter arrangements, amounted to US$976,394,000 (2016: US$783,909,000), US$170,454,000 (2016: US$138,027,000) and US$74,750,000 (2016: US$42,210,000) respectively.

(d) The net book value of a vessel held under finance lease as at 31 December 2017 amounted to US$37,978,000 (2016: US$39,628,000) (note 27).

(e) The loss on disposal of property, plant and equipment mainly represented the loss resulting from the demolition of 2 vessels in 2017 (2016: 5 vessels) amounting to US$6,548,000 (2016: US$49,564,000). A government subsidy of US$8,065,000 (2016: US$48,645,000) in relation to the demolition of these vessels was applied in 2017 (note 9).

(f) Depreciation of US$50,957,000 (2016: US$58,804,000) is included in the "cost of operations" and depreciation of US$1,059,000 (2016: US$1,113,000) is included in the "selling, administrative and general expenses" in the consolidated statement of profit or loss and other comprehensive income.

18 INTANGIBLE ASSET

	Computer Software	
	2017	2016
	US$'000	US$'000
At 1 January		
Cost	**3,206**	1,592
Accumulated amortisation	**(704)**	(243)
Net book amount	**2,502**	1,349
Year ended		
Opening net book amount	**2,502**	1,349
Additions	**1,349**	1,614
Amortisation charge (Note 7)	**(706)**	(461)
Closing net book amount	**3,145**	2,502
At 31 December		
Cost	**4,555**	3,206
Accumulated amortisation	**(1,410)**	(704)
Net book amount	**3,145**	2,502

Amortisation of US$706,000 (2016: US$461,000) is included in the "selling, administrative and general expense" in the consolidated statement of profit or loss and other comprehensive income.

19 INTERESTS IN JOINT VENTURES

	2017	2016
	US$'000	US$'000
Investment in joint ventures (note a)	**89,581**	74,057
Loans to joint ventures (note b)	**4,000**	5,333
Current portion of loans to joint ventures	**(1,333)**	(1,333)
	2,667	4,000
Unlisted investments, at cost	**1**	1

19 INTERESTS IN JOINT VENTURES (CONTINUED)

Notes:

(a) Investment in joint ventures

	2017	2016
	US$'000	US$'000
At 1 January	**74,057**	60,769
Share of (loss)/profit	**(834)**	455
Investment during the year (note)	**16,358**	12,961
Dividend declared	**–**	(128)
At 31 December	**89,581**	74,057

The joint ventures listed below have share capital consisting solely of ordinary shares, which is held indirectly by the Group.

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest indirectly held by the Group	Principal Activities
Faship Maritime Carriers Inc. ("Faship")	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited ("Friendship 1")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited ("Friendship 2")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Arctic LNG 1 Limited ("ALNG 1") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited ("ALNG 2") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited ("ALNG 3") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited ("ALNG 4") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited ("ALNG 5") (note)	Cyprus	US$1,000	25.5%	Owning and chartering of vessel

Note: During the year, the Group made further investment to these joint ventures amounted to US$16,358,000 (2016: US$12,961,000).

(b) Loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (2016: 1%) over London Interbank Offered Rate ("LIBOR") per annum. The loans are repayable by instalments and are wholly repayable on or before 2020. Effective interest rate as at 31 December 2017 was 2.69% (2016: 2%). The fair value of the loans to joint ventures approximate their carrying amounts.

19 INTERESTS IN JOINT VENTURES (CONTINUED)

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures.

	2017 **US$'000**	2016 US$'000
Capital commitment in respect of the vessels under construction	–	12,146

In accordance with the joint venture agreements signed between the Group, China LNG Shipping (Holdings) Limited and Dynagas Holding Limited, the Group acquired 25.5% equity interest of each of ALNG 1, ALNG 2, ALNG 3, ALNG 4 and ALNG 5 (collectively "ALNG companies"). The Group's maximum aggregate shareholder's commitment is US$99,450,000 and is not obliged to contribute further funding unless otherwise agreed and to the extent the ALNG companies request further funding, such request funding shall be contributed pro rata to the shareholders' shareholding in the ALNG companies.

Each of the ALNG companies has entered into a shipbuilding contract for the construction of an ice breaking LNG vessel at a contract price of approximately US$317,532,000. The vessels are scheduled to be delivered in the period between the fourth quarter 2017 and the first quarter 2019.

On 12 December 2016, each of the ALNG Companies assigned their respective rights and interests under the shipbuilding contracts to the Hai Kuo Shipping 1601 Limited, Hai Kuo Shipping 1602 Limited, Hai Kuo Shipping 1603 Limited, Hai Kuo Shipping 1605 Limited and Hai Kuo Shipping 1606 Limited (collectively "Hai Kuo Companies") pursuant to the assignment agreements entered into amongst them at the purchase price. Upon the delivery of the vessels to the relevant Hai Kuo Companies, each Hai Kuo Company will become the owner of the relevant vessel. On the same day, each of the Hai Kuo Companies entered into the bareboat charters agreement with each of the ALNG Companies to lease the five Vessels on bareboat charter terms to the ALNG Companies for a charter period of 144 months. At the end of the charter period, each of the ALNG Companies will be obliged to purchase the vessels from the Hai Kuo Companies pursuant to the terms of the bareboat charters agreement. During the charter period, the ALNG Companies will lease the vessels to Yamal Trade Pte. Ltd. pursuant to the terms of the time charters.

Each of the ALNG companies has fulfilled its payment obligation under the bareboat charter agreements as at 31 December 2017.

Summarised financial information for joint ventures

Set out below are the summarised financial information for significant joint ventures which is accounted for using the equity method.

19 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised balance sheet

	2017 US$'000	2016 US$'000
Current		
Cash and cash equivalents	**10,182**	17,924
Other current assets (excluding cash)	**11,565**	664
Total current assets	**21,747**	18,588
Financial liabilities (excluding trade payables)	**(2,667)**	(2,667)
Other current liabilities (including trade payables)	**(171,495)**	(11,096)
Total current liabilities	**(174,162)**	(13,763)
Non-current		
Assets	**732,071**	383,994
Financial liabilities	**(265,964)**	(135,255)
Total non-current assets	**466,107**	248,739
Net assets	**313,692**	253,564

Summarised statement of profit or loss and other comprehensive income

	2017 US$'000	2016 US$'000
Revenue	**7,141**	6,534
Depreciation and amortisation	**(2,680)**	(2,671)
Interest expense	**(860)**	(741)
Others	**(7,622)**	(2,585)
(Loss)/profit for continuing operations	**(4,021)**	537
Income tax expense	**–**	–
Post-tax (loss)/profit from continuing operations	**(4,021)**	537
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(4,021)**	537

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for difference in accounting policies between the Group and the joint ventures, and not Sinotrans Shipping Limited's share of those amounts.

19 INTERESTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures.

Summarised financial information	2017 US$'000	2016 US$'000
Opening net assets 1 January	**253,564**	202,453
(Loss)/profit for the period	**(4,021)**	537
Investment during the year	**64,149**	50,830
Dividend declared	**–**	(256)
Closing net assets	**313,692**	253,564
Interest in Joint Venture @50% for Faship, Friendship 1, Friendship 2, 25.5 % for ALNG 1, ALNG 2, ALNG 3, ALNG 4, ALNG 5	**89,581**	74,057
Carrying value	**89,581**	74,057

20 TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables, net of provision (note a)		
– fellow subsidiaries	**5,314**	8,565
– third parties	**86,385**	78,502
	91,699	87,067
Prepayments, deposits and other receivables, net of provision (note b)	**49,955**	59,911
Loans to related companies (note c)	**15,030**	16,071
Amounts due from related parties (note d)		
– fellow subsidiaries	**601**	2,223
– joint ventures	**44**	53
– ultimate holding company	**–**	6,896
– intermediate holding companies	**25,889**	–
	26,534	9,172
	183,218	172,221
Less: non-current portion: loans to related companies	**(13,959)**	(15,027)
Current portion	**169,259**	157,194

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The Group does not grant any credit term to its customers. Ageing analysis of Group's trade receivables, net of provision at the respective balance sheet dates are as follows:

	2017	2016
	US$'000	US$'000
Within 6 months	**89,382**	84,631
7-12 months	**1,863**	1,693
1-2 years	**616**	933
2-3 years	**175**	1,962
Over 3 years	**3,792**	2,227
Trade receivables	**95,828**	91,446
Less: impairment provision		
Within 6 months	**–**	–
7-12 months	**(104)**	(134)
1-2 years	**(222)**	(335)
2-3 years	**(11)**	(1,769)
Over 3 years	**(3,792)**	(2,141)
Provision for impairment of trade receivables	**(4,129)**	(4,379)
Trade receivables, net of provision	**91,699**	87,067

As at 31 December 2017, management has impaired trade receivables of US$4,129,000 (2016: US$4,379,000). The individually impaired receivables mainly relate to balances under disputes with the charterers. It was assessed that a portion of the receivables is expected to be recovered.

Save as disclosed in the above, trade receivables are past due but not considered to be impaired as at 31 December 2017 and 2016. These trade receivables relate to fellow subsidiaries and a number of independent customers for whom there is no history of default.

(b) As at 31 December 2017, other receivables include government subsidy in relation to the demolition of vessels amounted to US$8,324,000 (2016: US$18,395,000). Details of the government subsidy are set out in note 9 to the consolidated financial statements.

As at 31 December 2017, other receivables of US$1,126,000 (2016: US$1,792,000) were considered as impaired by management and were provided for.

(c) Loans to related companies are denominated in US$ and bear floating interest rates. The effective interest rate as at 31 December 2017 was 4.83% to 5.01% (2016: 4.13% to 4.31%). The interest rates are based on 3-month LIBOR plus a margin of 0.7% (2016: 0.7%) per annum. The maturity dates of the loans range from 2020 to 2021 (2016: 2020 to 2021). These loans were secured by vessels of these related companies.

(d) Amounts due from related parties are unsecured, interest free and repayable on demand. These balances are neither past due nor impaired and there is no history of default.

(e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Other than the loans to related companies as stated in note 20(c), the Group does not hold any collateral as security.

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(f) Movements on the Group's provision for impairment of trade receivables are as follows:

	2017 US$'000	2016 US$'000
At 1 January	**4,379**	3,216
Addition	**119**	1,289
Reversal	**(251)**	–
Written off	**(247)**	(9)
Currency translation differences	**129**	(117)
At 31 December	**4,129**	4,379

As at 31 December 2017 and 2016, the fair value of the Group's trade and other receivables approximate their carrying amounts.

21 CASH AND BANK BALANCES

	2017 US$'000	2016 US$'000
Current		
Cash and cash equivalents	**199,074**	283,243
Short-term bank deposits (note a)	**527,302**	360,627
Restricted cash	**115**	108
Cash and bank balances	**726,491**	643,978

Notes:

(a) The short-term deposits include deposits of US$49,429,000 (2016: US$48,328,000) which are placed with China Merchants Group Finance Co., Ltd. (2016: Sinotrans & CSC Finance Co., Ltd), a fellow subsidiary which is a registered financial institution in the PRC. The deposits are with original maturity over 3 months and bear interest at prevailing market rates.

The short-term deposits of US$125,425,000 are placed with China Merchants Bank and Wing Lung Bank, being related companies of the Group after China Merchant Group Limited became the ultimate holding company of the Company in April 2017.

21 CASH AND BANK BALANCES (CONTINUED)

Notes: (Continued)

(b) The cash and bank balances of the Group are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	**472,335**	392,726
Renminbi	**242,475**	243,564
Hong Kong dollar	**1,364**	1,290
Japanese Yen	**9,263**	5,181
Others	**1,054**	1,217
Cash and bank balances	**726,491**	643,978

As at 31 December 2017 and 2016, the fair value of the Group's cash and bank balance approximate their carrying amounts.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 US$'000	2016 US$'000
Unlisted investments		
– Equity security (note a)	**–**	3,604
Listed investments		
– Equity security	**89**	173
– Debt security (note b)	**21,615**	49,090
	21,704	49,263
	21,704	52,867
At 1 January	**52,867**	28,937
Addition	**6,000**	49,740
Disposal	**(38,211)**	(23,329)
Currency translation differences	**1,010**	(2,339)
Fair value change	**38**	(142)
At 31 December	**21,704**	52,867
Less: Non-current portion	**(20,085)**	(18,360)
Current portion	**1,619**	34,507

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Notes:

(a) At 31 December 2016, the unlisted equity security of RMB25,000,000 (approximate US$3,604,000) represents the Group's investment in equity interest in Sinotrans & CSC Finance Co., Ltd., a fellow subsidiary which is included in the non-current portion. Such investment was disposed during the year ended 31 December 2017.

(b) Debt securities are with fixed interest ranging from 3.0% to 5.9% per annum (2016: 3.5% to 5.9% per annum) and maturity dates between year 2018 and 2021 (2016: between year 2017 and 2021).

(c) The maximum exposure to credit risk of these investments at the reporting date is its carrying value.

(d) None of these financial assets is either past due or impaired at 31 December 2016 and 2017.

(e) Among the available-for-sales financial assets, 7% (2016: 72%) and 93% (2016: 28%) are denominated in Renminbi and US dollars respectively. The remaining balances are denominated in Korean Won.

23 SHARE CAPITAL

	2017		2016	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		US$'000		US$'000
Ordinary shares				
Issued and fully paid	**3,992,100,000**	**1,878,209**	3,992,100,000	1,878,209

Note:

The Company adopted a share option scheme on 31 October 2007. Under the terms of the share option scheme, the Directors may, at their discretion, grant an option to eligible participants to subscribe for the Company's shares at the subscription price which will not be less than the highest of (i) the closing price of the Company's shares at the Stock Exchange daily quotation sheets on the date of grant; (ii) the average of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. No share options were granted during the year ended 31 December 2017 and 2016.

24 ASSET CLASSIFIED AS HELD-FOR-SALE

	2017	2016
	US$'000	US$'000
Vessel	**10,802**	–

As at 31 December 2017, the Group contemplated to sell a dry bulk vessel, "Da Cheng", to a related company. Accordingly, such vessel was derecognised from property, plant and equipment and classified to asset classified as held-for-sales, and its carrying amount was written down to its fair value less costs to sell. Therefore, an impairment amounted to US$1,804,000 was recognised within "Other gains/(losses), net". The transfer agreement has been signed on 12 February 2018.

25 TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade payables (note a)		
– fellow subsidiaries	**12,502**	12,272
– third parties	**158,150**	140,379
	170,652	152,651
Other payables and accruals	**31,862**	24,564
Amounts due to related parties		
– fellow subsidiaries (note b)	**1,159**	1,143
– joint ventures (note b)	**71**	102
– an immediate holding company (note c)	**74,869**	–
	76,099	1,245
	278,613	178,460

Notes:

(a) At 31 December 2017, ageing analysis of trade payables (including amounts due to fellow subsidiaries of trading in nature) based on invoice date are as follows:

	2017 US$'000	2016 US$'000
Within 6 months	**114,264**	126,917
7-12 months	**41,592**	5,826
1-2 years	**1,729**	8,704
2-3 years	**3,033**	1,300
Over 3 years	**10,034**	9,904
Trade payables	**170,652**	152,651

(b) Amounts due to fellow subsidiaries and joint ventures are unsecured, interest free and repayable on demand.

(c) Amount due to an immediate holding company is unsecured, bears interest at prevailing market rates, and repayable on 26 April 2018.

As at 31 December 2017 and 2016, the fair value of the Group's trade and other payables approximate their carrying amounts.

26 PROVISION FOR OTHER LIABILITIES

	2017 **US$'000**	2016 US$'000
Provision for onerous contracts	**7,814**	17,637
Provision for claims under pending litigations	**780**	9,310
	8,594	26,947
Less: Non-current portion	**(2,439)**	(6,393)
Current portion	**6,155**	20,554

The movements in the provision for other liabilities are as follows:

	Provision for onerous contracts		**Provision for claims under pending litigations**	
	2017 **US$'000**	2016 US$'000	**2017** **US$'000**	2016 US$'000
At 1 January	**17,637**	3,176	**9,310**	9,310
Provision/(reversal of provision)	**1,109**	18,051	**(8,731)**	649
Utilisation	**(11,492)**	(3,135)	**–**	–
Settlement	**–**	–	**–**	(649)
Currency translation differences	**560**	(455)	**201**	–
At 31 December	**7,814**	17,637	**780**	9,310

In 2017, the Group made a provision of US$1,109,000 (2016: US$18,051,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts based on the management's estimation basis as mentioned in (note 5(e)).

27 BORROWINGS

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

	Bank borrowings		Finance lease obligation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within 1 year	**6,346**	6,346	**1,872**	1,663	**8,218**	8,009
Between 1 and 2 years	**6,346**	6,346	**2,058**	1,819	**8,404**	8,165
Between 2 and 5 years	**10,807**	16,931	**7,975**	7,047	**18,782**	23,978
Over 5 years	**–**	–	**27,750**	30,736	**27,750**	30,736
	23,499	29,623	**39,655**	41,265	**63,154**	70,888
Less: current portion	**(6,346)**	(6,346)	**(1,872)**	(1,663)	**(8,218)**	(8,009)
Non-current portion	**17,153**	23,277	**37,783**	39,602	**54,936**	62,879

Notes:

(a) At 31 December 2017, bank borrowings of US$23,499,000 (2016: US$29,623,000) bear fixed rate ranging from 2.6% to 3.5% (2016: 2.6% to 3.5%) per annum.

(b) As at 31 December 2017, the Group's bank borrowings of US$23,499,000 (2016: US$29,623,000), were secured by its vessels with aggregate carrying amount of US$64,192,000 (2016: US$66,937,000) (note 17(b)).

(c) The fair value of current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair value are based on cash flows discounted using a rate based on the borrowing rate of 3.2% (2016: 3.2%) and are within level 2 of the fair value hierarchy.

The Group's borrowings are denominated in US$.

(d) In 2015, the Group entered into a finance lease arrangement with a third party, pursuant to which the Group hire a dry bulk vessel by monthly instalments and has an option to purchase the vessel at a consideration prior to the expiry of the lease. The Group has accounted for this transaction as a finance lease payable. The finance lease is repayable in various instalments up to 2026.

The Group's finance lease payable is repayable as follows:

	2017	2016
	US$'000	US$'000
Finance lease payable-minimum lease payments:		
– within one year	**6,643**	6,643
– in the second year	**6,643**	6,643
– in the third to fifth year	**19,947**	19,947
– after the fifth year	**37,370**	44,013
	70,603	77,246
Future finance charges on finance lease	**(30,948)**	(35,981)
Present value of finance lease payable	**39,655**	41,265

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets are as follows:

	2017 US$'000	2016 US$'000
Deferred income tax assets:		
– To be recovered within 12 months	–	–
– To be recovered after more than 12 months	–	15
	–	15

The movement in the deferred income tax is as follows:

	Tax loss US$'000	Other accruals and provision US$'000	Total US$'000
At 1 January 2016	15	324	339
(Charged)/credited to profit or loss	–	(312)	(312)
Currency translation differences	–	(12)	(12)
At 31 December 2016 and at 1 January 2017	**15**	**–**	**15**
Charged to profit or loss	**(15)**	**–**	**(15)**
At 31 December 2017	**–**	**–**	**–**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US$19,392,000 (2016: US$24,434,000) in respect of losses amounting to US$74,204,000 (2016: US$77,737,000) that can be carried forward against future taxable income. US$7,765,000 of losses will expire in 2018 (2016: US$10,585,000 of losses will expire in 2017).

29 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

29.1 Reconciliation of profit/(loss) before income tax to cash generated from operations

	2017 US$'000	2016 US$'000
Profit/(loss) before income tax	**45,721**	(240,790)
Adjustments for:		
Impairment loss on asset classified as held-for-sales	**1,804**	–
Vessels Impairment	**–**	162,793
Depreciation and amortisation	**52,722**	60,378
(Reversal of)/additional provision for impairment of trade and other receivables, net	**(826)**	1,280
Loss on disposals of property, plant and equipment	**6,496**	49,583
Share of losses/(profits) of joint ventures	**834**	(455)
Finance income, net	**(10,991)**	(4,573)
Gain on disposal of available-for-sale financial assets	**(440)**	–
(Reversal of)/additional provision for onerous contracts, net	**(10,383)**	14,916
(Reversal of)/additional provision for claims under pending litigations	**(8,731)**	649
Government subsidy	**(8,139)**	(48,945)
Exchange loss/(gain)	**3,563**	(861)
Changes in working capital:		
Inventories	**(1,307)**	(1,756)
Trade and other receivables (excluding amounts due from related parties)	**12,495**	36,312
Amounts due from related parties, net	**(17,377)**	(203)
Trade and other payables (excluding amounts due to related parties)	**28,330**	(22,693)
Cash generated from operations	**93,771**	5,635

29.2 Movements of financial liabilities arising from financing activities

	Borrowings (Current) US$'000	Borrowings (Non-current) US$'000	Finance Lease obligation US$'000	Amount due to an immediate holding company US$'000	Total US$'000
As at 31 December 2016	6,346	23,277	41,265	–	70,888
Currency translation differences	–	–	(3)	–	(3)
Cash flows					
– (outflow)/inflow from financing activities	–	(6,124)	(1,607)	74,869	67,138
As of 31 December 2017	**6,346**	**17,153**	**39,655**	**74,869**	**138,023**

30 CONTINGENT LIABILITIES

Sinochart as both defendant and plaintiff

In 2007, a chartered-in vessel of Sinochart grounded off and sank when unloading in Japan. The chartered-in shipowner subsequently brought a claim against Sinochart, alleging the port was unsafe and thus holding Sinochart liable for all the losses and costs incurred in the sum of US$190,000,000. Sinochart thus brought a claim against the sub-charterer in a back-to-back position. To protect the interest of Sinochart, Sinochart obtained an irrevocable stand-by letter from Sumitomo Mitsui Banking Corporation in the amount of US$190,000,000.

In July 2013, the High Court in London ruled that Sinochart was liable for the incident and should compensate the shipowner for an amount of approximately US$166,627,000. At the same time, Sinochart obtained judgement against the sub-charterer in the same sum.

In October 2013, the sub-charterer appealed against the judgement and Sinochart therefore also lodged an appeal for the judgement against it.

In January 2015, the Court of Appeal in the UK reversed the judgement of the first instance and judged that Sinochart was not liable to undertake the compensation liability against the shipowner while the sub-charterer was not liable to undertake any responsibility against Sinochart.

In May 2015, the case continued to appeal to the Supreme Court in the UK by the shipowner.

On 10 May 2017, the Supreme Court in the UK delivered judgements on a legal proceeding and the Court held that Sinochart was not responsible for the damages of the vessel thereof. Based on the final judgement by the court and the legal advice from legal counsel, the case was concluded and closed. Accordingly, directors considered that it is appropriate to reverse the unutilised provision for the case amounted to US$8,700,000 to the profit and loss during the year ended 31 December 2017.

In addition to the above, as at 31 December 2017, Sinochart was also involved in other 11 (2016: 8) pending lawsuits amounted to approximately US$3,375,000 (2016: US$2,698,000). Taking into account the latest status of the legal proceeding and the progress of settlement negotiations, the provisions for those cases is in the sum of US$780,000 as at 31 December 2017 (2016: US$610,000).

Save as disclosed above, the Group was involved in a number of claims and lawsuits currently under way. These claims and lawsuits are incidental to the Group's business operation, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels and early termination of vessel chartering contracts.

As at 31 December 2017 and 31 December 2016, the Group is unable to ascertain the likelihood and amounts of these respective claims, other than those provided for. However, based on the information available to the Group, the Directors are of the opinion that these cases will not have the significant financial or operational impact to the Group.

31 COMMITMENTS

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

	2017 **US$'000**	2016 US$'000
Contracted but not provided for	**99,476**	191,605

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

	2017 **US$'000**	2016 US$'000
Capital commitment in respect of the vessels under construction	**–**	12,146

(c) Operating lease commitments – where the Group is the lessee

At 31 December 2017, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2017 **US$'000**	2016 US$'000
Office premises		
– no later than one year	**2,340**	494
– later than one year and no later than five years	**1,045**	146
	3,385	640
Vessels		
– no later than one year	**101,071**	93,915
– later than one year and no later than five years	**117,959**	123,021
– over five years	**1,541**	10,604
	220,571	227,540
	223,956	228,180

31 COMMITMENTS (Continued)

(d) Operating lease commitments – where the Group is the lessor

At 31 December 2017, the Group has the following future minimum lease receipts under non-cancellable operating leases in relation to chartering of vessels. These vessels chartering agreements have varying terms ranging from 1 to 10 months (2016: 1 to 5 months):

	2017	2016
	US$'000	US$'000
Vessels		
– no later than one year	**52,012**	10,946

32 RELATED PARTY TRANSACTIONS

As at 31 December 2017, China Merchant Group (2016: SINOTRANS & CSC Holdings Co, Ltd.), the ultimate holding company, is controlled by the PRC Government. The PRC Government is the Company's ultimate controlling party. In accordance with HKAS 24 (Revised), "Related Party Disclosures" issued by the HKICPA, enterprises directly or indirectly controlled, jointly controlled or significant influenced by the PRC Government ("state-owned enterprises"), together with China Merchant Group and its group companies (2016: SINOTRANS & CSC Holdings Co., Ltd. and its group companies) are all related parties of the Group.

The Group has certain transactions with other state-owned enterprises including but are not limited to the charter hire income and expenses and bank interest income. In the ordinary course of the Group's business, transactions occur with state-owned enterprises are based on the terms and prices agreed by both parties.

Apart from the above-mentioned transactions with the state-owned enterprises, the following is a summary of significant related party transactions and balances during the year.

32 RELATED PARTY TRANSACTIONS (Continued)

(a) The following significant transactions were carried out with related parties:

	2017 US$'000	2016 US$'000
Charter hire income from fellow subsidiaries	**215,004**	159,120
Charter hire expenses paid to a joint venture	**3,226**	3,287
Charter hire expenses paid to fellow subsidiaries	**24**	1,970
Commission expenses to fellow subsidiaries	**365**	66
Expenses for hiring of crews and seafarers to a fellow subsidiary	**9,790**	10,752
Interest income from loans to joint ventures	**104**	103
Interest income from a fellow subsidiary	**657**	465
Interest income from loan to related companies	**719**	678
Interest expense paid to an immediate holding company	**605**	–
Interest expense paid to a fellow subsidiary	**16**	–
Rental expenses to fellow subsidiaries	**3,337**	2,642
Service fee paid to fellow subsidiaries	**147,775**	104,483
Service fee income from fellow subsidiaries	**182**	239
Service fee paid to a related company	**1,280**	390
Agency income from fellow subsidiaries	**36,144**	29,843
Vessel and container leasing cost paid	**13,636**	13,036
Commercial management fee from joint ventures	**156**	156
Commercial management fee paid to a fellow subsidiary	**750**	–

In the opinion of the Directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) During the year, the Group was allowed to use trademarks registered in the name of SINOTRANS & CSC Holdings Co., Ltd. on a free-of-charge basis.

(c) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 20, 21 and 25.

(d) Key management compensation

	2017 US$'000	2016 US$'000
Salaries, allowances, and benefits-in-kind	**411**	526
Contributions to pension plans	**18**	18
	429	544

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 December	
	2017	2016
	US$'000	US$'000
ASSETS		
Non-current assets		
Subsidiaries	**272,884**	272,884
Amount due from subsidiaries	**1,259,645**	1,123,088
Property, plant and equipment	**1,000**	1,389
Intangible asset	**3,145**	2,502
Loans to related companies	**13,959**	15,027
Available-for-sale financial assets	**20,085**	14,756
Deferred income tax assets	**–**	15
	1,570,718	1,429,661
Current assets		
Trade and other receivables	**4,317**	4,860
Loans to related companies	**1,071**	1,044
Available-for-sale financial assets	**–**	21,505
Cash and bank balances		
– Cash and cash equivalents	**54,246**	170,277
– Short-term bank deposits	**358,210**	307,321
	417,844	505,007
Total assets	**1,988,562**	1,934,668

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance Sheet of the Company

	As at 31 December	
	2017	2016
	US$'000	US$'000
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**1,878,209**	1,878,209
Other reserves (note a)	**28,508**	52,030
Total equity	**1,906,717**	1,930,239
LIABILITIES		
Current liabilities		
Trade and other payables	**81,799**	4,414
Taxation payable	**46**	15
	81,845	4,429
Total equity and liabilities	**1,988,562**	1,934,668

The balance sheet of the Company was approved by the Board of Directors on 8 March 2018 and was signed on its behalf

Li Zhen
Director

Li Hua
Director

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Notes:

(a) Reserve movement of the Company

	Retained earnings US$'000
At 1 January 2016	54,259
Loss for the year	(2,260)
Other comprehensive income/(loss)	
Currency translation differences	178
Fair value changes of available-for-sale financial assets	(147)
Total comprehensive loss	(2,229)
Transactions with owners	
Dividend	–
Total transactions with owners	–
At 31 December 2016	52,030
At 1 January 2017	**52,030**
Loss for the year	**(2,344)**
Other comprehensive loss	
Currency translation differences	**(289)**
Available-for-sale financial assets	
– Fair value changes	**38**
–Transfer to profit or loss	**(440)**
Total comprehensive loss	**(3,035)**
Transactions with owners	
Dividend	**(20,487)**
Total transactions with owners	**(20,487)**
At 31 December 2017	**28,508**

34 EVENT AFTER BALANCE SHEET DATE

On 12 February 2018, an agreement was entered with a fellow subsidiary, Shanghai Changhang Shipping Co, Ltd, in relation to the disposal of a vessel, which was recorded as asset classified as held-for-sale as at 31 December 2017 at a consideration of RMB84,300,000 (inclusive of a value-added tax of 17%). The proceed of the disposal, net of value-added tax and other direct expenses, was approximately US$10,802,000.

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2017, the Company has interests in the following principal subsidiaries and joint ventures:

(i) List of principal subsidiaries

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Best Aero Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Bright Sincere Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
*China National Chartering Co., Ltd,	Beijing, China	RMB700,000,000	49%	Owning and Chartering of vessel
*China National Chartering (Hong Kong) Co Limited	Hong Kong	HK$50,000,000	49%	Owning and chartering of vessel
Double Strong International limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Dragon Rich Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Earning Top Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Effort Plus Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Federal Delight Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Flying Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Fortress Shipping Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
#Golden Year Shipping Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Grant Fortune Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of veseel
Great Han Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Hope Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Great Jin Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Kent Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Great Legend Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Mind Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Praise Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Qin Shipping limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Resource Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Reward Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Song Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Sui Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Talent Shipping limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Tang Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Yuan Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Zhou Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
High Efficiency Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Holy Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
#Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
King strategy Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Marine Harvest Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Marine Peace Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Marine Peace Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Merchant Bright Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
On Great Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Prime Blue Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
#Silver Year Shipping Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Sinotrans (Bermuda) Ltd	Bermuda	12,000 shares of US$1 each	100%	Chartering of vessels
Sinotrans Agencies (S) Pte Limited	Singapore	5,000,000 shares of SGN1 each	100%	Provision for agency services for shipping forwarding and aircargo
Sinotrans Canada Inc.	Canada	1,000 common shares of CAD 1 each. 1,500 Series 1 preference shares at US$100 per share	100%	Provision of shipping agency Services
#Sinotrans Chartering Limited	Hong Kong	HK$1	100%	Chartering of vessels

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
*Sinotrans Container Lines Company Limited	Shanghai, China	RMB400,000,000	49%	Container Shipping
#Sinotrans Navigation Limited ("Tianze")	Shanghai, China	RMB100,000,000	100%	Provision of ship management services
#Sinotrans Ship Management Limited	Hong Kong	HK$2	100%	Provision of ship management services
#Sinotrans Ship Trading Limited	British Virgin Islands	256,347,734 shares of US$1	100%	Provision of investing services
#Sinotrans Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment Holding
Sinotrans Shipping Chartering Inc	Panama	2 shares of US$ 1 each	100%	Chartering of vessels
Sinotrans Shipping LNG Limited	Hong Kong	HK$1	100%	Investment Holding
Smart Blue Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Standard Lead Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Top Central Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Top Kent Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Trade Elegancy Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Endeavor Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Integrity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Sincerity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Worlder Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Uni Yield Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Victory Action Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Yunfu Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yungui Shipping company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yunhua Shipping company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
Yunrong Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel

Directly held by the Company

* Despite the fact that the Group does not hold more than half of the equity interests in these companies, the directors of the Company considers that the Group is able to exercise control over these companies through its right of appointment of the representatives on their board of directors

Directors of the company's subsidiaries

During the year and up to the date of this report, Mr. Li Zhen, Mr. Li Hua, Mr. Xia Zhengguo, Mr. Tian Xuehao, Ms. Feng Guoying, Mr. Liu Chunting, Mr. Ye Jie, Mr. Xie Shaohua, Ms. Xing Naiqun, and Mr. Tang Kai are also directors in certain subsidiaries of the Company. Other directors of the company's subsidiaries during the year and up to the date of this report include: Mr. Li Shudong, Mr. Xu Tinghui, Mr. Li Jun, Mr. Wang Guifu, Mr. Zhang Guoqing, Mr. Li Xu, Mr. Zhou Hui, Mr. Li Jing, Mr. Gu Xing, Mr. Ji Jie, Mr. Liu Bingshuang, Mr. Wang Hui, Mr. Zhu Wei, Mr. Geng Chen and Mr. Xu Qiumin.

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(ii) List of joint ventures

Name	Country of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest indirectly held by the Group	Principal activities
Faship Maritime Carriers Inc.	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel
Arctic LNG 1 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited	Cyprus	US$1,000	25.5%	Owning and chartering of vessel

DEFINITIONS

In this annual report, the following expressions shall have the meaning set out below unless the context otherwise requires. Certain technical terms are explained in the section headed "Glossary of Technical Terms".

"Arctic LNG Carrier"	a LNG carrier designed for navigation in Arctic Circle under particular icing conditions
"Baltic Dry Index" or "BDI"	the BDI is published every London working day by the Baltic Exchange, which collates information for Handysize, Supramax, Panamax and Capesize vessels to create this leading freight market indicator
"Board"	the board of Directors of our Company
"Chartering Opportunity"	a business opportunity to charter out dry bulk vessels to a potential customer
"China Containerized Freight Index" or "CCFI"	"CCFI" is the abbreviation of China Containerized Fright Index that reflects the fluctuation of sport freight rates on export container transport market of China
"China LNG Shipping (Holdings) Limited"	China LNG Shipping (Holdings) Limited, a company incorporated in Hong Kong with limited liability
"Company" or "our Company"	Sinotrans Shipping Limited (中外運航運有限公司), a company incorporated on 13 January 2003 with limited liability under the laws of Hong Kong
"Deed of Non-Competition"	the deed of non-competition entered into by and between SINOTRANS Group Company and our Company on 8 November 2007 in respect of the main businesses conducted by our Group
"Director(s)" or "our Director(s)	the director(s) of our Company
"Dynagas Holding Ltd"	Dynagas Holding Ltd, a company incorporated in the Republic of the Marshall Islands with limited liability
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "our Group"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by the present subsidiaries of our Company or (as the case may be) its predecessor
"Prospectus"	the Company's prospectus dated 12 November 2007
"Relevant Services"	time chartering of self-owned dry bulk vessels, time chartering of self-owned container vessels, and crude oil shipping
"SINOTRANS Group" or "SINOTRANS & CSC Group"	SINOTRANS & CSC Group Company and its subsidiaries (but excluding our Group)

"SINOTRANS Group Company" or " SINOTRANS & CSC Group Company"	SINOTRANS & CSC Holdings Co., Ltd., formerly known as China National Foreign Trade Transportation (Group) Corporation, a PRC state-owned enterprise formed in 1950, being the controlling shareholder of our Company
"Trademark Licence Agreement"	the trademark licence agreement dated 9 November 2007 entered between Sinotrans Group Company and the Company, pursuant to which Sinotrans Group Company has granted a non-exclusive licence to the Group the right of using the Trademarks
"we," "us" or "our"	our Company or our Group (as the case may require)
"YAMAL Trade Pte Ltd"	YAMAL Trade Pte Ltd, a company incorporated in Republic of Singapore with limited liability, originally was a party of an ship-building contract and a charterer under a time charter

In this annual report, terms such as "associate", "connected party", "connected party transaction", "controlling shareholder", "subsidiary", and "substantial shareholder" shall have the meaning ascribed to them in the Listing Rules.

GLOSSARY

This glossary contains certain definitions of technical terms used in this annual report in connection with our Company and our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

"ABS"	the American Bureau of Shipping, a classification society established in 1862, being one of the largest classification societies in the world with a classed fleet of over 10,000 commercial vessels and offshore facilities. ABS is a member of International Association of Classification Societies (IACS) and is recognised by the Hong Kong government
"Ballast Water"	It is defined as any solid or liquid that is brought on board a vessel to increase the draft, change the trim, regulate the stability or to maintain stress loads within acceptable limits
"BS OHSAS 18001"	The Occupational Health and Safety Assessment Series, developed by the British Standards Institution, the Det Norske Veritas and other thirteen organizations in 1999, which is an internationally applied British Standard for occupational health and safety management system
"Capesize"	a dry bulk vessel with a capacity of over 100,000 DWT
"Daily TCE"	daily time charter equivalent rate, the basis on which we measure our charter rate level. It is determined by dividing total voyage revenue (net of voyage expenses) by total voyage days for the relevant time period. Voyage expenses primarily consist of port charges and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. Daily TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types under which the vessels may be employed between the periods
"dry bulk"	unpacked goods such as coal, metallic minerals, iron, building materials, cement, timber, salt, grains and similar materials
"drydocking"	the removal of a vessel from the water for inspection, maintenance and/or repair
"DWT"	the deadweight of a ship expressed in tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
"EEDI"	Energy Efficiency Design Index, is an estimation of CO_2 emission per metric tonne of cargo sailed one mile when at design stage, which for new ships, is the single most important technical measure aimed at promoting the use of energy efficiency equipment & engines
"EEOI"	Energy Efficiency Operation Indicator, is expressed as kg CO_2 emission/(metric tonne nautical mile), which is a monitoring tool for managing ship and fleet efficiency performance over time

"FFA"	Forward Freight Agreement, a kind of forward freight rate agreement concluded between the buyer and seller, specifying the routes, prices, quantities, etc. The two parties agree to take or pay the difference between BDI and the transaction price in a certain point of time
"g/metricton of cargosailed nautical mile"	The amount of emissions when the vessel transported one metric ton of cargo and sailed 1 nautical mile
"g of standard coal/1 metricton of cargo sailed 1 nautical mile"	The amount of standard coal equivalent consumed by the main engine and auxiliary engine when the vessel transported one metric ton of cargo and sailed 1 nautical mile
"Handymax"	a dry bulk vessel with a capacity of between 40,000 DWT and 59,999 DWT
"Handysize"	a dry bulk vessel with a capacity of between 10,000 DWT and 39,999 DWT
"hire"	a sum of money to be paid to the shipowner by a charterer under a time charter for the use of a vessel
"ISM Code"	The International Safety Management Code, is developed by the International Maritime Organization, aiming to provide an international standard for pollution prevention, safe management and operation of ships
"LNG"	liquefied natural gas
"MLC 2006"	The Maritime Labor Convention, 2006, known as the "Bills of Rights" of seafarers, is an updated comprehensive maritime labor convention that developed by the International Labor Organization on basis of previously adopted sixty-eight relevant conventions and recommendations.
"off-hire"	the situation applying to a ship on time charter when hire temporarily ceases to be paid by the charterer, or the time gap between two charters
"operating costs"	the costs of operating a ship which primarily consists of the costs of lubricants, spare parts, repairs and maintenance, crewing costs and insurance costs (but excluding capital expenditure, drydocking costs and voyage costs)
"P&I Association"	a mutual association providing P&I insurance coverage
"P&I insurance"	protection and indemnity insurance, obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss
"Panamax"	a dry bulk vessel with a capacity of between 60,000 and 99,999 DWT
"Plan-Do-Check-Act"	It was made popular by Dr. W. Edwards. Deming, an American Scholar. It is an iterative four-step management method via processes of Plan, Do, Check and Act to deliver results in accordance with the expected output and encourage continual improvement of processes and products

"port charges"	a general term which includes charges and dues of every nature assessed against a vessel, cargo and passengers in a port. Such charges can be classified into three categories: (i) charges in relation to the vessel such as vessel tonnage tax, vessel port dues, pilot fee and towage, (ii) charges in relation to the cargoes such as cargo port duties, loading and discharge fees and cargo handling fees and (iii) other expenses such as ship repairing costs and advances by the crew
"technical management"	management of those aspects of ship owning and operation that relate to the physical operation of a vessel, including the provision of crew, routine maintenance, repairs, drydocking and supplies of stores and spares
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"time charter"	a contract under which the shipowner hires out a ship for a specified period of time. The shipowner is responsible for providing the crew and paying the operating costs while the charterer is responsible for paying the voyage costs. The shipowner is paid charter hire on a per day basis
"voyage charter"	a contract under which a shipowner hires out a ship for a specific voyage between the loading port and the discharging port. The shipowner is responsible for paying both the operating costs and the voyage costs. The shipowner is paid freight on the basis of cargo movement between ports

CORPORATE INFORMATION

REGISTERED OFFICE

21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Ms. Koo Ching Fan, *ACIS ACS FCCA*

AUTHORISED REPRESENTATIVES

Mr. Li Hua
Ms. Feng Guoying

AUDIT COMMITTEE

Mr. Tsang Hing Lun *(Chairman)* (passed away on 4 June 2017)
Mr. Wu Tak Tung *(Chairman)* (appointed on 4 July 2017)
Mr. Zhou Qifang
Mr. Lee Peter Yip Wah

REMUNERATION COMMITTEE

Mr. Zhou Qifang *(Chairman)*
Mr. Li Zhen
Mr. Tsang Hing Lun (passed away on 4 June 2017)
Mr. Xu Zhengjun (appointed on 4 July 2017)

NOMINATION COMMITTEE

Mr. Li Zhen *(Chairman)*
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Ltd., Harbour Road Branch
G/F., China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
ICBC Tower
122-126 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corp. Ltd.,
Sun Hung Kai Centre Branch
115-117 & 127-133 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

AUDITOR

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中外運航運有限公司
SINOTRANS SHIPPING LTD.